Civil Code of the Russian Federation (Parts One, Two, Three and Four) (with Amendments and Additions)

CIVIL CODE OF THE RUSSIAN FEDERATION
Part One No. 51-FZ of November 30, 1994,
Part Two No. 14-FZ of January 26, 1996,
Part Three No. 146-FZ of November 26, 2001 and
Part Four No. 230-FZ of December 18, 2006
(with the Amendments and Additions of February 20, August 12, 1996, October 24, 1997, July 8, December 17, 1999, April 16, May 15, November 26, 2001, March 21, November 14, 26, 2002, January 10, March 26, November 11, December 23, 2003, June 29, July 29, December 2, 29, 30, 2004, March 21, May 9, July 2, 18, 21, 2005, January 3, 10, February 2, June 3, 30, July 27, November 3, December 4, 18, 30, 2006, January 26, February 5, April 20, June 26, July 19, 24, October 2, 25, November 4, 29, December 1, 6, 2007, April 24, 29, May 13, June 30, July 14, 22, 23, November 8, December 25, 30, 2008, February 9, April 9, June 29, July 17, December 27, 2009, February 21, 24, May 8, July 27, October 4, 2010, February 7, April 6, July 18, 19, October 19, November 21, 28, 30, December 6, 8, 2011, June 5, 14, October 2, December 3, 29, 30, 2012, February 11, May 7, June 28, July 2, 23, September 30, November 2, December 2, 21, 28, 2013, March 12, May 5, June 23, July 21, October 22, December 22, 29, 31, 2014, March 8, April 6, May 23, June 29, July 13, November 28, December 30, 2015, January 31, February 15, March 9, 30, May 23, July 3, December 28, 2016, February 7, March 28, July 1, 26, 29, November 14, December 5, 29, 2017, March 18, April 18, May 23, July 19, 29, August 3, December 27, 2018, July 18, 20, 26, December 16, 27, 2019, July 31, December 8, 22, 30, 2020, March 9, April 30, June 11, 28, July 1, December 6, 21, 2021, February 25, April 16, May 28, June 11, 28, July 14, October 7, December 5, 2022, January 27, February 28, April 3, 14, June 13, July 24, 2023, January 30, March 11, July 22, August 8, December 13, 2024, June 24, July 7, 23, 31, 2025)

Part One

Section I. The General Provisions

Subsection 1. The Basic Provisions

Chapter 1. The Civil Legislation

Article 1. The Chief Principles of the Civil Legislation

1. Civil legislation shall be based on recognising the equality of participants in the relationships regulated by it, the inviolability of property, the **freedom of agreement**, the inadmissibly of anybody's arbitrary interference into private affairs, the necessity to freely exercise civil rights, the guarantee of reinstatement of civil rights in case of their violation, and their protection in court.

2. Citizens (natural persons) and legal entities shall acquire and exercise their civil rights of their own free will and in their own interest. They shall be free to establish their rights and responsibilities on the basis of an agreement and to define any terms of the agreement, which are not at variance with the legislation.

Civil rights may be restricted on the basis of a federal law and solely insofar as it is necessary for

the purposes of protecting the fundamentals of the constitutional system, morality, health, rights and lawful interests of other persons providing for the defence of the country and state security.

3. When establishing, exercising and protecting civil rights and when discharging civil duties, participants in civil law relations shall act with good faith.

4. No one is entitled to gain an advantage as the result of the unlawful or unfair behaviour thereof.

5. Commodities, services and financial means shall move unhindered throughout the entire territory of the Russian Federation.

Restrictions on the movement of commodities and services shall be imposed in conformity with a federal law if this is necessary to provide for security, and to protect human life and health, the environment and cultural valuables.

Article 2. Relations Regulated by the Civil Legislation

1. The civil legislation determines the legal position of civilian participants, the grounds for the appearance and the procedure for exercising the right of ownership and other real rights, the rights to the results of intellectual activity and to the equated to it means for the individualisation of intellectual rights), regulates the relations connected with participation in corporate organisations or in their management (corporate relations), the contractual and other liabilities, as well as other property and personal non-property relations, based on the equality, the autonomy of the will and the property independence of the participants.

Both the citizens and the legal entities may be the participants of the relations, regulated by the civil legislation. The Russian Federation, the subjects of the Russian Federation and the municipal entities may also participate in the relations, regulated by the civil legislation (**Article 124**).

The civil legislation shall regulate relations between the persons, engaged in business activities or in those performed with their participation, proceeding from the fact that the business activity shall be an independent activity, performed at one's own risk, aimed at systematically deriving a profit from the use of the property, the sale of commodities, the performance of work or the rendering of services. The persons performing business activities shall be registered in such capacity in accordance with the procedure established in the law, unless otherwise provided for by this **Code**.

The rules, laid down by the civil legislation, shall be applied toward relations with the participation of foreign citizens, of persons without any citizenship, and also of foreign legal entities, unless otherwise stipulated by the Federal Law.

2. The inalienable human rights and freedoms, and other non-material values shall be protected by the civil legislation, unless otherwise following from the substance of these non-material values.

3. Unless otherwise stipulated by legislation, the civil legislation shall not be applied toward the property relations, based on the administrative or another authoritative subordination of one party to the other party, including toward the taxation and other financial or administrative relations.

Article 3. The Civil Legislation and Other Acts, Containing the Civil Legislation Norms

1. In conformity with the Constitution of the Russian Federation, the civil legislation shall be within the jurisdiction of the Russian Federation.

2. The civil legislation shall be comprised of the present Code and of the federal laws (hereinafter referred to as the laws), adopted in conformity with it, which regulate the relations, indicated in Items 1 and 2 of **Article 2** of the present Code.

The norms of the civil legislation, contained in other laws, shall correspond to the present Code.

2.1. This Code shall be amended, as well as the provisions of this Code shall be suspended or declared invalidated, by individual laws. The provisions that provide for making amendments in this Code, suspending or declaring invalidated the provisions of this Code, may not be included into the texts of the laws amending (suspending or declaring invalidated) other legislative acts of the Russian Federation or containing an independent subject of legal regulation.

3. The relations, indicated in Items 1 and 2 of **Article 2** of the present Code, shall also be regulated

by the Decrees of the President of the Russian Federation, which shall not be in contradiction with the present Code and other laws.

4. On the grounds and in execution of the present Code and other laws, and Decrees of the President of the Russian Federation, the Government of the Russian Federation shall have the right to adopt decisions, containing the norms of the civil law.

5. If the Decree of the President of the Russian Federation or the decision of the Government of the Russian Federation proves to be in contradiction with the present Code or another law, the present Code or the corresponding law shall be applied.

6. The operation and implementation of the norms of the civil law, contained in the Decrees of the President of the Russian Federation and in the decisions of the Government of the Russian Federation (hereinafter referred to as other legal acts), shall be defined by the rules of the present chapter.

7. The ministries and other federal executive bodies may issue the acts, containing the norms of the civil law, in the cases and within the limits, stipulated by the present Code, by other laws and other legal acts.

Article 4. Operation of the Civil Legislation in Time

1. The acts of the civil legislation shall not be retroactive and shall be applied toward the relations, which have arisen after they have been put in force.

The operation of the law shall be extended toward the relations, which have arisen before it has been put in force, only in the cases, directly stipulated by law.

2. Concerning the relations, which have arisen before the civil legislation act has been put in force, it shall be applied toward the rights and duties, which have arisen after its being put in force. The relations of the parties by the agreement, signed before the civil legislation act has been enforced, shall be regulated in conformity with **Article 422** of the present Code.

Article 5. The Customs

1. As a **custom** shall be deemed a rule of behaviour which has taken shape and is widely applied in some sphere of business or other kind of activities, and which has not been stipulated by legislation, regardless of whether it has or has not been fixed in any document.

2. The customs, contradicting to the provisions of legislation or to the agreement, obligatory for the participant in the given relationship, shall not be applied.

Article 6. Application of the Civil Legislation by Analogy

1. In cases when the relations, stipulated in **Items 1** and **2 of Article 2** of the present Code are not directly regulated by legislation or by an agreement between the parties, while the custom that would be applicable to them does not exist, and if this is not in contradiction with their substance, the civil legislation shall be applied, which regulates similar relations (the analogy of the law).

2. If it is impossible to apply the similar law, the rights and duties of the parties shall be defined, proceeding from the general principles and the meaning of the civil legislation (the analogy of the right), and also from the requirements of honesty, wisdom and justice.

Article 7. The Civil Legislation and the Norms of International Law

1. The generally recognized principles and norms of international law and the international treaties of the Russian Federation, shall be, in conformity with the **Constitution** of the Russian Federation, a component part of the legal system of the Russian Federation.

2. The international treaties of the Russian Federation shall be directly applied toward the relations, indicated in Items 1 and 2 of **Article 2** of the present Code, with the exception of the cases, when it follows from the international treaty that for it to be applied, a special intra-state act shall be issued.

If the rules, laid down in the international treaty of the Russian Federation, differ from those stipulated by the civil legislation, the rules of the international treaty shall be applied. The application of

the rules of international treaties of the Russian Federation in their interpretation that contradicts the **Constitution** of the Russian Federation shall not be allowed. Such a contradiction can be established in the **procedure** determined by the federal constitutional law.

Chapter 2. Arising of the Civil Rights and Duties, the Exercising and Protection of the Civil Rights

Article 8. The Grounds for the Arising of the Civil Rights and Duties

1. The civil rights and duties shall arise from the grounds, stipulated by the law and other legal acts, as well as from the actions of citizens and legal entities, which, though not stipulated by the law or by such acts, still generate, by force of the general principles and of the meaning of the civil legislation, the civil rights and duties. In conformity with this, the civil rights and duties shall arise:

1) from the law-stipulated contracts and other deals, and also from the contracts and other deals, which, though not stipulated by the law, are not in contradiction with it;

1.1) from decisions of meetings where it is provided for by law;

2) from acts of state bodies and local government bodies that are stipulated by the law as the grounds for the arising of civil rights and duties;

3) from the court ruling, which has established civil rights and duties;

4) as a result of the acquisition of property on the grounds, admitted by the law;

5) as a result of creating the works of science, literature and art, of making inventions and producing other results of the intellectual activity;

6) as a result of inflicting damage to another person;

7) as a consequence of an unjust enrichment;

8) because of other actions performed by the citizens and the legal entities;

9) as a result of the events, with which the law or another legal act connects the arising of the civil legislation consequences.

2. **Abrogated** from March 1, 2013.

Article 8.1. The State Registration of Property Rights

1. Where it is provided for by law, the rights assigning the ownership of an object of civil rights to a particular person, restrictions of such rights and encumbrances of property (of the property right) are subject to state registration.

The state registration of property rights shall be effected by the body authorised under law on the basis of the principles of verifying the lawfulness of the grounds for registration, publicity and reliability of the state register.

In the state register shall be cited the data enabling to identify without fail the object in respect of which the right is established, the authorised person, the content of the right and the ground for its origination.

2. The rights to the property which is subject to the state registration shall originate, shall be changed and terminated from the time of making the corresponding entry in the state registration, unless otherwise established by law.

3. Where it is provided for by law or agreed by the parties, a transaction entailing the origination, alteration or termination of the rights to property which are subject to state registration shall be attested and certified by a notary.

An entry shall be made in the state register where there are applications for it filed by all the persons that have made a transaction, unless otherwise established by law. If a transaction is concluded notarially, an entry may be made in the state register on the basis of an application of any party to the transaction, in particular through a notary.

4. If the property right originates, is changed or terminated as a result of the occurrence of the circumstances provided for by a law, an entry on the origination, changing or termination of this right shall be entered to the state register on the basis of an application of the person for which such legal effects

occur. A law may also provide for the right of other persons to file an application for making the corresponding entry to the state register.

5. The body engaged in the state registration of property rights which is authorised by law shall verify the authorities of the person that has filed an application for state registration of a right, the lawfulness of the grounds for registration, other circumstances and documents provided for by law and, where is provided for by **Item 4** of this article, also the occurrence of the corresponding circumstance.

If the property right originates, is changed or terminated on the basis of a transaction attested and certified by a notary, the body authorised by law is entitled to verify the lawfulness of the corresponding transaction in the instances and in the procedure which are provided for by law.

6. A registered right may only be disputed judicially. The person cited in the state register as the right holder shall be recognised as such, unless otherwise noted in the register in the procedure established by law.

Where there is a dispute in respect of a registered right, the person that knew or should have known about the unreliability of the data contained in the state register is not entitled to make reference to the corresponding data.

The immovable property acquirer that was relying when acquiring it upon the data of the state register shall be deemed a good faith one (**Articles 234** and **302**) until it is proved judicially that he knew or had to know that the person from which the right to it had passed thereto had no right to alienate this property.

7. A note may be made in the state register in respect of a registered right in the procedure established by law about the objection of the person whose corresponding right has been registered earlier.

Within three months from the date of making a note in the state register on an objection in respect of a registered right the person on the basis of whose application it has been made did not dispute the registered right judicially, the note on the objection shall be cancelled. On such occasion, it is not allowed to repeatedly make a note on the objection of the cited person.

The person disputing a registered right judicially is entitled to demand making in the state register a note on the existence of a judicial dispute in respect of this right.

8. The denial of the state registration of property rights or evasion of the state registration thereof may be disputed judicially.

9. The losses caused by an unlawful denial of the state registration of property rights, by evasion of the state registration thereof, by entering to the state register unlawful or unreliable data on a right or by breaking of the procedure for state registration of property rights stipulated by law through the fault of the person engaged in the state registration of property rights are subject to reimbursement from the treasury of the Russian Federation.

10. The rules provided for by this article shall apply, unless otherwise established by this Code.

Article 9. Exercising of the Civil Rights

1. The citizens and the legal entities shall exercise the civil rights they possess at their own discretion.

2. The refusal of the citizens and of the legal entities to exercise the civil rights they possess shall not entail the termination of these rights, with the exception of the law-stipulated cases.

Article 10. The Limits of Exercising Civil Rights

1. As not admissible shall be deemed the exercise of civil rights solely for the purpose of inflicting harm upon another person, actions in circumvention of the law for attaining an unlawful aim, as well as any other wittingly unfair exercise of civil rights (the abuse of rights).

Seen as inadmissible shall be the use of civil rights for the purpose of restricting **competition**, as well as the abuse of a **dominating position** in the market.

2. In case of failure to satisfy the requirements stipulated in **Item 1** of this Article, a court of law, arbitration court or arbitration tribunal shall reject a person's claim for the protection of the right held by

such in full or in part, subject to the nature and consequences of the abuse made, and shall take other measures provided for by law.

3. Where an abuse of a right manifests itself in carrying out actions in circumvention of the law with an unlawful aim, the effects provided for by **Item 2** of this article shall apply insofar as other effects of such actions are not established by this Code.

4. If an abuse of a right has entailed a violation of another person's right, such person is entitled to claim for repair of the damage caused by it.

5. The fairness of participants in civil law relations and wisdom of their actions shall be presumed.

Article 11. Protection of the Civil Rights in the Court

1. The protection of the civil rights which have been infringed on or contested is the prerogative of a court of law, arbitration court or arbitration tribunal (hereinafter referred to as a court) in accordance with the competence thereof.

2. Protection of the civil rights in the administrative order shall be effected only in the law-stipulated cases. The decision, adopted administratively, may be disputed in the court.

Article 12. The Ways of Protecting the Civil Rights

The civil rights shall be protected by way of:

- the recognition of the right;
- the restoration of the situation, which existed before the given right was violated, and the suppression of the actions that violate the right or create the threat of its violation;
- the recognition of the disputed deal as invalid and the implementation of the consequences of its invalidity, and the implementation of the consequences of the invalidity of an insignificant deal;
- recognising decisions of meetings as ineffective;
- the recognition as invalid of an act of the state body or local government body;
- the self-defence of the right;
- the ruling on the execution of the duty in kind;
- the compensation of the losses;
- the exaction of the forfeit;
- compensation of the moral damage;
- the termination or the amendment of legal relations;
- the non-application by the court of an act of the state body or local government body, contradicting the law;
- using other law-stipulated methods.

Article 13. Recognition as Invalid of an Act of the State Body or Local Government Body

A non-normative act of the state body or local government body, and also, in the law-stipulated cases, a normative act, which does not correspond to the law or other legal acts and which violates the civil rights and the law-protected interests of the citizen or the legal entity, may be recognized by the court as invalid.

In case the act has been recognized by the court as invalid, the violated right shall be liable to restoration or to protection by other means, stipulated by **Article 12** of the present Code.

Article 14. The Self-Defence of the Civil Rights

The self-defence of the civil rights shall be admissible.

The methods of the self-defence shall be proportionate to the violation and shall not go beyond the limits of actions that are necessary to suppress it.

Article 15. Compensation of the Losses

1. The person, whose right has been violated, shall be entitled to demand the full recovery of the

losses inflicted upon him, unless the recovery of losses in a smaller amount has been stipulated by the law or by the agreement.

2. Under the losses shall be understood the expenses, which the person, whose right has been violated, made or will have to make to restore the violated right, the loss or the damage done to his property (the compensatory damage), and also the undeceived profits, which this person would have derived under the ordinary conditions of the civil turnover, if his right were not violated (the missed profit).

If the person, who has violated the right of another person, has derived profits as a result of this, the person, whose right has been violated, shall have the right to claim, alongside with the compensation of his other losses, also the compensation of the missed profit in the amount not less than such profits.

Article 16. Compensation of the Losses Caused by State Bodies and Local Government Bodies

The losses, inflicted upon the citizen or the legal entity as a result of illegal actions (inactions) on the part of state bodies, local government bodies or officials thereof, including the issue by the state body or local government body of an act, which is not in correspondence with the law or another legal act, shall be liable to compensation by the Russian Federation, the corresponding subject of the Russian Federation, or the municipal entity.

Article 16.1. Repair of Damage Caused by the Lawful Actions of State Bodies and Local Authorities

In the instances and in the procedure which are provided for by law the damage caused to a person or property or to property of a legal entity by the lawful actions of state bodies, local authorities or of officials of these bodies, as well as of other persons to whom the state has delegated authority, is subject to repair.

Subsection 2. The Persons

Chapter 3. The Citizens (Natural Persons)

Article 17. The Legal Capacity of the Citizen

1. The capability to possess the civil rights and to perform duties (the civil legal capacity) shall be recognized as equally due to all the citizens.

2. The citizen's legal capacity shall arise at the moment of his birth and shall cease with his death.

Article 18. The Content of the Citizens' Legal Capacity

The citizens may possess the property by the right of ownership; may inherit and bequeath the property; may engage in business and in any other activities, not prohibited by the law; may set up legal entities - on their own or jointly with other citizens and legal entities; may effect any deals, which are not in contradiction with the law, and take part in obligations; may select the place of residence; may enjoy the rights of the authors of the works of science, literature and art, of inventions and of other law-protected results of the intellectual activity; and may also enjoy other property and personal non-property rights.

Article 19. The Name of the Citizen

1. The citizen shall acquire and exercise the rights and duties under his own name, which includes the surname and the name proper, as well as the patronymic, unless otherwise following from the law or from the national custom.

In the cases and in the order, stipulated by the law, the citizen shall have the right to make use of a pseudonym (an assumed name).

2. The citizen shall have the right to change his name in conformity with the law-stipulated

procedure. The citizen's change of the name shall not be the ground for the termination or the change of his rights and duties, which he has acquired under his former name.

The citizen shall be obliged to take the necessary measures to inform his debtors and creditors about the change of his name and shall take the risk of the consequences that may arise in case these persons have no information on the change of his name.

The citizen, who has changed his name, shall have the right to demand that the corresponding changes be introduced, at his own expense, into the documents, formalized in his former name.

3. The name, acquired by the citizen at his birth, as well as the change of his name, shall be liable to registration in conformity with the **procedure**, laid down for the registration of the acts of the civil state.

4. The acquisition of the rights and duties under the name of another person shall not be admitted.

The name of a natural person or the pseudonym thereof may be used by approbation of this person by other persons in their creative, business or other economic activities in the ways that exclude misleading third parties in respect of citizens' identity and abuse of rights in other forms.

5. The harm inflicted upon an individual as a result of violating the right thereof to a name or pseudonym is subject to compensation in compliance with this **Code**.

In the event of the distortion of an individual's name or in the event of using a name in the ways or in a form that touch upon the honour thereof, derogate from an individual or belittle the business reputation thereof, the individual is entitled to demand refutation and repair of the damage caused to him/her, as well as compensation for moral harm.

Article 20. The Place of the Citizen's Residence

1. The place, where the citizen resides permanently or most of the time, shall be recognised as the place of his residence. An individual who has notified the creditors thereof, as well as other persons, of a different place of residence thereof, shall bear the risks of the consequences caused by it.

2. The place of residence of the young minors, who have not reached 14 years of age, or of the citizens who have been put under the guardianship, shall be recognized as the place of residence of their legal representatives - the parents, the adopters or the guardians.

Article 21. The Active Capacity of the Citizen

1. The capability of the citizen to acquire and exercise by his actions the civil rights, to create for himself the civil duties and to discharge them (the civil active capacity) shall arise in full volume with the citizen's coming of age, i.e., upon his reaching the age of 18 years.

2. In case the law admits the right to enter into a marriage before reaching the age of 18 years, the citizen, who has not reached the law-stipulated age of 18, shall acquire the active capacity in full volume from the moment of his entering into a marriage.

The active capacity, acquired as a result of entering into a marriage, shall be retained in full volume in case the marriage is dissolved before the citizen's reaching the age of 18 years.

In case the marriage is recognized as invalid, the court may pass a decision on the underaged spouse being deprived of the full active capacity from the moment fixed by the court.

Article 22. Inadmissibility of Depriving the Citizen of His Legal and Active Capacity and of the Restriction Thereof

1. No one citizen shall be restricted in his legal and active capacity, with the exception of the cases and in conformity with the procedure, stipulated by the law.

2. The failure to observe the law-stipulated terms and procedure for the restriction of the citizens' active capacity or of their right to engage in business or in any other activity shall entail the invalidation of the act of the state or of another body, which has established the corresponding restriction.

3. The full or the partial renouncement by the citizen of his legal or active capacity, and other deals, aimed at the restriction of his legal or active capacity, shall be insignificant, with the exception of the cases, when such deals are admitted by the law.

Article 23. The Citizen's Business Activity

1. A citizen shall have the right to engage in business activities without forming a legal entity from the moment of the **state registration** as an individual businessman, except for the cases provided for in **paragraph two** of this Item.

With respect to certain kinds of business activities, conditions for the performing by citizens of such activities without state registration as individual businessmen may be provided for in the law.

2. Abrogated from March 1, 2013.

3. Toward the citizens' business activities, performed without forming a legal entity, shall be correspondingly applied the rules of the present Code, regulating the activity of the legal entities, which are commercial organisations, unless otherwise following from the law, other legal acts or from the substance of legal relations.

4. The citizen, engaged in business activities without forming a legal entity with the violation of the requirements of Item 1 of the present Article, shall have no right to refer, with respect to the deals he has thus effected, to the fact that he is not a businessman. The court may apply to such deals the rules of the present Code on the obligations, involved in the performance of business activities.

5. Citizens are entitled to exercise productive or other kinds of economic activity in the area of agriculture without forming a legal entity on the basis of an agreement on establishing a peasant's farm made in compliance with the **law** on a peasant's farm.

As the head of a peasant's farm may act a citizen registered as an individual businessman.

Article 24. The Property Responsibility of the Citizen

The citizen shall bear responsibility by his obligations with his entire property, with the exception of that property, upon which, in conformity with the law, no penalty may be inflicted.

The **list** of the citizens' property, onto which no penalty may be imposed, shall be compiled by the civil procedural legislation.

Article 25. Insolvency (Bankruptcy) of an Individual

1. An individual incapable to satisfy claims of creditors on monetary obligations and/or to fulfill the obligation of making compulsory payments can be acknowledged insolvent (bankrupt) by a decision of the arbitration court.

2. The grounds, the procedure and the implications of acknowledgement of an individual insolvent (bankrupt) by the arbitration court, the order of satisfaction of creditors' claims, the procedure for application of the procedures in the insolvency (bankruptcy) case of the individual shall be established by the law regulating insolvency (bankruptcy) issues.

Article 26. The Active Capacity of the Minors of 14-18 Years of Age

1. The minors of from 14 to 18 years of age shall have the right to effect deals, with the exception of those listed in Item 2 of the present Article, upon the written consent of their legal representatives - the parents, the adopters or the trustee.

The deal, effected by such a minor, shall be also valid, if it is subsequently approved in written form by his parents, adopters or trustee.

2. The minors of from 14 to 18 years of age shall have the right independently, without consent of the parents, the adopters or the trustee:

1) to dispose of their earnings, student's grant or other incomes;

2) to exercise the author's rights to a work of science, literature or art, to an invention or to another law-protected result of their intellectual activity;

3) in conformity with the law, to make deposits into the credit organisations and to dispose of these;

4) to effect petty everyday deals, and also other deals, stipulated by Item 2 of **Article 28** of the present Code.

On reaching the age of 16 years, the minors shall also acquire the right to be members of cooperatives in conformity with the laws on the cooperatives.

3. The minors of from 14 to 18 years of age shall bear the property responsibility for the deals they effect in conformity with Items 1 and 2 of the present Article. For the inflicted damage, such minors shall bear responsibility in conformity with the present Code.

4. In case there are sufficient grounds, the court, upon the request of the parents, the adopters or the trustee, or of the guardianship and trusteeship body, may restrict the right of the minor of from 14 to 18 years of age to independently dispose of his earnings, student's grant or other incomes, or deprive him of this right, with the exception of the cases, when such a minor has acquired the full active capacity in conformity with **Item 2 of Article 21**, or with **Article 27** of the present Code.

5. Minors between the ages of fourteen and eighteen shall have the right to open a bank account (Article 846) with the consent of their parents, adoptive parents or a guardian, except for cases where such minors have obtained the full legal capacity in accordance with **Item 2 of Article 21** or **Article 27** of this Code.

Article 27. Emancipation

1. The minor, who has reached the age of 16 years, may be declared to have the full active capacity, if he works by a labour agreement, including by a contract, or if he engages in business activities upon consent of the parents, the adopters or the trustee.

The minor shall be declared as having acquired the full active capacity (emancipation) by the decision of the guardianship and trusteeship body - upon the consent of the parents, the adopters or the trustee, or, in the absence of such consent - by the court decision.

2. The parents, the adopters and the trustee shall not bear responsibility for the obligations of an emancipated minor, in particular for those obligations, which have arisen as a result of his inflicting damage.

Article 28. The Active Capacity of the Young Minors

1. Only the parents, the adopters or the guardians shall effect deals on behalf of the minors, who have not reached the age of 14 years (the young minors), with the exception of the deals, pointed out in Item 2 of the present Article.

Toward the deals with his property, effected by the legal representatives of the young minor, shall be applied the rules, stipulated by Items 2 and 3, **Article 37** of the present Code.

2. The minors of from 6 to 14 years of age shall have the right to independently effect:

1) petty everyday deals;

2) the deals, aimed at deriving a free profit, which are not liable to the notary's certification or to the state registration;

3) the deals, involved in the disposal of the means, provided by the legal representative or, upon the latter's consent, by a third party for a definite purpose or for a free disposal.

3. The property responsibility by the young minor's deals, including by the deals he has effected independently, shall be borne by his parents, adopters or guardians, unless they prove that the obligation has been violated not through their fault. These persons, in conformity with the law, shall also be answerable for the damage, caused by the young minors.

Article 29. Recognizing the Citizen as Legally Incapable

1. The citizen who, as a result of a mental derangement, can neither realize the meaning of his actions nor control them, may be recognized by the court as legally incapable in conformity with the procedure, laid down by the **procedural legislation.** In this case, he shall be put under the guardianship.

2. The deals on behalf of the citizen, who has been recognized as legally incapable, shall be effected by his guardian, taking into account such citizen's opinion or, if it is impossible to learn the opinion thereof, subject to the information about his/her preferences received from the parents of such citizen, his/her former guardians or other persons that have rendered services to such citizen and have discharged their duties in good faith.

3. In the event of development of the ability of the person who has been recognised as legally incapable to understand the meaning of his/her actions or to conduct them solely with the help of other persons, a court shall declare such person as having partial legal capacity in compliance with **Item 2 of Article 30** of this Code.

In the event of restoration of the ability of the person who has been recognised as legally incapable to understand the meaning of his/her actions or to conduct them, a court shall declare him/her legally capable.

On the basis of a court decision, the guardianship established in respect of a citizen shall be cancelled and, in the event of declaring the citizen as having partial legal capacity, trusteeship shall be established.

Article 30. Restriction of the Citizen's Active Capacity

1. The active capacity of the citizen, who as a result of his propensity for gambling, abuse of alcohol or drug addiction has plunged his family into a precarious financial position, may be restricted by the court in conformity with the procedure, laid down by the **procedural legislation.** He shall be put under the guardianship.

Such a citizen shall have the right to independently effect petty everyday deals.

He shall have the right to effect other kinds of the deals only upon the consent of his trustee. Nevertheless, such a citizen shall independently bear property responsibility by the deals he has effected and for the damage he has caused. The trustee shall receive and spend the earnings, pension or other incomes of a citizen who is recognised by court as partially capable in the interests of the person under care in the procedure provided for by **Article 37** of this Code.

2. The legal capacity of a citizen who as a result of his/her mental disorder can understand the meaning of his/her actions or conduct them solely with the help of other persons may be restricted by court in the procedure established by the **civil procedure legislation**. Trusteeship shall be established in respect of him/her.

Such citizen shall carry out transactions, except for those which are provided for by **Subitems 1** and **4 of Item 2 of Article 26** of this Code, by approbation of the trustee thereof in writing. A transaction made by such citizen shall be also deemed valid if the trustee subsequently approves of it in writing. Such citizen is entitled to carry out independently the transactions provided for by Subitems 1 and 4 of Item 2 of Article 26 of this Code.

A citizen whose legal capacity is restricted on the grounds provided for by this item may dispose of the alimony, social pension, compensation for the harm caused to the health thereof and in connection with the death of the breadwinner paid thereto, as well as of other payments provided for the maintenance thereof, except for the payments which are cited in **Subitem 1 of Item 2 of Article 26** of this Code and of which he/she is entitled to dispose of independently. Such citizen has the right to dispose of the cited payments within the time period fixed by the trustee thereof. The disposal of the said payments may be terminated before the expiry of this time period by decision of the trustee thereof.

Where there are sufficient grounds, a court on application of the trustee or of the body in charge of guardianship and trusteeship may restrict such citizen's right to independently dispose of the incomes thereof cited in **Subitem 1 of Item 2 of Article 26** of this Code or to deprive him/her of this right.

A citizen whose legal capacity is restricted as a result of his/her mental disorder shall

independently bear the property liability in respect of the transactions made by him/her in compliance with this article. Such citizen shall be held liable for the harm inflicted by him/her in compliance with this Code.

3. If the grounds on which a citizen's legal capacity has been restricted have ceased to exist, a court shall abolish his/her legal capacity's restriction. On the basis of the court decision the trusteeship established in respect of the citizen shall be cancelled.

If the mental condition of a citizen whose legal capacity as a result of a mental disorder has been restricted in compliance with **Item 2** of this article, has changed, a court shall declare him/her legally incapable in compliance with **Article 29** of this Code or cancel the restriction of his/her legal capacity.

Article 31. The Guardianship and the Trusteeship

1. The guardianship and the trusteeship shall be established to protect the rights and interests of the legally incapable or partially capable citizens. The guardianship and the trusteeship over the minors shall also be established for educational purposes. The corresponding rights and duties of the guardians and the trustees shall be defined by the **family legislation**.

2. The guardians and the trustees shall not need being vested with special authority to come out in defence of the rights and interests of their wards in their relations with any other persons, including in the courts.

3. The guardianship and the trusteeship over the minors shall be established in case the minors have no parents and no adopters, in case the parents have been deprived of parental rights by the court, and also in those cases, when such citizens have been without parental custody, in particular when the parents have been shirking their duties, involved in their education or in the protection of their rights and interests.

4. The relationships arising from the establishment, implementation and termination of a custodianship or guardianship and not regulated by the present Code shall be subject to the provisions of the Federal Law on the Custodianship and Guardianship and other normative legal acts of the Russian Federation adopted in connection with it.

Article 32. The Guardianship

1. The guardianship shall be established over the minors and over the citizens, who have been recognized by the court as legally incapable as a result of a mental derangement.

2. The guardians shall be representatives of their wards by force of the law and shall effect all the necessary deals on their behalf and in their interests.

Article 33. The Trusteeship

1. Trusteeship shall be established over minors aged between 14 and 18, as well as over citizens whose legal capacity has been restricted.

2. Trustees shall give their consent to carrying out the deals which the citizens under their trusteeship have no right to make independently.

The trustees of minor citizens and of those whose legal capacity is restricted as a result of a mental disorder shall render assistance to their wards in the exercise by them of their rights and in the discharge of their duties, and shall protect them from maltreatment on the part of third parties.

Article 34. The Guardianship and Trusteeship Bodies

1. The guardianship and trusteeship bodies shall be the executive bodies of a constituent entity of the Russian Federation. Also local government bodies are deemed bodies of guardianship and tutelage if under a law of a subject of the Russian Federation they have guardianship and tutelage powers in accordance with federal laws.

The paragraph is invalid from August 8, 2024 - **Federal Law** No. 237-FZ of August 8, 2024.

The powers of a body of custodianship and guardianship in respect of a ward shall be vested in the body that has established the custodianship or guardianship. If the ward has changed his/her residence the powers of a body of custodianship and guardianship shall be vested in the body of custodianship and guardianship at the ward's new place of residence in the procedure defined by the Federal Law on Custodianship and Guardianship.

2. The court shall be obliged, within three days from the date of the enforcement of its decision on recognizing the citizen as legally incapable or on restricting his active capacity, to inform about this the guardianship and trusteeship body by the place of this citizen's residence for putting him under the guardianship or the trusteeship.

3. The guardianship and trusteeship body by the place of the wards' residence shall exercise supervision over the activities of their guardians and trustees.

Article 35. The Guardians and the Trustees

1. The guardian or the trustee shall be appointed by the guardianship and trusteeship body by the place of residence of the person in need of guardianship or trusteeship, within the term of one month from the moment, when the said bodies have become aware of the need to establish the guardianship or the trusteeship over the citizen. In case of the existence of the circumstances, worthy of attention, the guardian or the trustee may be appointed by the guardianship and trusteeship body by the place of residence of the guardian (the trustee). If the guardian or the trustee is not appointed for the person in need of the guardianship or the trusteeship within the term of one month, the execution of the duties of the guardian or the trustee shall be temporarily imposed upon the guardianship and trusteeship body.

The appointment of the guardian or the trustee may be disputed by the interested persons in the court.

2. Only the adult and legally capable citizens shall be appointed as the guardians and the trustees. The citizens, deprived of parental rights, and also the citizens who have a conviction for a deliberate crime against citizens' life or health as of the time of establishment of custodianship or guardianship, shall not be appointed as the guardians and the trustees.

3. The guardian or the trustee shall be appointed only upon his consent. Account shall be taken of his moral and other personal characteristics, his capability to perform the duties of the guardian or the trustee, the relationships, existing between him and the person in need of the guardianship or the trusteeship, and, if possible, also of the wish of the ward.

4. No custodians or guardians shall be appointed for the citizens lacking dispositive capacity or having limited dispositive capacity who have been placed under supervision in educational organisations, medical organisations, social-services organisations or other organisations, including organisations for orphan children and children without parental custody. Responsibility for executing the duties of custodians or guardians is vested in said organisations.

Article 36. Execution of Their Duties by the Guardians and the Trustees

1. The duties, involved in the guardianship and the trusteeship, shall be executed free of charge, with the exception of the law-stipulated cases.

2. The guardians and the trustees of the underaged citizens shall be obliged to live together with their wards. Residing of the trustee apart from their wards, who have reached 16 years of age, shall be admissible only upon the permission of the guardianship and trusteeship body under the condition that this may not have a negative effect on the ward's education and on the protection of his rights and interests.

The guardians and the trustees shall be obliged to inform the guardianship and trusteeship bodies on the change of their place of residence.

3. The guardians and the trustees shall be obliged to take care of the maintenance of their wards, to provide for them all the essential services and medical treatment, and to protect their rights and interests.

The guardians and the trustees shall be obliged to take care of their wards' education.

Guardians and trustees shall take care of the development (restoration) of the ability of a citizen whose legal capacity has been restricted as a result of mental disorder or of the citizen who has been declared legally incapable, to understand the meaning of his/her actions or to conduct them.

Guardians and trustees shall exercise their functions taking into account the opinion of the ward thereof or, where it is impossible to learn this, subject to the information received from the parents and former guardians thereof, as well as from other persons who have rendered services to him/her and have discharged their duties in good faith.

4. The duties, delineated in **Item 3** of the present Article, shall not be imposed upon the guardians and the trustees of the adult citizens, who have been restricted in their active capacity by the court, except for trustees of the citizens whose legal capacity has been restricted by court as a result of a mental disorder.

5. If the grounds, by force of which the citizen was recognized as legally incapable or partially incapable, have ceased to exist, the guardian or the trustee shall be obliged to file a request with the court on his ward to be recognized as legally capable and on recalling the guardianship or the trusteeship, formerly established over him.

If the grounds on which the legal capacity of a citizen who as a result of his/her mental disorder can understand the meaning of his/her actions or conduct them with the help of other persons has been restricted, have changed, the trustee is bound to file with court an application for cancellation of the restriction of legal capacity of the ward or for declaring him/her legally incapable in compliance with **Item 3 of Article 30** of this Code.

Article 37. Disposal of the Ward's Property

1. The guardian or trustee shall dispose of the ward's incomes, including the incomes which are due to the ward as a result of the disposal of his/her property, except for the income which the ward is entitled to dispose of independently, solely in the ward's interests and by a preliminary approbation of the body responsible for guardianship and trusteeship. The amounts of the alimony, pensions, allowances, compensation for the harm caused to the health thereof and for the harm in connection with the death of breadwinner, as well as other assets paid for the ward's maintenance, except for incomes which the ward is entitled to dispose of independently, are subject to entering onto a separate nominal account to be opened by the guardian or trustee in compliance with **Chapter 45** of this Code and shall be spent by the guardian or trustee without a preliminary authorisation of the body responsible for guardianship and trusteeship. The guardian or trustee shall submit a report on spending the amounts entered onto a separate nominal account in the procedure established by the Federal Law on Guardianship and Trusteeship. The instances when the guardian or trustee are entitled not to submit a report on spending the amounts entered onto a separate nominal account shall be established by the Federal Law on Guardianship and Trusteeship.

2. The guardian shall not have the right to effect, and the trustee - to give his consent to effecting, the deals, involved in the alienation of the ward's property, including in the exchange or making a gift of it, in leasing it out (renting it), in giving it into a gratuitous use or in pawning it, or to effect the deals, entailing the renouncement of the rights possessed by the ward, the division of his property into parts or the apportioning of shares out of it, as well as any other actions which would entail the reduction of the ward's property.

The procedure for managing the property of a ward is defined by the Federal Law on Custodianship and Guardianship.

3. The guardian, the trustee, their spouses and close relations shall have no right to effect any deals with the ward, with the exception of those involved in giving their own property to the ward as a gift or into a gratuitous use, or to substitute the ward in signing the deals or in conducting the court proceedings between the ward and the guardian's or the trustee's spouse and their close relations.

4. The guardian is entitled to dispose of the property of the citizen declared legally incapable relying on the ward's opinion or, where it is impossible to learn this, subject to the information received from the parents and former guardians thereof, as well as from other persons who have rendered services to him/her and have discharged their duties in good faith.

Article 38. Confidential Management of the Ward's Property

1. In case of a need for the permanent management of the ward's realty and valuable movable property, the guardianship and trusteeship body shall sign with the manager, selected by this body, a contract on the confidential management of such property. In this case, the guardian or the trustee shall retain his powers with respect to that property of the ward, which has not been given into the confidential management.

While the manager exerts the legal powers, involved in the management of the ward's property, the rules, stipulated by Items 2 and 3 of **Article 37** of the present Code, shall be extended to his activity.

2. The confidential management of the ward's property shall be terminated on the grounds, stipulated by the law for cancelling the contract on the confidential management of the property, and also in the cases, when the guardianship and the trusteeship are recalled.

Article 39. Relieving and Dismissal the Guardians and the Trustees from the Execution of Their Duties

1. The guardianship and trusteeship body shall relieve the guardian or the trustee of the execution of his duties in case the ward is returned to his parents or is adopted.

When a ward is placed under supervision in an educational organisation, medical organisation, social-services organisation or another organisation, including an organisation for orphan children and children without parental custody the body of custodianship and guardianship shall relieve the custodian or guardian appointed earlier from their duties, unless it contradicts the interests of the ward.

2. A custodian or guardian may be relieved from his/her duties on their request.

A custodian or guardian may be relieved from his/her duties at the initiative of the body of custodianship and guardianship if contradictions have come into being between the interests of the ward and the interests of the custodian or guardian, for instance on a temporary basis.

3. In case of an improper execution by the guardian or by the trustee of the duties imposed on him, including in the case of his making use of his guardian's or trustee's status in his own selfish interests or of his leaving the ward without the proper supervision and the necessary assistance, the guardianship and trusteeship body shall have the right to dismiss the guardian or the trustee from the execution of these duties and to take the necessary measures for making the guilty citizen answerable in conformity with the law, stipulated liability.

Article 40. Recalling the Guardianship and the Trusteeship

1. The guardianship and the trusteeship over the adult citizens shall be recalled in the cases when the court passes the decision on recognizing the ward as legally capable or on cancelling the restriction of his active capacity upon the petition of the guardian, of the trustee or of the guardianship and trusteeship body.

2. The guardianship over the young minor shall be recalled on his reaching the age of 14 years, and the citizen, who has formerly performed the functions of the young minor's guardian, shall become the minor's trustee without any additional decision made to this effect.

3. The trusteeship over the minor shall be recalled without any special decision upon his reaching the age of 18 years, and also in the case of his entering into a marriage, or in other cases, when he acquires the full active capacity before attaining his majority (**Item 2 of Article 21**, and **Article 27**).

Article 41. Patronage over Adult Citizens Having Dispositive Capacity

1. Patronage may be established over an adult citizen having dispositive capacity who cannot on his/her own exercise and protect his/her rights and execute his/her duties due to the state of his/her health.

2. Within one month after the discovery of an adult citizen having dispositive capacity who cannot on his/her own exercise and protect his/her rights and execute his/her duties the body of custodianship and guardianship shall appoint an aid for him/her. The aid may be appointed on his/her consent in writing and also on the consent in writing of the citizen over whom the patronage is being established. An employee of the organisation responsible for the provision of social services to an adult citizen who has dispositive capacity and is in need for patronage shall not be appointed as aid for the citizen.

3. An aid of an adult citizen who has dispositive capacity shall commit actions in the interests of the citizen who is under patronage, on the basis of an agency contract, contract of trust administration of property or another contract.

4. The body of custodianship and guardianship shall monitor the execution of duties by the aid of the adult citizen who has dispositive capacity and notify the citizen who is under patronage of irregularities committed by his/her aid and deemed ground for rescission of the agency contract, contract of trust administration of property or another contract concluded between them.

5. The patronage over an adult citizen who has dispositive capacity that has been established in accordance with Item 1 of the present article shall be terminated in connection with the termination of the agency contract, contract of trust administration of property or other contract on the grounds set out in a law or the contract.

Article 42. Recognition of the Citizen as Missing for an Unknown Reason

The citizen may be recognized by the court, on the ground of an application, filed by the interested persons, as missing for an unknown reason, if at the place of his residence there is no information on the place of his stay in the course of one year.

If it is impossible to establish the date of receiving the last information on the missing person, the first day of the month, next to that during which the last information on the missing person was received, shall be regarded as the beginning of the term to be calculated for recognizing the fact of the given person to be missing for an unknown reason, and in the case of the impossibility to establish this month - the first day of January of the next year.

Article 43. The Consequences of Recognizing the Citizen as Missing for an Unknown Reason

1. If the property, belonging to the citizen, who has been recognized as missing for an unknown reason, requires a permanent management, it shall be passed, on the grounds of the court decision, to the person, who shall be appointed by the guardianship and trusteeship body and who shall act on the ground of the contract of confidential management, signed with the said body.

Out of this property an allowance shall be paid for the maintenance of the citizens, whom the person, missing for an unknown reason, is obliged to keep, and the debts by other obligations of the said person, missing for an unknown reason, shall be serviced.

2. The guardianship and trusteeship body shall have the right to appoint the manager of the missing citizen's property before the expiry of one year from the date of receiving the last information on the place of his stay.

3. The consequences of recognizing the person as missing for an unknown reason, not stipulated by the present Article, shall be defined by the law.

Article 44. Repeal of the Decision on Recognizing the Person as Missing for an Unknown Reason

In case the citizen, who has been recognized as missing for an unknown reason, turns up, or the place of his stay is discovered, the court shall repeal its decision on recognizing him as missing for an unknown reason. On the grounds of the court's decision, the management of this citizen's property shall be recalled.

Article 45. Declaring the Citizen as Dead

1. The citizen may be declared by the court as dead, if at the place of his residence there has been no information on the place of his stay in the course of five years, and in case he has disappeared under the life-hazardous circumstances, or under such circumstances as give the ground for supposing that he might have perished as a result of a definite accident - if he has been missing in the course of six months.

2. The serviceman or another individual, who has been missing in connection with military operations, shall not be declared by the court as dead until the expiry of two years from the date of the cessation of the military operations.

3. The date of the departure of the citizen, who has been declared as dead, shall be the date of the coming into force of the court decision on declaring him as dead. In the case of declaring as dead the citizen, who has disappeared under the life-hazardous circumstances or under such circumstances as give the ground to suppose that he might have perished as a result of a definite accident, the court may recognize the day of this citizen's supposed perish as the date of his death and to specify the time of his/her supposed perishing.

Article 46. The Consequences of the Turning up of the Citizen, Declared as Dead

1. In the case the citizen, who has been declared as dead, turns up, or the place of his stay is discovered, the court shall cancel its decision on declaring him as dead.

2. Regardless of the time of his turning up, the citizen shall have the right to demand from any person the return of the remaining property, which has been gratuitously passed to that person after the citizen was declared as dead, with the exception of the cases, stipulated by **Item 3 of Article 302** of the present Code.

The persons, to whom the property of the citizen, who has been declared as dead, passed as a result of commercial deals, shall be obliged to return to him this property, in case it has been proved that, while acquiring the property at issue, they were aware that the citizen, declared as dead, is actually alive. If the property at issue cannot be returned in kind, its cost shall be recompensed.

Article 47. Registration of the Civil State Acts

1. The following civil state acts shall be liable to the state registration:

1) the birth;

2) entering into a marriage;

3) the dissolution of the marriage;

4) the adoption;

5) the establishment of the paternity;

6) the change of the name;

7) the death of the citizen.

2. Registration of acts of civil status shall be carried out by authorities responsible for state registration of acts of civil status, by compiling appropriate records of acts of civil status. The authorities that carry out state registration of acts of civil status shall issue certificates to citizens on the grounds of such records.

3. The civil state acts shall be corrected and amended by authorities responsible for state registration of civil status acts in case there are sufficient grounds for effecting this and there is no dispute between the interested persons.

If there is a dispute between the interested persons, or if authorities responsible for state registration of civil status acts refuses to correct or to amend the entry, the dispute shall be resolved by the court.

The entries on the civil state acts shall be annulled or restored by authorities responsible for state registration of civil status acts on the ground of the court decision.

4. Authorities responsible for state registration of acts of civil status, the procedure for registering such acts, the procedure for changing, restoring and cancelling records of acts of civil status, their forms,

the procedure and terms for their storage, as well as the forms of certificates issued to citizens to certify the facts of state registration of acts of civil status, shall be determined by the law on acts of civil status.

Chapter 4. Legal Entities

§ 1. The Basic Provisions

Article 48. The Concept of a Legal Entity

1. A legal entity is an organisation that has separate property and is liable with it for its obligations, may in its own name acquire and exercise civil rights and bear civil liabilities and may sue and be sued in a court of law.

2. A legal entity shall be registered in the unified state register of legal entities in one of the organisational legal forms envisaged by this **Code**.

3. Legal entities in respect of whose property their founders have a right in rem are state and municipal unitary enterprises and also institutions.

Legal entities in respect of which their participants have corporate rights are corporate organisations (**Article 65.1**).

4. The legal status of the Central Bank of the Russian Federation (Bank of Russia) is defined by the **Constitution** of the Russian Federation and the law on the Central Bank of the Russia Federation.

Article 49. The Legal Capacity of the Legal Entity

1. The legal entity shall enjoy the civil rights that correspond to the goals of its activity, stipulated in its constituent document (**Article 52**), and shall discharge the duties related to this activity.

The commercial organisations, with the exception of the unitary enterprises and other law-stipulated organisations, shall possess the civil rights and discharge the civil duties, indispensable for the performance of any kinds of activity that are not prohibited by the law.

In the cases envisaged by a law the legal entity may pursue certain types of activity only if there is a special permit (licence), membership in a self-regulating organisation or a certificate of clearance to pursue a certain type of work issued by a self-regulating organisation.

2. The legal entity may be restricted in its rights only in the cases and in conformity with the procedure, stipulated by the law. The decision on the restriction of its rights may be disputed by the legal entity in the court.

3. The legal capacity of a legal entity comes into being as of the time when information about its formation is entered in the unified state register of legal entities and is terminated as of the time when information about its termination is entered in said register.

The right of a legal entity to pursue an activity which requires for its pursuance a special permit (licence), membership in a self-regulating organisation or a certificate of clearance to pursue a certain type of work issued by a self-regulating organisation comes into being as of the time when such permit (licence) is received or at the time indicated therein or as of the time when the legal entity joins the self-regulating organisation or as of the time of issuance of the certificate of clearance to pursue the certain type of work by the self-regulating organisation, and is terminated at the termination of the permit (licence), membership in the self-regulating organisation or of the certificate of clearance to pursue the certain type of work issued by the self-regulating organisation.

4. The civil-law status of legal entities and the procedure for their participation in civil-law circulation (**Article 2**) are regulated by the present Code. The details of the civil-law status of legal entities of the various organisational legal forms, kinds and types and also of the legal entities which are formed to

pursue activities in specific spheres shall be defined by the present Code, other laws and other legal acts.

5. The legal entities formed by the Russian Federation under special **federal laws** shall be subject to the provisions of this Code on legal entities as far as otherwise not envisaged by the special federal law on the relevant legal entity.

Article 50. Commercial and Non-Profit Organisations

1. The legal entities may be either the organisations, which see deriving profits as the chief goal of their activity (the commercial organisations), or those organisations, which do not see deriving profits as such a goal and which do not distribute the derived profit among their participants (the non-profit organisations).

2. The legal entities being commercial organisations may be formed in the organisational legal forms of business partnership and association, **peasant's (farmer's) farm**, **business partnership**, **production cooperative**, **state and municipal unitary enterprise**.

3. The legal entities not being non-profit organisations may be formed in the organisational legal forms of:

1) consumer cooperatives, which include, inter alia, housing, housing-construction and garage cooperatives, mutual insurance societies, credit cooperatives, hire funds, agricultural consumer cooperatives;

2) public organisations which include, inter alia, political parties and trade unions (trade union organisations) formed as legal entities, public governed activity bodies, territorial public governing entities;

2.1) public movements;

3) associations (unions) which include, inter alia, non-profit partnerships, self-regulating organisations, associations of employers, associations of trade unions, of cooperatives and of public organisations, industry and commerce chambers;

4) associations of owners of immovable property which include, inter alia, associations of owners of dwelling, gardening or truck-farming non-profit partnerships;

5) the Cossack associations included in the state register of Cossack associations in the Russian Federation;

6) communities of the indigenous small-numbered peoples of the Russian Federation;

7) socially useful funds, including, inter alia, social and charitable funds, as well as personal funds;

8) institutions which include state institutions (for instance state academies of sciences), municipal institutions and private (including inter alia public) institutions;

9) autonomous non-profit organisations;

10) religious organisations;

11) **public-law companies**;

12) barristers/solicitors' chambers;

13) barristers/solicitors formations (which are legal entities).

14) state corporations.

15) notarial chambers.

4. The creation of the alliances of the commercial and (or) the non-profit organisations in the form of associations and unions shall be admissible.

5. A non-profit organisation whose charter envisages the pursuance of income-yielding activities, except for a state-property and a private institution shall have property that is sufficient for pursuing such activities and has a market value of at least the minimum amount of the charter capital envisaged for limited liability companies (**Item 1 of Article 66.2**).

6. The rules of the present Code are not applicable to the relationships whereby non-profit organisations carry out their main activity and also to other relations with their participation which are not

subject matter of the civil legislation (**Article 2**), except as otherwise envisaged by a law or the charter of the non-profit organisation.

Article 50.1. A Decision on Founding a Legal Entity

1. A legal entity may be founded under a decision of a founder (founders) on founding a legal entity.

2. If the legal entity is founded by one person a decision on founding it shall be taken by the founder alone.

If the legal entity is founded by two or more founders said decision shall be taken by all the founders unanimously.

3. The decision on founding the legal entity shall comprise information on the foundation of the legal entity, the confirmation of this charter, and, where it is provided for by **Item 2 of Article 52** of this Code, the one to the effect that a legal entity acts on the basis of the model charter thereof endorsed by an authorized state body on the procedure, amount, methods of, and the term for, the formation of the legal entity's property, and on the election (appointment) of bodies of the legal entity.

Also a decision on founding a corporate legal entity (**Article 65.1**) shall comprise information on the results of voting by the founders on issues of foundation of the legal entity, on the procedure for the founders' joint activities whereby the legal entity is formed.

Also other information envisaged by a law shall be included in the decision on founding the legal entity.

4. If a hereditary fund is created, the decision on instituting the hereditary fund shall be taken by a citizen when he compiles the will and shall contain information on instituting the hereditary fund after this citizen's death, on the approval by this citizen of the Rules of the hereditary fund and the terms for its management, on the procedure, the size, the methods and the time terms for formation of the property of the hereditary fund, on the persons appointed into the composition of the hereditary fund's bodies or the procedure for identifying such persons.

After the citizen's death the notary maintaining the inheritance case shall send an application for state registration of the hereditary fund to the authorised government body pointing out the name or the designation of the person (of the persons) implementing the powers of the one-man executive body of the fund.

Article 51. The State Registration of Legal Entities

1. A legal entity is subject to state registration with the authorised state body in the procedure envisaged by a law on the state registration of legal entities.

2. State registration data shall be included in a unified state register of legal entities open for the general public.

A person who in good faith relies on the data of the unified state register of legal entities is entitled to act on the premise that the data correspond to real circumstances. In relations with a person that has acted on the premise that the data of the unified state register of legal entities a legal entity is not entitled to refer to details that have not been included in the said register or to the non-reliability of the information contained therein, except cases when relevant data have been included in the said register as a result of unlawful actions of third parties or otherwise in spite of the legal entity's will.

A legal entity shall compensate for the losses caused to other participants in civil law transactions due to default on provision of, untimely provision of information, or the provision of unreliable information about it to the unified state register of legal entities.

3. Before the state registration of a legal entity, amendments to the charter thereof or before the inclusion of other data not relating to the modification of the charter in the unified state register of legal entities, the authorised state body shall verify in the procedure and within the term envisaged by law the reliability of the information included in the said register.

4. In the cases and the procedure envisaged by a **law** on the state registration of legal entities the

authorised state body shall inform in advance the persons concerned of the planned state registration of amendments to the charter of the legal entity and the planned inclusion of data in the unified state register of legal entities.

The persons concerned are entitled to send objections to the planned state registration of amendments to the charter of the legal entity or the planned inclusion of data in the unified state register of legal entities in the procedure envisaged by the **law** on the state registration of legal entities. The authorised state body shall consider these objections and take a relevant decision in the procedure and within the term envisaged by the law on the state registration of legal entities.

5. Refusal to grant state registration to a legal entity and also to include information about it in the unified state register of legal entities is admissible only in the cases envisaged by the **law** on the state registration of legal entities.

Refusal to grant state registration to a legal entity and evasion of such registration may be contested in court.

6. The state registration of a legal entity may be deemed invalid by a court due to a clear violation of a law committed when it was formed if such irregularity is irreparable.

The inclusion of information about a legal entity in the unified state register of legal entities may be contested in court, if such information is unreliable or has been included in the said register in breach of a law.

7. The losses caused by an illegal refusal to grant state registration to a legal entity or evasion of state registration, the inclusion of unreliable information about a legal entity in the unified state register of legal entities or the breach of the state registration procedure envisaged by the **law** on the state registration of legal entities through the fault of the authorised state body are subject to compensation at the expense of the treasury of the Russian Federation.

8. A legal entity shall be deemed formed, and data concerning the legal entity shall be deemed included in the unified state register of legal entities as of the day on which the relevant entry is made in that register.

Article 52. The Constitutive Documents of Legal Entities

1. Legal entities, save business companies and state corporations, shall act under charters which are endorsed by their founders (participants), except as provided for by **Item 2** of this article.

A business partnership shall operate under a constitutive agreement concluded by its founders (participants) and which is subject to the rules of the present Code on the charter of a legal entity.

A state corporation shall operate under the federal law on such state corporation.

2. Legal entities may act on the basis of the model charter endorsed by an authorized state body. Data to the effect that a legal entity acts on the basis of the model charter endorsed by an authorized state body shall be cited in the unified state register of legal entities.

The model charter endorsed by an authorized state body shall not contain data on the denomination, firm's name, location and amount of the authorised capital of a legal entity. Such data shall be cited in the unified state register of legal entities.

3. In the cases envisaged by a law an institution may operate under a uniform model charter endorsed by its founder or the body empowered by him for institutions formed to pursue activities in specific spheres.

4. The charter of a legal entity endorsed by the founders (participants) thereof shall comprise information on the name of the legal entity, its organisational legal form, its location, the procedure for managing the activities of the legal entity and also other information envisaged by a law for legal entities of the relevant organisational legal form and kind. The charters of non-profit organisations, the charters of unitary enterprises and in the cases envisaged by a law the charters of other commercial organisations shall define the subject matter and objectives of the legal entities' activities. The subject matter and the defined objectives of the activities of a commercial organisation may be envisaged in the charter also in cases when under law it is not to be compulsorily done.

5. The founders (participants) of a legal entity, and in cases provided for by law, also bodies of a legal entity (**Item 1 of article 53**) shall be entitled to approve regulating corporate relations (**Item 1 of article 2**), as well as internal regulations and other internal documents of a legal entity that are not constituent documents.

The in-house regulations and other in-house documents of a legal person may comprise provisions that do not contravene the constitutive document of the legal entity.

6. The amendments that have been made to the constitutive documents of legal entities shall become binding on third parties from the time of **state registration** of the constitutive documents, and in the cases established by a law, from the time of notification of the body responsible for state registration of such amendments. However, the legal entities and their founders (participants) are not entitled to refer to the lack of registration of such amendments in relations with third parties which have been acting with account being taken of such amendments.

Article 53. The Legal Entity's Bodies

1. A legal entity shall acquire civil rights and accept civil liabilities via its bodies operating in accordance with the law, other legal acts and the authorising document.

The procedure for formation and scope of authorities of the bodies of a legal entity shall be determined by this Code, another law and a constituent document, unless otherwise provided by this Code or another law.

A provision may be included in the constitutive document according to which the power to act in the name of the legal entity is granted to several persons who act jointly or separately from each other. Information about it shall be included in the unified state register of legal entities.

2. In the cases stipulated by the present Code, the legal entity shall have the right to acquire the civil rights and to assume upon itself the civil duties through its participants.

3. A person who by virtue of a law or another legal act or the constitutive document of the legal entity is empowered to act in its name shall act in the interests of the legal entity he represents in a bona fide and reasonable manner. The same duty shall be executed by the members of the collective bodies of the legal entity (the supervisory or another board, the governing board, etc.).

4. Relationships between the legal entity and the persons who sit on its bodies are regulated by the present Code and the laws on legal entities adopted pursuant thereto.

Article 53.1. The Liabilities of the Person Empowered to Act in the Name of a Legal Entity, of the Members of the Collective Bodies of the Legal Entity and of the Persons Which Determine the Legal Entity's Actions

1. The person which by virtue of a law or another legal act or the constitutive document of a legal entity is empowered to act in its name (**Item 3 of Article 53**) shall compensate on a demand of the legal entity or its founders (participants) acting in the interests of the legal person for the losses caused through his fault to the legal entity.

The person which by virtue of a law or another legal act or the constitutive document of the legal entity is empowered to act in its name shall bear liability, if it is proven that while exercising his rights and executing his duties he acted in a non-bona fide or reasonable manner, for instance if his actions (omissions) did not correspond to the ordinary civil circulation terms or the ordinary entrepreneurial risk.

2. The liability envisaged by **Item 1** of the present article shall also be borne by the members of the legal entity's collective bodies, except for those of them who have voted against the decision that has caused the infliction of losses to the legal entity or who while acting in a bona fide manner did not participate in the voting.

3. The person that actually has the possibility of determining the actions of the legal entity, for instance the possibility of issuing directions to the persons mentioned in **Items 1** and **2** of the present article shall act in the interests of the legal entity in reasonable and bona fide manner and bear liability for the losses causes through his fault to the legal entity.

4. In the event of joint infliction of losses to the legal entity the persons specified in **Items 1 - 3** of the present article shall compensate for the losses jointly and severally.

5. An agreement on elimination or restriction of the liability of the persons which are mentioned in **Items 1** and **2** of the present article for the commission of non-bona fide actions, or in a public-law company for the commission of non-bona fide and non-reasonable actions (**Item 3 of Article 53**) is null and void.

An agreement on elimination or restriction of the liability of the person that is mentioned in **Item 3** of the present article is null and void.

Article 53.2. Being Affiliated

In cases when the present Code or another law makes the onset of legal consequences dependent on the availability of the relationship of being tied-up (affiliated) between persons then the availability or lack of such relationships shall be determined in accordance with a law.

Article 54. The Name, Location and Address of a Legal Entity

1. A legal entity has its name that contains reference to an organisational legal form or, when the possibility of establishing a kind of a legal entity is provided for by law, solely an indication of such kind. The name of a non-profit organisation, and in the cases envisaged by a **law**, the name of a commercial organisation shall comprise reference to the nature of the legal entity's activity.

It is admissible that the name of a legal entity includes the official name "the Russian Federation" or "Russia" and also the words derivatives from that name in the cases envisaged by a law, decrees of the President of the Russian Federation or acts of the Government of the Russian Federation or under a permit issued in the **procedure** established by the Government of the Russian Federation.

The full or abbreviated names of federal executive power bodies shall not be used in the names of legal entities, except for the cases envisaged by a law, decrees of the President of the Russian Federation or acts of the Government of the Russian Federation.

Normative legal acts of subjects of the Russian Federation may establish a procedure for using the official names of the subjects of the Russian Federation in the names of legal entities.

2. The location of a legal entity is defined by the place of its state registration on the territory of the Russian Federation by referring to the name of an inhabited locality (municipal formation). The state registration of a legal entity shall be effectuated at the location of its permanent executive body, or if there is no permanent executive body, of another body or individual empowered to act in the name of the legal entity by virtue of a law, another legal act or the constitutive document, if not otherwise established by the **law** on the state registration of legal entities.

3. The address of the legal entity shall be stated in the unified state register of legal entities within the limits of the legal entity's location.

A legal entity shall run the risk of the consequences of non-receiving of legally-significant messages (**Article 165.1**) delivered to the address written in the unified state register of legal entities, and also the risk of absence of its body or representative at said address. The messages delivered to the address stated in the unified state register of legal entities shall be deemed received by the legal entity, even if it is not located at said address.

If a foreign legal entity has a representative on the territory of the Russian Federation the messages delivered to the address of such representative shall be deemed received by the foreign legal entity.

4. A legal entity being a commercial organisation shall have a company name.

The provisions applicable to the company name are established by the present Code and other laws. Rights to the company name are defined in accordance with the rules of **Section VII** of the present Code.

5. A description, company name and location of a legal entity shall be stated in its constitutive document and in the unified state register of legal entities or, if a legal entity acts on the basis of the model charter endorsed by an authorised state body, solely in the unified state register of legal entities.

Article 55. Representative Offices and Branches of a Legal Entity

1. The representation shall be a set-apart subdivision of the legal entity, situated outside its location, which represents and protects the legal entity's interests.

2. The subsidiary shall be the legal entity's set-apart subdivision, situated outside its location and performing all its functions or a part thereof, including the functions of representation.

3. The representations and the subsidiaries shall not be legal entities. They shall be given the property of the legal entity, by which they have been set up, and shall operate in conformity with the provisions it has approved.

The managers of the representations and the subsidiaries shall be appointed by the legal entity and shall act on the ground of its warrant.

Representative offices and branches shall be mentioned in the unified state register of legal entities.

Article 56. The Liability of a Legal Entity

1. A legal entity is liable for its obligations with all the property belonging thereto.

The details of liability of a state-property enterprise and institution for its obligations are defined by the rules of **Paragraph 3 of Item 6 of Article 113**, **Item 3 of Article 123.21**, **Items 3 - 6 of Article 123.22** and **Item 2 of Article 123.23** of the present Code. The details of liability of a religious organisation are defined by the rules of **Item 2 of Article 123.28** of the present Code.

2. The founder (participant) of a legal entity or the owner of its property is not liable for the obligations of the legal entity, and the legal entity is not liable for the obligations of the founder (participant) or the owner, except for the cases envisaged by the present Code or another law.

Article 57. Reorganisation of the Legal Entity

1. The re-organisation of a legal entity (merger, accession, division, separation, transformation) may be carried out by a decision of its founders (participants) or the legal entity's body that is empowered to do so by the constitutive document.

It is admissible that a legal entity is re-organised with the various forms of re-organisation envisaged by **Paragraph 1** of the present item being simultaneously combined.

The re-organisation with the participation of two or more legal entities, for instance those formed in different organisational legal forms, is admissible if the present Code or another law envisages the possibility of transformation of a legal entity of one of such organisational legal forms into a legal entity of the other of these organisational legal forms.

Restrictions may be established by a law on the re-organisation of legal entities.

The details of re-organisation of credit, insurance, clearing organisations, specialised financial associations, specialised project financing associations, professional participants in the securities market, joint stock investment funds, the managing companies of investment funds, of unit investment trusts and of non-state pension funds, non-state pension funds and other non-credit financial organisations and joint stock companies of employees (people's enterprises) shall be defined by the laws regulating the activities of such organisations.

2. In the law-stipulated cases, the reorganisation of the legal entity in the form of its division or of the branching off from its structure of one or of several legal entities, shall be effected by the decision of the authorized state bodies or by the court decision.

Unless the founders (participants) of the legal entity, the body empowered by them or the legal entity's body empowered to carry out re-organisation by its constitutive document complete the re-organisation of the legal entity within the term defined in the decision of the empowered state body then a court on a complaint of said state body shall appoint in the procedure established by a law a qualified receiver of the legal entity and shall order him to carry out the re-organisation of the legal entity. From the time of appointment of the qualified receiver he acquires the powers to manage the affairs of the legal person. The qualified receiver shall act in the name of the legal entity in a court, draw up a deed of transfer

and hand it over to the court to be considered together with the constitutive documents of the legal entities formed as a result of the re-organisation. The court decision on endorsement of said document shall serve as grounds for state registration of the newly formed legal entities.

3. In the law-stipulated cases, the reorganisation of the legal entities in the form of the merger, affiliation or transformation shall be effected only upon the consent of the authorized state bodies.

4. The legal entity shall be regarded as reorganised, with the exception of the cases of reorganisation in the form of affiliation, from the moment of the state registration of the legal entities formed as a result of the re-organisation.

In case of the reorganisation of the legal entity in the form of another legal entity's affiliation to it, the former shall be regarded as reorganised from the moment of making an entry about the cessation of activity of the legal entity, affiliated to it, into the State Register of the Legal Entities.

The state registration of the legal entity formed as a result of the re-organisation (if several legal entities are registered, of the first in terms of time of state registration) is not admissible before the expiry of the relevant term for taking appeal from the decision on re-organisation (**Item 1 of Article 60.1**).

Article 58. Legal Succession in the Reorganisation of Legal Entities

1. In case of the merger of the legal entities, the rights and duties of every one of them shall pass to the newly emerged legal entity.

2. In case of the legal entity's affiliation to another legal entity, the rights and duties of the former legal entity shall pass to the latter legal entity.

3. In case of the division of the legal entity, its rights and duties shall pass to the newly emerged legal entities in conformity with the deed of transfer.

4. In case of the branching off from the structure of the legal entity of one or of several legal entities, the rights and duties of the reorganised legal entity shall pass to every one of these in conformity with deed of transfer.

5. In the event of transformation of a legal entity of one organisational legal form into a legal entity of another organisational legal form, the rights and duties of the re-organised legal entity in respect of other persons shall not change, except for the rights and duties in respect of the founders (participants) whose change is due to re-organisation.

The rules of **Article 60** of the present Code are not applicable to the relationships that come into being when a legal person is re-organised in the form of transformation.

Article 59. The Deed of Transfer

1. A deed of transfer shall comprise provisions on legal succession in respect of all the obligations of the re-organised legal entity concerning all its creditors and debtors, including the obligations disputed by the parties, and also a procedure for defining legal succession in connection with the change of the kind, composition and value of property, the occurrence, modification and termination of the rights and duties of the re-organised legal entity which can take place after the date as of which the deed of transfer is drawn up.

2. The deed of transfer shall be endorsed by the founders (participants) of the legal entity or by the body that has taken the decision on re-organisation of the legal entity and be submitted together with the constitutive documents for state registration of the legal entities formed as a result of the re-organisation or for making amendments to the constitutive documents of the existing legal entities.

Default on submission of a deed of transfer together with the constitutive documents, the lack therein of provisions on legal succession in respect of all the obligations of the re-organised legal person shall entail refusal to grant state registration to the legal entities formed as a result of the re-organisation.

Article 60. Guarantees of the Rights of the Creditors of a Re-Organised Legal Entity

1. Within three working days after the date of a decision on re-organisation of a legal entity it shall notify **in writing** the empowered state body that carries out the state registration of legal entities of the commencement of the procedure of re-organisation and indicate the form of the re-organisation. If two or more legal entities are involved in the re-organisation such notice shall be sent by the legal entity that was the last to take a decision on re-organisation or that is designated by the decision on re-organisation. On the basis of such notice the empowered state body that carries out the state registration of legal entities shall make an entry in the unified state register of legal entities to the effect that the legal entities are under re-organisation.

After the entry on the procedure of re-organisation is made in the unified state register of legal entities the re-organised legal person shall publish a notice of its re-organisation twice once a month in the **mass media** which are used to publish information on the state registration of legal entities. If two or more legal entities are involved in the re-organisation a **notice** of re-organisation shall be published in the name of all the legal entities involved in the re-organisation by the legal entity that was the last to take a decision on re-organisation or that is designated in the decision on re-organisation. The notice of reorganisation shall include information about each of the legal entities which are involved in the re-organisation, are formed or continue activities as a result of the re-organisation, the form of the re-organisation, a description of the procedure and terms for creditors to state their claims and other information envisaged by a law.

A law may envisage the duty of a re-organised legal entity to notify creditors in writing of its re-organisation.

2. A creditor of the legal entity -- if his rights had occurred before the publication of the first notice of re-organisation of the legal entity -- has the right to claim in a judicial procedure early performance of the relevant obligation by the debtor, or if early performance is impossible, termination of the obligation and compensation for the losses due thereto, except for the cases established by a law or an agreement of the creditor with the re-organised legal entity.

Claims for early performance of an obligation or termination of an obligation and compensation for losses may be filed by creditors within 30 days after the date of publication of the last notice of re-organisation of the legal entity.

The right envisaged by **Paragraph 1** of the present item is not granted to a creditor that already has sufficient security.

The claims filed within said term shall be satisfied before the completion of the re-organisation procedure, for instance by placing a debt on deposit, in the cases envisaged by **Article 327** of the present Code.

A creditor is not entitled to claim early performance of an obligation or termination of an obligation and compensation for losses if within 30 days after the date when the creditor filed the claims security is provided thereto that is deemed sufficient in accordance with **Item 4** of the present article.

Creditors' filing claims under the present item shall not serve as ground for suspension of the procedure of re-organisation of the legal person.

3. If a creditor that has claimed in keeping with the rules of the present article early performance of an obligation or termination of an obligation and compensation for losses has not been provided with such performance and compensation for losses and has not been offered sufficient security for the performance of the obligation, then joint liability to the creditor shall be borne by the following in addition to the legal entities formed as a result of the re-organisation: the persons having an actual opportunity for determining the actions of the re-organised legal entities (**Item 3 of Article 53.1**), the members of their collective bodies and the person empowered to act in the name of the re-organised legal entity (**Item 3 of Article 53**), if by their actions (omissions) that have promoted the onset of said consequences for the creditor, and in the event of re-organisation in the form of separation, joint liability to the creditor shall be also borne by the re-organised legal entity in addition to said persons.

4. Security offered to the creditor for performance of the obligations of the re-organised legal entity or for compensating the losses relating to the termination thereof shall be deemed sufficient if:

1) the creditor has agreed to accept such security;

2) an independent irrevocable guarantee has been issued to the creditor by a credit organisation whose ability to pay causes no substantiated doubts, the effective term thereof exceeding by at least three months the maturity of the secured obligation, and with the condition of payment when the creditor presents claims to the guarantor together with evidence of default on performing the obligation of the legal entity that is being re-organised or has been re-organised.

5. If the deed of transfer does not allow the identification of a successor in respect of the legal entity's obligation and also if according to the deed of transfer or other circumstances the assets and liabilities of the re-organised legal entities have been distributed in a non-bona fide manner as having lead to a substantial infringement on the interests of creditors the re-organised legal entity and the legal entities formed as a result of the re-organisation shall bear joint liability for such obligation.

Article 60.1. The Consequences of Deeming as Invalid a Decision on Re-Organisation of a Legal Entity

1. A decision on re-organisation of a legal entity may be deemed invalid on a demand of the participants in the re-organised legal entity and also other persons not being participants in the legal entity, if such right has been granted to them by a law.

Said demand may be submitted to a court within three months after an entry is made in the unified state register of legal entities on the commencement of a re-organisation procedure, except as another term is established by a law.

2. The court's deeming invalid the decision on re-organisation of the legal entity shall not entail liquidation of the legal entity that has been formed as a result of the legal entity's re-organisation and also shall not serve as ground for deeming invalid the transactions that have been concluded by such legal entity.

3. If a decision on re-organisation of a legal entity is deemed invalid before the end of re-organisation, if the state registration has been completed in respect of a part of the legal entities which are to be formed as a result of the re-organisation, then legal succession shall become effective only in respect of such registered legal entities, and in as much as the rest is concerned the rights and duties shall be retained by the preceding legal entities.

4. The persons which in a non-bona fide manner have promoted the taking of the decision on re-organisation that has been deemed invalid by a court shall jointly and severally compensate for losses to a participant in the re-organised legal entity which voted against the taking of the decision on re-organisation or did not take part in voting, and also to the creditors of the re-organised legal entity. Joint liability together with these persons which in a non-bona fide manner have promoted the taking of the decision on re-organisation shall be borne by the legal entities formed as a result of the re-organisation under said decision.

If the decision on re-organisation of the legal entity was taken by a collective body then joint liability is vested in the members of that body who have voted for the taking of the relevant decision.

Article 60.2. Deeming the Re-Organisation of a Corporation as Not Having Taken Place

1. On a demand of a participant in a corporation that has voted against the taking of a decision on re-organisation of that corporation or has not participated in voting on that issue the court may deem the re-organisation as not having taken place in cases when a decision on re-organisation has not been taken by the participants in the re-organised corporation, and also if the documents filed for the purposes of state registration of the legal entities formed by means of the re-organisation contained knowingly unreliable information on the re-organisation.

2. A court's decision on deeming a re-organisation as not having taken place shall entail the following legal consequences:

1) the legal entities which had existed before the re-organisation are reinstated with simultaneous termination of the legal entities which have been formed as a result of the re-organisation, with entries being made accordingly in the unified state register of legal entities;

2) the transactions of the legal entities which have been formed as a result of the re-organisation with the persons which relied in a bona fide manner on legal succession shall remain effective for the re-established legal entities which are joint debtors and joint creditors in such transactions;

3) the transfer of rights and duties shall be deemed as not having taken place, and in this case the delivery (of payments, services etc.), which has taken place for the benefit of a legal entity formed as a result of the re-organisation by debtors relied in a bona fide manner on legal succession on the side of the creditor, shall be deemed as taken place for the benefit of the right holder. If the property (assets) of one of the legal entities involved in the re-organisation has been used to perform the duties of another of them which have been transferred to a legal entity formed as a result of the re-organisation then the relationships of said persons are subject to the rules concerning the obligations due to unfounded enrichment (**Chapter 60**). The disbursements that have taken place may be disputed by an application of the person whose resources have been used to effectuate them, if the recipient of the delivery knew or had to know about the illegal nature of the re-organisation;

4) the participants in the legal entity that had existed earlier shall be deemed the holders of stakes in that in the amounts they had before the re-organisation, and in the event of change of participants in the legal entity in the course of such re-organisation or upon the completion thereof the stakes of the participants in the legal entity that had existed earlier shall be returned to them according to the rules envisaged by **Item 3 of Article 65.2** of the present Code.

Article 61. Liquidation of a Legal Entity

1. The liquidation of a legal entity shall entail the termination thereof without the transfer of rights and duties in the procedure of universal legal succession to other persons.

2. A legal entity shall be liquidated by a decision of its founders (participants) or the legal entity's body empowered to do so by the constitutive document, for instance in connection with the expiry of the term for which the legal entity has been formed, with the attainment of the objective for which it has been formed.

3. A legal entity shall be liquidated by a court decision:

1) when it is sued by a state body or a local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the state registration of the legal entity is deemed invalid, for instance in connection with a gross violation of a law committed at the formation thereof, if these irregularities are irreparable;

2) when it is sued by a state body or local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the legal entity has been pursuing activities without a proper permission (licence) or has had no mandatory membership in a self-regulating organisation or no certificate required by virtue of a law of clearance to pursue a certain type of work issued by a self-regulating organisation;

3) when it is sued by a state body or local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the legal entity has been pursuing activities prohibited by a law or in breach of the **Constitution** of the Russian Federation or with repeated or gross violation of a law or of other legal acts;

4) when it is sued by a state body or local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the public organisation or public movement, socially useful fund or religious organisation has been regularly pursuing activities contravening the objectives of such organisations written in their charters;

5) when it is sued by a founder (participant) of the legal entity, in the event of impossibility of attaining the objectives for the sake of which it has been formed, for instance in cases when the pursuance of the legal entity's activities becomes impossible or is substantially impeded;

6) in **other cases** envisaged by a law.

4. From the time when a decision on liquidation of a legal entity is taken the due date for performance of its obligations owing creditors shall be deemed to have come.

5. The court's decision on liquidation of the legal entity may vest the duty to carry out the liquidation of the legal entity in the founders (participants) thereof or in the body empowered to liquidate the legal person according to its constitutive document. Default on performance under the court's decision shall be deemed a ground for liquidation of the legal entity by a qualified receiver (**Item 5 of Article 62**) with the property of the legal entity. If the legal entity's resources are insufficient for the expenses required for its liquidation these expenses shall be jointly and severally borne by the founders (participants) of the legal entity (**Item 2 of Article 62**).

6. Legal entities, except for the legal entities envisaged by **Article 65** of the present Code, may be deemed unable to pay (bankrupt) by a court's decision and be liquidated in the cases and in the procedure envisaged by the **legislation** on insolvency (bankruptcy).

The general rules for liquidation of legal entities contained in the present Code are applicable to the liquidation of a legal person in liquidation proceedings, unless other rules are established by the present Code or the **legislation** on insolvency (bankruptcy).

Article 62. The Duties of the Persons Who Have Taken a Decision on Liquidation of a Legal Entity

1. The founders (participants) of a legal entity or the body that have taken a decision on liquidation of the legal entity shall **inform** in writing about it within three working days after the date of the decision the empowered state body carrying out the state registration of legal entities so that an entry be made in the unified state register of legal entities to the effect that the legal entity is under liquidation, and shall also publish information in the procedure established by a law that the decision has been taken.

2. The founders (participants) of the legal entity, irrespective of the grounds on which the decision on liquidation thereof was taken, for instance in the event of actual termination of the legal entity's activities, shall use the property of the legal entity to commit the actions whereby the legal entity is to be liquidated. If the legal entities' property is insufficient the founders (participants) of the legal entity shall commit said actions jointly and severally with their own resources.

3. The founders (participants) of a legal entity or the body that have taken a decision on liquidation of the legal entity shall appoint a liquidation commission (liquidator) and establish a winding-up procedure and term in accordance with a law.

4. From the time of appointment of the liquidation commission the powers of managing the affairs of the legal entity get transferred thereto. The liquidation commission shall act in the name of the legal person in liquidation in a court of law. The liquidation commission shall act in a bona fide and reasonable manner in the interests of the legal person in liquidation as well as of its creditors.

If the liquidation commission has established that the property of the legal entity is insufficient to meet all the claims of creditors the further winding-up of the legal entity may be carried out only in the procedure established by the **legislation** on insolvency (bankruptcy).

5. If the founders (participants) of the legal entity default on or improperly execute the duties of liquidating it a person concerned or an empowered state body have the right of claiming in a judicial procedure that the legal entity be liquidated and that a qualified receiver be appointed to do so.

6. If the liquidation of the legal entity is impossible due to the lack of funds to meet the expenses required to liquidate it and to the impossibility of vesting the duty to bear these expenses in its founders (participants) the legal entity is subject to removal from the unified state register of legal entities in the procedure established by the **law** on the state registration of legal entities.

Article 63. Procedure for Liquidation of a Legal Entity

1. The liquidation commission shall use the mass media where information on the state registration of a legal entity is published to publish an announcement about its liquidation and about the procedure and

term for the filing of claims by its creditors. This term shall not be shorter than two months after the time of publication of the announcement of liquidation.

The liquidation commission shall take measures to identify the creditors and receive the accounts receivable, and also shall notify the creditors in writing of the liquidation of the legal entity.

2. Upon the expiry of the term for filing creditors' claims the liquidation commission shall draw up an interim liquidation balance sheet containing information on the composition of the liquidated legal person's property, a list of the claims filed by the creditors, the results of consideration thereof, and also a list of the claims that have been met by a court's decision that has become final, irrespective of the fact that such claims have been or have not been accepted by the liquidation commission.

The interim liquidation balance sheet shall be endorsed by the founders (participants) of the legal entity or by the body that has taken the decision on liquidation of the legal entity. In the cases established by a law the interim liquidation balance sheet is endorsed by agreement with an empowered state body.

3. If action has been brought in a case of insolvency (bankruptcy) of a legal entity its liquidation carried out according to the rules of the present **Code** shall be terminated and the liquidation commission shall notify accordingly all the creditors known thereto. Creditors' claims in cases when the liquidation of a legal entity is terminated when action is brought in a case of its insolvency (bankruptcy) shall be considered in the procedure established by the **legislation** on insolvency (bankruptcy).

4. If the amounts of money the liquidated legal entity (except for institutions) has are insufficient to meet the claims of creditors the liquidation commission shall sell the legal entity's property which is subject to levy of execution according to a law by a public sale, except for the items worth up to 100,000 roubles (according to the endorsed interim liquidation balance sheet) for the sale of which no public sale is required.

If the liquidated legal entity's property is insufficient for meeting the claims of creditors or if there are signs of bankruptcy of the legal entity the liquidation commission shall apply to an arbitration court by filing an application for bankruptcy of the legal entity, if such legal entity may be deemed unable to pay (bankrupt).

5. The disbursement of amounts of money to creditors of the liquidated legal entity shall be effectuated by the liquidation commission in the order of priority established by **Article 64** of the present Code in accordance with the interim liquidation balance sheet from the date on which it is endorsed.

6. After the completion of settlements of accounts with the creditors the liquidation commission shall draw up a liquidation balance sheet which is endorsed by the founders (participants) of the legal person or by the body that has taken the decision on liquidation of the legal entity. In the cases established by a law the liquidation balance sheet is endorsed by agreement with an empowered state body.

7. Where the present Code envisages the subsidiary liability of the owner of the property of an institution or state-property enterprise for the liabilities of that institution or that enterprise when the property of the liquidated institution or state-property enterprise which is subject to levy of execution according to a law is insufficient the creditors have the right of filing a claim with a court for the outstanding part of the claims to be met with the resources of the owner of property of that institution or that enterprise.

8. The legal entity's property that remains after the creditors' claims have been met shall be handed over to its founders (participants) having rights in rem in respect of that property or corporate rights in respect of the legal entity, except as otherwise envisaged by a law, other legal acts or the constitutive document of the legal entity. If there is a dispute between founders (participants) as to who is going to receive a thing then it shall be sold by the liquidation commission by a public sale. Except as otherwise established by the present **Code** or another law, when a non-profit organisation is being liquidated the property remaining after creditors' claims have been met shall be used in accordance with the charter of the non-profit organisation to attain the objectives for the attainment of which it has been formed and/or for charitable purposes.

9. The liquidation of a legal entity shall be deemed completed, and the legal entity be deemed to have terminated its existence after information on its termination is entered in the unified state register of

legal entities in the procedure established by the **law** on the estate registration of legal entities.

Article 64. Meeting the Claims of Creditors of a Liquidated Legal Entity

1. When a legal entity is being liquidated claims of its creditors shall be satisfied in the following order of priority after payment is made towards the current expenses required to carry out the liquidation:

- first of all satisfaction shall be given to claims of citizens to whom the liquidated legal entity is liable for a harm inflicted to their life or health, by means of **capitalising** relevant time-based payments, for compensation in excess of the compensation for harm caused as a result of demolition or damage a capital development unit, failure to satisfy safety requirements while constructing a capital development unit and the requirements for ensuring the safe upkeep of a building or structure;

- in the second turn shall be effected the settlements, involved in the payment of retirement allowances and the remuneration for the labour of persons who work or who have been working under a labour contract, and also those involved in the payment of fees to the authors of the results of intellectual activity.

- the third priority ranking category includes settlements of accounts for compulsory payments owing a budget or a non-budget fund;

- the fourth priority raking category included settlements of accounts with other creditors.

Paragraph 6 is **abrogated**.

In the event of liquidation of the banks raising citizens' funds, as first priority also the following shall be met: claims of the citizens who are creditors of the banks under contracts of bank deposit or bank account concluded with them or for their benefit, except for the contracts relating to the citizens' pursuance of entrepreneurial or another professional activity, in as much as it concerns the principal debt sum and due interest, claims of the organisation that does the mandatory insurance of deposits, in connection with the disbursement of compensation for deposits under a **law** on insurance for citizens' deposits in banks and claims of the Bank of Russian in connection with disbursements relating to citizens' deposits in banks in accordance with a **law**.

Creditors' claims for compensation for losses in the form of lost profit, collection of forfeit money (a fine, penalty), for instance for default on or improper performance of the duty to make mandatory payments, shall be met after the satisfaction of the claims of the creditors of Priority Ranks 1, 2, 3 and 4.

2. Claims of creditors of each priority ranking category are met after the claims of creditors of the preceding category have been satisfied in full, except for creditors' claims relating to obligations secured by a pledge of property of a legal entity in liquidation.

Creditors' claims relating to obligations secured by a pledge of property of a legal entity in liquidation shall be met with proceeds from the sale of the object of the pledge as a priority over other creditors, except for the obligations to the creditors of the first and second priority ranking categories for which claims had come into being before the conclusion of the pertinent contract of pledge.

Creditors' claims for obligations secured with a pledge of property of a legal entity in liquidation that have not been met with proceeds from the sale of the object of the pledge shall be satisfied together with the claims of creditors of the fourth priority ranking category.

3. If the property of a legal entity in liquidation is insufficient, when such legal entity in the cases envisaged by the present **Code** cannot be deemed unable to pay (bankrupt) the property of such legal entity shall be distributed among the creditors of the relevant priority rank pro rata to the amount of the claims which are subject to satisfaction, except as otherwise established by a law.

4. Invalid from June 3, 2018 - **Federal Law** No. 116-FZ of May 23, 2018.

5. Abrogated from September 1, 2014.

5.1. The following shall be deemed redeemed at the liquidation of a legal entity:

1) the creditors' claims which have not been met due to the insufficiency of the property of the legal entity in liquidation and have not been met with the property of the persons which bear subsidiary liability for such claims, if the legal entity in liquidation in the cases envisaged by **Article 65** of the present

Code cannot be deemed unable to pay (bankrupt);

2) the claims which have not been recognised by the liquidation commission, unless the creditors in respect of such claims have brought action in a court;

3) the claims for which satisfaction to the creditors has been denied by a court decision.

5.2. In the event of discovery of a piece of property of a liquidated legal entity that has been removed from the unified state register of legal entities, for instance as a result of such legal person having been deemed unable to pay (bankrupt) a person concerned or an empowered state body are entitled to file an application with a court for a procedure for distribution of the discovered property among the persons eligible for it to be ordered. Said property shall also include the liquidated legal entity's claims to third parties, for instance those that have come into being due to a breach of the priority order for meeting creditors' claims due to which the person concerned has not received delivery in full. In this case, the court shall appoint a qualified receiver vested with the duty to distribute the discovered property of the liquidated legal entity.

An application for a procedure for distribution of discovered property of a liquidated legal entity to be ordered may be filed within five years after the time when information on termination of the legal person is entered in the unified state register of legal entities. A procedure for distribution of discovered property of a liquidated legal person may be ordered if there are resources sufficient to implement that procedure and the possibility of distributing the discovered property among persons concerned.

A procedure for distribution of discovered property of a liquidated legal entity shall be implemented according to the rules of the present **Code** for liquidation of legal entities.

6. Abrogated from September 1, 2014.

Article 64.1. Protecting the Rights of Creditors of the Liquidated Legal Entity

1. If the liquidation commission refuses to meet a claim of a creditor or evades considering it, the creditor has the right of applying to a court before the endorsement of the liquidation balance sheet of the legal entity demanding that his claim addressed to the liquidated legal person be met. If the court satisfies the creditor's claim the amount of money awarded thereto shall be paid out in the order of priority established by **Article 64** of the present Code.

2. On the demand of the founders (participants) of the liquidated legal entity or on the demand of its creditors the members of the liquidation commission (liquidator) shall compensate for the losses that have been caused by them to the founders (participants) of the liquidated legal entity or to its creditors, in the procedure and on the grounds envisaged by **Article 53.1** of the present Code.

Article 64.2. Termination of a Non-Operating Legal Entity

1. The following shall be deemed to have actually terminated its activities and to be subject to removal from the unified state register of legal entities in the procedure established by a **law** on the state registration of legal entities: a legal entity which has not filed the reporting documents envisaged by the **legislation** of the Russian Federation on taxes and fees and has not carried out transactions at least on one bank account within the 12 months preceding its removal from said register (non-operating legal entity).

2. The removal of a non-operating legal entity from the unified state register of legal entities shall entail the legal consequences envisaged by the present Code and other laws as applicable to liquidated legal entities.

3. The removal of a non-operating legal entity from the unified state register of legal entities shall not be deemed an obstacle for holding accountable the persons mentioned in **Article 53.1** of the present Code.

Article 65. Insolvency (Bankruptcy) of the Legal Entity

1. A legal entity, except for a treasury enterprise, institution, political party and religious organisation may be deemed insolvent (bankrupt) by a court's decision. A state corporation or a state company may be liquidated as a result of declaring it insolvent (bankrupt), where this is allowed by the federal law providing for establishment thereof. The socially useful fund may not be declared insolvent

(bankrupt) in so far as that is prescribed under the **law** providing for the setting up and operation of that fund. The public-law company shall not be deemed insolvent (bankrupt).

The recognition of the legal entity to be bankrupt shall entail its liquidation.

2. **Abrogated**.

3. The grounds for the court to deem a legal entity insolvent (bankrupt), the procedure for liquidating such a legal entity, and also the priority ranking for the purpose of satisfying claims of creditors shall be established by a law on insolvency (bankruptcy).

Article 65.1. Corporate and Unitary Legal Entities

1. The legal entities whose founders (participants) have the right of participation (membership) in them and form the supreme body thereof in accordance with **Item 1 of Article 65.3** of the present Code are corporate legal entities (corporations). They include business companies and associations, peasant's (farmer's) farms, business partnerships, production and consumer cooperatives, public organisations, public movements, associations (unions), notarial chambers, partnerships of the owners of immovable property, the Cossack societies included in the state register and also communities of the small-numbered indigenous peoples of the Russian Federation.

The legal entities whose founders do not become their participants and do not acquire the rights of membership in them are unitary legal entities. They include state and municipal unitary enterprises, socially useful, funds, personal funds, institutions, autonomous non-profit organisations, religious organisations, religious organisations and public-law companies.

2. In connection with participation in a corporate organisation its participants acquire corporate (membership) rights and duties in respect of the legal entity formed by them, except for the cases envisaged by the present Code.

Article 65.2. The Rights and Duties of Participants in a Corporation

1. The participants in a corporation (participants, members, shareholders, etc.):

have the right of taking part in the management of the corporation's affairs, except for the case envisaged by **Item 2 of Article 84** of the present Code;

are entitled in the cases and in the procedure which are envisaged by a law and the constitutive document of the corporation to receive information on the activities of the corporation and read its bookkeeping and other documents;

have the right of taking appeal from decisions of the bodies of the corporation that entail civil-law consequences, in the cases and in the procedure which are envisaged by a law;

have the right of demanding -- while acting in the name of the corporation (Item 1 of Article 182) -- compensation for losses inflicted on the corporation (**Article 53.1**);

have the right of disputing -- while acting in the name of the corporation (Item 1 of Article 182) -- the transaction it has concluded on the grounds envisaged by **Article 174** of the present Code or laws on corporations of the various organisational legal forms and claim application if the consequences of their invalidity and also application of the consequences of the invalidity of null and void transactions of the corporation.

The participants in the corporation may have also other rights envisaged by a law or the constitutive document of the corporation.

2. A participant in a corporation or a corporation which demand compensation for losses inflicted on the corporation (**Article 53.1**) or demand a transaction of the corporation to be deemed invalid or demand application of the consequences of the invalidity of a transaction shall take reasonable measures for notifying in advance other participants in the corporation and in the relevant cases the corporation of the intent of filing such claims with a court and also shall provide thereto other information that has to do with the case. The procedure for notification of an intent to file a complaint with a court may be envisaged by laws on corporations and the constitutive document of the corporation.

The participants in the corporation which have not joined in the procedure established by the

procedural legislation the complaint claiming compensation for losses inflicted on the corporation (**Article 53.1**) to to a complaint claiming a transaction concluded by the corporation to be deemed invalid or claiming application of the consequences of the invalidity of a transaction henceforth shall not have the right of filing identical claims with a court, unless the court deems the reasons for such claim to be good.

3. Except as otherwise established by the present Code, a participant in a commercial corporation that has lost beyond his will as a result of wrongful actions of other participants or third parties the right of participating in it has the right of claiming return thereto of the stake that has been transferred to other persons as involving the disbursement to them of a fair compensation defined by a court and also compensation for losses on the account of the persons through whose fault the stake has been lost. The court may refuse to return the stake if it is going to lead to the unjust deprivation of other persons of their rights of participation or to entail extremely negative social and other consequences of significance for the public. In this case, fair compensation defined by the court shall be paid to the person that has lost beyond his will the right of participation in the corporation by the persons at fault for the loss of the stake.

4. A participant in a corporation shall:

participate in the formation of the property of the corporation in the necessary amount in the procedure, in the manner and within the term which are envisaged by the present Code, another law or the constitutive document of the corporation;

not disclose confidential information about the corporation's activities;

participate in the taking of corporate decisions without which the corporation cannot continue its operation in accordance with a law, if his participation is required for such decisions to be taken;

not commit actions knowingly directed to cause harm to the corporation;

not commit actions (omissions) which substantially impede or prevent the attainment of the objectives for the sake of which the corporation has been formed.

Participants in the corporation may also have other duties envisaged by a law or the constitutive document of the corporation.

Article 65.3. Management in a Corporation

1. The supreme body of a corporation is the general meeting of its participants.

In the non-profit corporations and production cooperatives that have over 100 participants the supreme body may be the congress, conference or another representative (collective) body defined by their charters in accordance with a law. The competence of that body and the procedure for it to take decisions shall be defined by this Code, other laws and the charter of the corporation.

2. Except as otherwise envisaged by the present Code or another law, the exclusive competence of the supreme body of a corporation encompasses the following:

defining the priority lines of operation of the corporation, the principles of formation and use of its property;

endorsing and amending the charter of the corporation;

defining a procedure for admittance as participants in the corporation and removing from among the participants thereof, except for cases when such procedure is defined by a law;

forming other bodies of the corporation and terminating their powers before due date, unless according to the charter of the corporation in keeping with a law that competence is put within the cognisance of other collective bodies of the corporation;

endorsing annual reports and accounting (financial) statements of the corporation, unless according to the charter of the corporation in keeping with a law that competence is put within the cognisance of other collective bodies of the corporation;

taking decisions on formation of other legal entities by the corporation, the participation of the corporation in other legal entities, the formation of branches and opening representative offices of the corporation, except for cases when according to the charter of a business association in keeping with laws on business associations it is the prerogative of other collective bodies of the corporation to take decisions

on said issues;

taking decisions on re-organisation and liquidation of the corporation, appointment of a liquidation commission (liquidator) and endorsement of a liquidation balance sheet;

electing an in-house audit commission (auditor) and appointment of an audit organisation or individual auditor of the corporation.

A law or the constitutive document of the corporation may put the resolution of other issues within the exclusive competence of its supreme body.

The issues put according to the present Code and other laws within the exclusive competence of the supreme body of the corporation shall not be transferred by that body to other bodies of the corporation to be resolved by them, except as otherwise envisaged by the present Code or another law.

3. A sole executive body (director, director general, chairman, etc.) shall be set up in the corporation. The charter of the corporation may envisage that the powers of sole executive body be conferred on several persons which act jointly or that several sole executive bodies be set up as acting independently of each other (**Paragraph 3 of Item 1 of Article 53**). Both a natural person and a legal entity may act as a sole executive body of a corporation.

In the cases envisaged by the present Code, another law or the charter of the corporation a collective executive body (governing board, directorate etc.) shall be set up in the corporation.

The competence of the bodies of the corporation which are mentioned in the present item encompasses resolution of the issues which are not included in the competence of this supreme body and the collective managerial body formed in accordance with **Item 4** of the present article.

4. Apart from the executive governmental bodies mentioned in **Item 3** of the present article the following may be set up on the corporation in the cases envisaged by the present Code, another law or the charter of the corporation: a collective managerial body (supervisory board or another board) that controls the activities of the corporation's executive bodies and carries out other functions vested in it by a law or the charter of the corporation. The persons executing the powers of sole executive bodies of corporations and the members of their collective executive bodies shall not make up more than one quarter of the composition of the collective managerial bodies of the corporations and shall not be their chairmen.

The members of a collective managerial body of a corporation have the right of receiving information on the corporation's activities and read its bookkeeping and other documents, claim compensation for losses inflicted on the corporation (**Article 53.1**), dispute the transactions concluded by the corporation on the grounds envisaged by **Article 174** of the present Code or laws on corporations of the various organisational legal forms and demand application of the consequences of their invalidity and also demand application of the consequences of the invalidity of null and void transactions of the corporation in the procedure established by **Item 2 of Article 65.2** of the present Code.

§ 2. Commercial Corporate Organisations

1. General Provisions on Business Companies and Associations

Article 66. Basic Provisions on Business Companies and Associations

1. The business partnerships and associations are corporate commercial organisations with a charter (contributed) capital divided into stakes (contributions) of the founders (participants). The property formed with the contributions of the founders (participants) and also produced and acquired by the business partnership or association in the course of activities shall belong by the right of ownership to the business partnership or association.

The scope of powers of the participants in a business association is defined pro rata to their stakes in the charter capital of the association. The charter of the association and also a corporate agreement may envisage another scope of powers of the participants in a non-public business association on the condition that information on the existence of such agreement and on the scope of powers of the participants in the association envisaged by it is entered in the unified state register of legal entities.

2. A business association may be formed by one person that becomes its sole participant, unless otherwise provided by this Code or another law.

A business association may have another business association constituted of one person as its sole participant, except as otherwise established by the present Code or another law.

3. Business associations may be formed in the organisational legal form of general partnership or partnership in commendam (partnership en commandite).

4. Business associations may be formed in the organisational legal form of joint stock company or limited liability company.

5. Individual entrepreneurs and commercial organisations may be participants in general partnerships and be general partners in partnerships in commendam.

Citizens and legal entities and also public-law entities may be participants in business associations and contributors in partnerships in commendam (**Article 125**).

6. State bodies and local government bodies are not entitled to participate in the name thereof in business partnerships and associations.

Institutions may be participants in business associations and contributors in partnerships in commendam on the permission of the owner of the institution's property, except as otherwise established by a **law**.

A law may impose a ban or restriction on the participation of specific categories of persons in business partnerships and associations.

Business partnerships and associations may be founders of (participants in) other business partnerships and associations, except for the cases envisaged by a law.

7. The details of the legal status of credit organisations, insurance organisations, clearing organisations, specialised financial associations, specialised project financing associations, professional participants in the securities market, joint stock investment companies, the managing companies of investment companies, unit investment trusts and non-state pension funds, non-state pension funds and other non-credit financial organisations, joint stock companies of employees (people's enterprises), and also the rights and duties of their participants shall be defined by the laws regulating the activities of such organisations.

Article 66.1. Contributions in the Property of a Business Partnership or Association

1. A contribution of a participant in a business partnership or association in the property thereof may be as follows: amounts of money, things, stocks (shares) in the authorised (contributed) capitals of other business partnerships and associations, state and municipal bonds. Such contribution may also be the following subject to appraisal in terms of money: exclusive and other intellectual rights and rights under licence contracts, except as otherwise established by a law.

2. A law or the constitutive documents of a business partnership or association may establish the kinds of the property mentioned in **Item 1** of the present article which property cannot be contributed as payment for stakes in the authorised (contributed) capital of the business partnership or association.

Article 66.2. Basic Provisions on the Charter Capital of a Business Association

1. The minimum amounts of the charter capitals of business associations is defined by laws on business associations.

The minimum amounts of the charter capitals of the business associations which pursue banking, insurance or other licensable activities and also the joint stock companies which use open (public) subscription for its shares shall be established by the laws defining the details of said business associations' legal status.

2. When payment is made towards the charter capital of a business association, amounts of money shall be contributed in a sum not below the minimum amount of the charter capital (**Item 1** of the present article).

An appraisal in terms of money of a non-monetary contribution in the charter capital of a business

association shall be carried out by an independent appraiser. Participants in the business association do not have the right of determining the estimated value of a non-monetary contribution in an amount exceeding the estimated sum arrived at by the independent appraiser.

3. When the payment of stakes in the charter capital of a limited liability company is made in other property rather than in amounts of money, the participants in the association and the independent appraiser if the company's property is insufficient shall jointly and severally bear subsidiary liability for its obligations within the sum whereby the estimated value of the property contributed in the charter capital has been overstated, within five years after the time of state registration of the company or of the relevant amendments to the charter of the company. If other property rather than an amount of money was contributed in the charter capital of a joint stock company the shareholder which did such payment and the independent appraiser in the event of insufficiency of the company's property shall jointly and severally bear subsidiary liability for its obligations within the limits of the sum whereby the estimated value of the property contributed in the charter capital has been overstated, within five years after the time of state registration of the company or of the relevant amendments to the charter of the company.

The rules of the present item concerning the liability of the company's participant and independent appraiser are not applicable to business associations formed under laws on privatisation through the privatisation of state or municipal unitary enterprises.

4. Except as otherwise envisaged by laws on business associations the founders of a business association shall pay up at least three quarters of its charter capital before the state registration of the association, and the rest of the charter capital of the business association within the first year of the association's operation.

In cases when according to a law the state registration of a business association is admissible without the preliminary payment of three quarters of the charter capital the participants in the association shall bear subsidiary liability for its obligations which have occurred before the time when the charter capital is paid up in full.

Article 66.3. Public and Non-Public Associations

1. A public joint stock company is one whose shares and the securities convertible into its shares are publicly floated (by open subscription) or are publicly traded on the terms established by **laws** on securities. The rules concerning public associations are also applicable to the joint stock companies whose charters and company names comprise reference to the fact that the company is public.

2. A limited liability company and a joint stock company which do not have the features specified in **Item 1** of the present article are deemed non-public.

3. By a decision of the participants (founders) of a non-public association that is taken unanimously the following provisions may be included in the charter of the association:

1) on referring the issues put by a law within the competence of the general meeting of participants in the business association, to the collective managerial body of the association (**Item 4 of Article 65.3**) or the collective executive body of the association to be considered by it, except for the following issues:

amending the charter of the business association, endorsing a new version of the charter;

re-organising or liquidating the business association;

determining the number of persons sitting on the collective managerial body of the association (**Item 4 of Article 65.3**) and of the collective executive body (if the formation thereof is put within the competence of the general meeting of participants in the business association), electing the members thereof and terminating their powers before due time;

determining the number, face value and category (type) of announced shares and the rights certified by these shares;

increasing the charter capital of the limited liability company pro rata to the stakes of its participants or by admitting a third party as a member of such company;

endorsing an in-house regulations or other in-house documents of the business association other than the constitutive documents (**Item 5 of Article 52**);

2) on assigning the functions of a collective executive body of the association to a collective managerial body of the association (**Item 4 of Article 65.3**) in full or in part or on refusing to set up a collective executive body if the functions thereof are carried out by said collective managerial body;

3) on transferring to a sole executive body of the association the functions of collective executive body of the association;

4) on the lack of an in-house audit commission in the association or on the formation thereof exclusively in the cases envisaged by the charter of the association;

5) on a procedure other than the procedure established by laws and other legal acts for decisions making on convocation of general meeting's session or absentee voting of the participants, the procedure for preparation and conduction of the general meeting's session or absentee voting of the participants, as well as the procedure for decision taking by the general meeting, unless such amendments do not deprive the participants of their right to attend the general meeting's session or absentee voting and to obtaining the information thereof;

6) on requirements other than the requirements established by laws and other legal acts as applicable to the number of members, the procedure for formation and for the conduct of meetings of the collective managerial body of the association (**Item 4 of Article 65.3**) or the collective executive body of the association;

7) on the procedure for realisation of the pre-emptive right of buying a stake or a portion of a stake in the charter capital of the limited liability company or of the pre-emptive right of acquiring the shares floated by the joint stock company or the securities convertible into its shares, and also on the maximum stake of one participant in the limited liability company in the charter capital of the company;

8) on putting within the competence of the general meeting of shareholders the issues which are not encompassed by it according to the present Code or a **law** on joint stock companies;

9) other provisions in the cases envisaged by laws on business associations.

4. Unless the provisions envisaged by **Item 3** of the present article are the provisions which are subject according to the present Code or other laws to mandatory inclusion in the charter of a non-public business association they may be envisaged by a corporate agreement to which all the participants in that association are party.

Article 67. The Rights and Duties of a Participant in a Business Partnership and Association

1. Apart from the rights envisaged for participants in corporation by **Item 1 of Article 65.2** of the present Code a participant in a business partnership or association has also the right of:

participating in the distribution of the profit of the partnership or association whose participant he is;

receiving in the event of liquidation of the partnership or association a part of the property that has remained after accounts have been settled with creditors or the value thereof;

demanding that another participant be expelled from the partnership or association (except for public joint stock companies) in a judicial procedure as involving the disbursement thereto of the actual value of his stake if such participant has caused by his actions (omissions) substantial harm to the partnership or association or is otherwise substantially impeding its activities and the attainment of the objectives for the sake of which it has been formed, for instance by grossly violating his duties envisaged by a law or the constitutive documents of the partnership or association. The waiver of that right or restrictions on it are null and void.

Participants in business partnerships or associations may also have other rights envisaged by the present Code, laws on business associations, the constitutive documents of the partnership or association.

2. Apart from the duties envisaged for participants in corporations by **Item 4 of Article 65.2** of the present Code a participant in a business partnership or association shall make contributions into the charter (contributed) capital of the partnership or association whose member he is, in the procedure, in the amounts and by the methods which are envisaged by the constitutive document of the business partnership or association, and contributions into other property of the business partnership or association.

Participants in business partnerships and associations may also have other duties envisaged by a law or their constitutive documents.

Article 67.1. The Details of Management and Control in Business Companies and Associations

1. Management in a general partnership and a partnership in commendam shall be carried out in the procedure established by **Articles 71** and **84** of the present Code.

2. The following falls within the exclusive competence of the general meeting of participants in a business association apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code:

1) changing the amount of the association's charter capital, except as otherwise envisaged by laws on business associations;

2) taking a decision on transfer of the powers of sole executive body of the association to another business association (managing company) or individual entrepreneur (manager) and also endorsing such managing organisation or such manager and the terms of the contract with such managing organisation or with such manager, unless the resolution of said issues is placed by the charter of the association within the competence of the collective managerial body of the association (**Item 4 of Article 65.3**);

3) distributing the profits and losses of the association.

3. The taking of a decision in the session by a general meeting of participants in a business association and the composition of the association's participants who attended when it was adopted shall be confirmed in respect of:

1) a public joint stock company by the person that keeps the register of shareholders of such company and carries out the functions of counting commission (**Item 4 of Article 97**);

2) a non-public joint stock company by means of notarisation or authentication by the person that keeps the register of shareholders of such company and carries out the functions of a counting commission;

3) a limited liability company by means of notarisation, unless another method (the signing of minutes by all the participants or a part of the participants; by means of technical facilities allowing to reliably establish the fact that the decision has been taken; in another manner that does not contravene a law) is envisaged by the charter of such company or a decision of a general meeting of participants in the company which have been unanimously adopted.

4. A limited liability company for auditing annual accounting (financial) reports/statements is entitled, or in the instances provided for by law is obligated, to annually engage an audit organisation or an individual auditor which must be independent in compliance with the law on audit activity. An audit of accounting (financial) reports/statements of a limited liability company shall be held at the request of any of the company's participants.

5. A public joint stock company or, where it is provided for by law, also a non-public joint stock company for auditing annual accounting (financial) reports/statements must annually engage an audit organisation that must be independent in compliance with the law on audit activity.

An audit of accounting (financial) reports/statements of a joint stock company shall be held at the request of the stock holders, whose aggregate participatory share in the company's authorised capital makes up 10 and more per cent, in respect of a public joint stock company by an audit organisation and in respect of a non-public joint stock company by an audit organisation or an individual auditor that must be independent in compliance with the law on audit activity.

Article 67.2. The Corporate Agreement

1. Participants of a business association or some of them shall have the right to conclude a corporate agreement between each other on exercise of their corporate rights (an agreement on exercise of the right of participants of a limited liability company, a shareholders' agreement), according to which they undertake to exercise such rights in a certain way or refrain (refuse) from exercising them, as well as to vote in a certain way at a general meeting of participants of the association, to take other coordinated actions for management of the association, acquire or alienate interest in its authorised capital (shares) at a

certain price or in case of occurrence of certain events, or to refrain from alienation of interest (shares) until the occurrence of certain events.

2. The corporate agreement shall not obligate the parties thereto to vote according to directions of the bodies of the association, to define the structure of the bodies of the association and the competence thereof.

The terms of the corporate agreement which contravene the rules of **Paragraph 1** of the present item are null and void.

The corporate agreement may establish the duty of the parties thereto to vote at a general meeting of participants in the association for inclusion in the charter of the association of provisions that define the structure of the association's bodies and their competence, if according to the present Code and laws on business associations a change of the structure of the association's bodies and of their competence is admissible according to the association's charter.

3. The corporate agreement shall be concluded in writing by means of drawing up one document signed by the parties.

4. The participants in a business association which have concluded a corporate agreement shall notify the association about the fact that the corporate agreement has been concluded, and in this case its content shall not necessarily be disclosed. In the event of default on execution of this duty the participants in the association which are not parties to the corporate agreement have the right to demand compensation for the losses they have sustained.

Information on the corporate agreement concluded by shareholders of a public joint stock company shall be disclosed within the limits, in the procedure and on the terms which are envisaged by a **law** on joint stock companies.

Except as otherwise established by a law, information on the content of the corporate agreement concluded by participants in a non-public association is not subject to disclosure and is confidential.

5. The corporate agreement does not create duties for persons not taking part in it as parties (**Article 308**).

6. Breach of a corporate agreement may serve as a ground for deeming invalid a decision of the business association's body on an action brought by a party to that agreement, provided as of the time when the business association's body took the relevant decision all the participants in the business association were party to the corporate agreement.

Deeming invalid a decision of a business association's body in keeping with the present item per se shall not entail the invalidity of the business association's transactions with third parties concluded under such decision.

A transaction concluded by a party to a corporate agreement in breach of that agreement may be deemed invalid by a court on a complaint filed by a participant in the corporate agreement only if the other party to the transaction knew or had to know about the restrictions envisaged by the corporate agreement.

7. The parties to the corporate agreement have no right to refer to the invalidity thereof in connection with its contravening the provisions of the charter of the business association.

8. Terminating the right of one of the parties to the corporate agreement to a stake in the charter capital (shares) of the business association shall not entail termination of the corporate agreement in respect of other parties thereto, except as otherwise envisaged by that agreement.

9. Creditors of the association and other third parties may conclude an agreement with the participants in the business association according to which the latter undertake for the purpose of security the law-protected interest of such third parties to exercise their corporate rights in a certain way or to abstain from (refuse) exercising them, for instance to vote in a certain way at a general meeting of participants in the association, commit in a coordinated manner other actions whereby the association is managed, acquire or alienate stakes in its charter capital (shares) at a certain price or upon the onset of certain circumstances or to abstain from alienating stakes (shares) until the onset of certain circumstances. Accordingly, that agreement is subject to the rules concerning the corporate agreement.

10. The rules concerning the corporate agreement are applied to the agreement on the formation of

the business association respectively, except as otherwise established by a law or ensues from the essence of the relationships of the parties to such agreement.

Article 67.3. The Subsidiary Business Association

1. A business association is deemed subsidiary if another (parent) business partnership or association by virtue of a prevailing stake in its charter capital or in accordance with an agreement concluded between them or otherwise has the opportunity for determining the decisions taken by such association.

2. A subsidiary association is not liable for the debts of the parent business partnership or association.

The parent business company or association is jointly and severally liable with the subsidiary association under the transactions concluded by the latter pursuant to directions or on the consent of the parent business company or association (**Item 3 of Article 401**), except for the cases of voting of the parent business company or association on approval of the transaction at a general meeting of participants of the subsidiary and approval of the transaction by the managing body of the parent business association, if the necessity of such approval is envisaged by the charter of the subsidiary and/or the parent association.

If the subsidiary association is unable to pay (goes bankrupt) through the fault of the parent business company or association, the latter shall bear subsidiary liability for its debts.

3. The participants in (shareholders of) the subsidiary association have the right of demanding that the parent business company or association compensate for the losses inflicted by its actions or omissions to the subsidiary association (**Article 1064**).

Article 68. Transformation of the Economic Partnerships and Companies

1. Business companies and associations companies of one type may be transformed into the economic partnerships and companies of another type or into the production cooperatives, by the decision of the general meeting of their participants in conformity with the procedure, stipulated by the present Code and laws on business associations.

2. In case the company is transformed into a company, each general partner, who has become the participant (the share-holder) of the company, shall bear in the course of two years the subsidiary responsibility with his entire property by the obligations, which have passed to the company from the partnership. The alienation by the former partner of the participation shares (shares) in his possession shall not exempt him from such responsibility. The rules, expatiated in the present Item, shall be correspondingly applied in case the partnership is transformed into a production cooperative.

3. Business companies and associations shall not be re-organised into non-profit organisations and also into unitary commercial organisations.

2. The General Partnership

Article 69. The Basic Provisions on the General Partnership

1. The partnership, whose participants (general partners) are engaged, in conformity with the agreement signed between them, in business activities on behalf of the partnership and bear responsibility by its obligations with the property in their possession, shall be recognized as the general partnership.

2. The person shall have the right to be the participant of only one general partnership.

3. The trade name of the general partnership shall contain either the names (the titles) of all its participants and the words "general partnership", or the name (the title) of one or of several of its participants, with the words "and Co." and "general partnership" to be added.

Article 70. The Constituent Agreement of the General Partnership

1. The general partnership shall be created and shall operate on the ground of a constituent

agreement. The constituent agreement shall be signed by all its participants.

2. The constituent agreement of the general partnership shall contain, information on the company name and the location of the partnership, the terms concerning the amount and composition of its charter capital; on the amount and the procedure for changing the share of each of the participants in the joint capital; on the amount, the structure, the term and the order, set for their making investments; and on the liability for the violation of the duties, involved in making such investments.

Article 71. Management in the General Partnership

1. The activity of the general partnership shall be managed by the general agreement of all its participants. The constituent agreement of the partnership may also indicate the cases, when the decision shall be adopted by the majority of the participants' votes.

2. Every participant of the general partnership shall have one vote, if the constituent agreement does not stipulate a different order for the definition of its participants' votes.

3. Every participant of the partnership shall have the right to receive the entire information on the activities of the partnership and to get acquainted with the entire documentation on the business management, regardless of whether he has been authorized to perform the partnership's business management. The renouncement of this right or its restriction, including by the agreement of the partnership's participants, shall be insignificant.

Article 72. Business Management of the General Partnership

1. Every participant of the general partnership shall have the right to operate on behalf of the partnership, unless the constituent agreement has laid it down that all its participants shall effect the business management jointly, or unless the business management has been entrusted to the individual participants.

If the partnership's participants effect a joint business management of the partnership, to make any one deal, the consent of all the participants of the partnership shall be required.

If the business management of the partnership has been entrusted by its participants to one or to several persons from among them, other participants, who are going to make a deal on behalf of the partnership, shall receive a warrant from the participant (the participants), to whom the business management of the partnership has been entrusted.

The partnership shall not have the right to refer, in its relations with third parties, to the provisions of the constituent agreement, restricting the powers of the partnership participants, with the exception of the cases, when the partnership can prove that at the moment of effecting the deal, a third party was aware, or should have been aware, of the partnership participant's having no right to act on behalf of the partnership.

2. The powers for the management of the partnership affairs, granted to one or to several of its participants, may be terminated by the court on the demand of one or of several other partnership participants, if there are serious grounds for this, in particular, if the authorized person (persons) has (have) committed a gross violation of their duties, or if he (they) have proved to be incapable of a wise management of the affairs. The necessary changes shall be introduced into the constituent agreement of the partnership on the grounds of the court decision.

Article 73. The Duties of the Participant of the General Partnership

1. The participant of the general partnership shall take part in its activities in conformity with the terms of the constituent agreement.

2. The participant of the general partnership shall put at least a half of his contribution into the partnership's joint capital before its state registration. The remaining part shall be put in by the participant

within the term, fixed by the constituent agreement. In case he fails to discharge the said duty, the participant shall be obliged to pay to the partnership an annual 10 per cent from the underpaid part of the contribution and to recompense the inflicted losses, unless other consequences have been stipulated by the constituent agreement.

3. The participant in a general partnership shall not have the right to make on his own behalf and in his own interest, or in the interest of third parties, without the consent of the rest of the participants, the deals, which are similar to those that are the object of the partnership's activity.

If this rule is violated, the partnership shall have the right to demand, according to his choice, either that the given participant recompense the losses he has caused to the partnership, or that the entire profit he has derived by such deals be transferred to the partnership.

Article 74. Distribution of the Profits and Losses of the General Partnership

1. The profits and losses of the general partnership shall be distributed among its participants proportionately to their shares in the joint capital, if not otherwise stipulated by the constituent agreement or by another agreement, signed by the participants. No agreement on the exclusion of any partnership participants from the distribution of the profits and losses shall be admitted.

2. If, as a result of the losses the partnership has sustained, the value of its net assets shrinks to less than the amount of its joint capital, the profit, derived by the partnership, shall not be distributed among its participants until the value of its net assets exceeds the amount of the joint capital.

Article 75. Responsibility of the Participants of the General Partnership by Its Obligations

1. The participants of the general partnership shall jointly bear the subsidiary responsibility by the partnership's obligations with their entire property.

2. The participant of the general partnership, who is not its founder, shall be answerable on a par with other participants by the obligations, which have arisen before the date of his joining the partnership.

The participant, who has withdrawn from the partnership, shall be answerable by the partnership's obligations, which have arisen before the moment of his retirement, on a par with the rest of the participants in the course of 2 years from the date of the approval of the accounting report on the activity of the partnership over the year, during which he has retired from the partnership.

3. The agreement of the partnership participants on the restriction or elimination of the responsibility, stipulated in the present Article, shall be insignificant.

Article 76. The Change of the General Partnership's Membership

1. In case of the withdrawal or death of any one of the participants from the general partnership, the recognition of one of them as missing, legally incapable or partially capable, or as insolvent (bankrupt), or if the re-organisational procedures are instituted against one of the participants by the court ruling, or if a legal entity, which is a member of the partnership, is liquidated or the creditor of one of the participants turns the exaction of his debt onto the part of the property, amounting to the participant's share in the partnership's joint capital, the partnership may continue its activity, if this is stipulated by the constituent agreement of the partnership or by an agreement, signed between the rest of its participants.

2. The participants of the general partnership shall have the right to demand through the court that a certain participant be expelled from the partnership in conformity with the unanimous decision of the remaining participants and in the face of the serious grounds, in particular, on account of his gross violation of his duties or of his proving to be incapable of a wise management of affairs.

Article 77. The Participant's Withdrawal from the General Partnership

1. The participant of the general partnership shall have the right to retire from it after having declared his refusal to take part in it.

The participant shall declare his refusal to take part in the general partnership, created without indicating the term of operation, not less than 6 months in advance before his actual withdrawal from the

partnership. The refusal to take part in the general partnership, created for a certain term, before the expiry of the said term, shall be admitted only on the valid grounds.

2. The agreement on the renouncement of the right to withdraw from the partnership, signed between the partnership participants, shall be insignificant.

Article 78. The Consequences of the Participant's Withdrawal from the General Partnership

1. The participant, who has retired from the general partnership, shall be paid out the cost of the share of the partnership's property, corresponding to this participant's share in the joint capital, if not otherwise stipulated by the constituent agreement. By an agreement reached between the retiring participant and the rest of the participants, the payment out of the cost of the property may be replaced by the transfer of the property in kind.

The part of the partnership's property due to the retiring participant, or its cost shall be defined by the balance, which shall be compiled by the moment of his withdrawal, with the exception of the cases, stipulated by **Article 80** of the present Code.

2. In case of the death of the participant of the general partnership, his heir may join the general partnership only upon the consent of all other participants.

The legal entity - the successor of the reorganised legal entity, which was a member of the general partnership, shall have the right to join the general partnership upon the consent of its other participants, if not otherwise stipulated by the partnership's constituent agreement.

The settlements with the heir (successor), who has not joined the partnership, shall be effected in conformity with Item 1 of the present Article. The heir (successor) of the participant of the general partnership shall bear responsibility by the partnership's obligations to third parties, by which, in conformity with **Item 2 of Article 75** of the present Code, the departed participant was answerable, within the amount of the property of the departed participant, passed to him.

3. In the case of one of the participants retiring from the partnership, the shares of the remaining participants in the partnership's joint capital shall correspondingly increase, unless otherwise stipulated by the constituent documents.

Article 79. Transfer of the Participant's Share in the General Partnership's Joint Capital

The participant of the general partnership shall have the right, with the consent of the rest of its participants, to transfer his share in the joint capital, or a part thereof, to another participant of the partnership or to a third party.

When the share (a part of the share) is transferred to another person, the full rights or the corresponding part thereof, formerly possessed by the participant, who has effected the transfer of his share (a part of the share), shall also pass to the former. The person, to whom the share (a part of the share) has been transferred, shall bear responsibility by the partnership's obligations in conformity with the procedure, laid down by first paragraph of **Item 2 of Article 75** of the present Code.

The transfer of his entire share to another person, effected by the participant of the partnership, shall entail the termination of his participation in the partnership and also the consequences, stipulated by **Item 2 of Article 75** of the present Code.

Article 80. Turning the Penalty onto the Share of the Participant in the Joint Capital of the General Partnership

The turning of the penalty onto the participant's share in the joint capital of the partnership by the participant's own debts shall be admissible only if his own property proves to be insufficient to cover his debts. The creditors of such a participant shall have the right to demand from the general partnership that it separate the part of the partnership's property that would correspond to the debtor's share in the joint capital, so that the penalty may be turned onto this property. The part of the partnership property, subject to being singled out, or the cost thereof, shall be defined by the balance, compiled by the moment when the creditors file the claim for it to be separated.

The turning of the penalty onto the property, which corresponds to the participant's share in the joint capital of the general partnership, shall signify the termination of his participation in the partnership and shall also entail the consequences, stipulated by Paragraph 2 of **Item 2 of Article 75** of the present Code.

Article 81. Liquidation of the General Partnership

The general partnership shall be liquidated on the grounds, indicated in **Article 61** of the present Code, and also in case only one participant is left in it. Such a participant shall have the right, in the course of 6 months from the moment when he has become the only participant of the partnership, to transform such a partnership into an economic company in conformity with the procedure, laid down by the present Code.

The general partnership shall also be liquidated in the cases, stipulated in **Item 1 of Article 76** of the present Code, unless it has been stipulated by the constituent documents of the partnership, or by an agreement, signed between the remaining participants, that the partnership shall continue its activity.

3. The Limited Partnership

Article 82. The Basic Provisions for the Limited Partnership

1. The limited (commandite) partnership shall be recognized as such a partnership, in which, alongside the participants, engaged in the performance of the business activity on behalf of the partnership and answerable by the obligations of the partnership with their property (the general partners), there is (are) also one or several participants-investors (commanditaires), who bear the risk of the losses in connection with the partnership's activity within the amount of their investments and who do not take part in the performance of the partnership's business activity.

2. The position of the general partners in the commandite partnership and their liability by the partnership's obligations shall be defined by the rules on the participants of the general partnership, laid down by the present Code.

3. The person shall be the general partner only in one commandite partnership.

The participant of the general partnership shall not be the general partner in the commandite partnership.

A full partner in a limited partnership may not be a copartner in an unlimited partnership.

The number of limited partners in a partnership in commendam shall not exceed 20. Otherwise it is subject to transformation into a business association within a year, and upon the expiry of that term, liquidation in a judicial procedure, unless the number of its limited partners falls to said limit.

4. The trade name of the commandite partnership shall contain either the names (the titles) of all its general partners and the words "limited partnership" or "commandite partnership", or the name (the title) of at least one of its general partners and the words "and Co.", and also the words "limited partnership" or "commandite partnership".

If into the trade name of the partnership is included the name of the investor, this investor shall become the general partner.

5. Toward the limited (commandite) partnership shall be applied the rules on the general partnership, laid down in the present Code, so far as this does not contradict the rules of the present Code on the limited partnership.

Article 83. The Constituent Agreement of the Limited Partnership

1. The limited partnership shall be created and shall operate on the ground of the constituent agreement. The constituent agreement shall be signed by all the general partners.

2. The constituent agreement of the limited partnership shall contain, information on the company name and the location of the partnership, the terms on the amount and structure of the joint capital of the partnership; on the amount of and the procedure for changing the shares of each of the general partners in the joint capital; on the amount, the structure, the term and the order of their making investments, their liability for violating the duties, involved in making the investments; on the aggregate amount of the contributions, made by the investors.

Article 84. Administrative and Business Management in the Limited Partnership

1. The activity of the limited partnership shall be led by its general partners. The procedure for the administrative and business management of such a partnership by its general partners shall be established according to the rules on the general partnership, laid down in the present Code.

2. The investors shall not have the right to take part in the administrative and business management of the limited partnership or to come out on its behalf other than by a warrant. Neither shall they have the right to dispute the actions of the general partners involved in the administrative and business management of the partnership.

Article 85. The Rights and Duties of the Investor of the Limited Partnership

1. The investor of the limited partnership shall be obliged to make an investment into the joint capital. The fact of his making the investment shall be confirmed by the participation certificate, issued to the investor by the partnership.

2. The investor of the limited partnership shall have the right:

1) to receive a part of the partnership's profit, due for his share in the joint capital, in conformity with the procedure, stipulated by the constituent agreement;

2) to get acquainted with the partnership's annual reports and balances;

3) on the expiry of the fiscal year, to retire from the partnership and to withdraw his investment in conformity with the procedure, laid down by the constituent agreement;

4) to transfer his share in the joint capital or a part thereof to another investor or to a third party. The investors shall be entitled to the preferential right, in comparison with third parties, to buy the share (a part thereof) as applied to the terms and order, stipulated by **Item 2 of Article 93** of the present Code. The transfer by the investor of his entire share to another person shall amount to the termination of his membership in the partnership.

The constituent agreement of the limited partnership may also stipulate other rights of the investor.

Article 86. Liquidation of the Limited Partnership

1. The limited partnership shall be liquidated in case all the investors have retired from it. However, the general partners shall have the right, instead of the liquidation of the limited partnership, to transform it into a general partnership.

The limited partnership shall also be liquidated on the grounds, stipulated for the liquidation of the general partnership (**Article 81**). However, the limited partnership shall continue operation, if at least one general partner and one investor are left in it.

2. In case of the liquidation of the limited partnership, including in the case of its bankruptcy, the investors shall have the preferential right before the general partners to get back their investments from the property of the partnership, left after the creditors' claims have been satisfied.

The property of the partnership, left after this, shall be distributed among the general partners and the investors proportionately to their shares in the partnership's joint capital, if not otherwise stipulated by the constituent agreement or by an agreement between the general partners and the investors.

3.1. Peasant's Farms

Article 86.1. A Peasant's Farm

1. The citizens exercising joint activities in the area of agriculture without forming a legal entity on the basis of an agreement on establishing a peasant's farm (**Article 23**) are entitled to establish a legal entity, this being the peasant's farm.

As a peasant's farm established in compliance with this article in the form of a legal entity shall be deemed a voluntary association of citizens on the basis of membership for exercising joint productive or other kinds of economic activity in the area of agriculture which is based on their personal participation therein and on pooling by members of the peasant's farm of their property contributions.

2. The property of a peasant's farm shall be held by it under ownership thereof.

3. A citizen may a member of solely one peasant's farm established as a legal entity.

4. In the event of levying execution by creditors of a peasant's farm against the land plot owned by the peasant's farm, the land plot is subject to public sale for the benefit of the person which in compliance with law is entitled to continue the use of the land plot for the designated purpose.

Members of a peasant's farm established as a legal entity shall bear subsidiary responsibility in respect of its obligations.

5. The specifics of the legal status of a peasant's farm established as a legal entity shall be defined by **law**.

4. The Limited Liability Company

Article 87. The Basic Provisions on the Limited Liability Company

1. A business company whose authorized capital is divided into shares shall be recognized as a limited liability company. The participants of a limited liability company shall not be answerable under its obligations and shall bear the risk of losses in connection with the company's activity within the cost of the shares they hold.

The participants of the company who have not paid for their shares in full shall bear joint responsibility under its obligations within the cost of the underpaid part of the share of each of the participants.

2. The trade name of the limited liability company shall contain the name of the company and the words, "limited liability".

3. The legal position of the limited liability company, and the rights and duties of its participants shall be defined by the present Code and by the **Law** on the Limited Liability Companies.

Abrogated from September 1, 2014.

Article 88. Participants in the Limited Liability Company

1. The number of participants in a limited liability company shall not exceed 50. Otherwise it is subject to transformation into a joint stock company within a year, and upon the expiry of that term, liquidation in a judicial procedure, unless the number of its participants has fallen to said limit.

2. A limited liability company may be established by a single person or may consist of a single person, in particular when established as a result of re-organisation.

Abrogated from September 1, 2014.

Article 89. The Formation of a Limited Liability Company and Its Charter

1. Founders of a limited liability company shall make an agreement among themselves on the company's establishment defining the procedure for their joint activities aimed at the company's establishment, the amount of their company's authorised capital, the rates of their shares in the company's authorised capital and other terms established by the **law** on limited liability companies.

The agreement on the establishment of a limited liability company shall be made in writing.

2. The founders of a limited liability company shall bear joint responsibility under the obligations

connected with its establishment and arising prior to the state registration thereof.

A limited liability company shall only be held liable under the obligations of the company's founders connected with its establishment in case of subsequent approval of the actions of the company's founders by a general meeting of the company's participants. The extent of the company's liability under these obligations of the founders thereof may be limited by the **law** on limited liability companies.

3. As the constituent document of a limited liability company shall be deemed the rules thereof.

The charter of a limited liability company shall comprise information on the company name of the company and its location, the amount of its charter capital (except as provided for by **Item 2 of Article 52** of this Code), the composition and competence of its bodies, the procedure followed by them to take decisions (for instance the decisions on issues taken unanimously or by a qualified majority of votes) and other information envisaged by a **law** on limited liability companies.

4. The procedure for taking other actions involving the establishment of a limited liability company is defined by the **law** on the limited liability companies.

Article 90. Authorized Capital of the Limited Liability Company

1. The charter capital of a limited liability company (**Article 66.2**) is made up of the face value of the stakes of participants.

2. It is prohibited to relieve a limited liability company's participant of the obligation to pay for the share thereof in the company's authorized capital.

Payment for the authorized capital of a limited liability company in case of an increase of the authorized capital thereof by setting off claims against the company shall be allowed as provided for by the **law** on limited liability companies.

3. The charter capital of a limited liability company shall be paid up by the stockholders thereof within the **term and in the procedure** envisaged by a **law** on limited liability companies.

The consequences of breach by stake-holders of the company of the term and the procedure for payment of the company's charter capital shall be defined by a **law** on limited liability companies.

4. If upon the expiry of the second or each subsequent financial year the value of net assets of the limited liability company turns out to be below the amount of its charter capital, the company shall increase the net asset value to the amount of the charter capital or register in the established procedure a reduction of the charter capital in the procedure and within the term which are envisaged by a law on limited liability companies. If the value of said assets of the company falls below the minimum amount of a charter capital set by a law the company is subject to liquidation.

5. A reduction of the charter capital of the limited liability company is admissible after all its creditors have been notified. In this case the latter have the right of claiming early termination or performance of the relevant obligations of the company and compensation to them for losses.

The rights and duties of creditors of the credit organisations and non-credit financial organisations formed in the organisational legal form of limited liability company are also defined by the laws regulating the activities of such organisations.

6. Increasing the charter capital of the company is admissible after all stakes therein have been paid up in full.

Article 91. Abrogated from September 1, 2014.

Article 92. Reorganisation and Liquidation of the Limited Liability Company

1. The limited liability company may be reorganised or liquidated voluntarily by a unanimous consent of its participants.

Other grounds for the reorganisation and liquidation of the limited liability company and the procedure for its reorganisation and liquidation shall be defined by the present Code and other laws.

2. A limited liability company shall have the right to transform itself into a joint stock company, business partnership association or a production cooperative.

Article 93. Transfer of a Share in a Company's Authorised Capital to Another Person

1. The transfer of the share or of a part of the share of a limited liability company's participant to another person is allowed either on the basis of a deal or by way of legal succession, or on some other legal basis, subject to the specifics provided for by this Code and the **law** on limited liability companies.

2. The sale or other kind of alienation of the share or of a part of the share in the authorised capital of a limited liability company to third parties is only allowed subject to the requirements provided for by the **law** on limited liability companies, if it is not prohibited by the company's rules.

Participants of the company shall enjoy a pre-emptive right to purchase a share or part of a share of a participant of the company, unless otherwise provided by the charter of the company. The procedure for exercising the priority right and the time period within which the company's participants may exercise the said right are defined by the **law** on limited liability companies and the company's rules. The company's rules may likewise provide for the company's preemptive right to purchase the share or a part of the share of a company's participant, if other company participants waive their preemptive right to purchase the share or the part of the share in the company's authorized capital.

3. If, in conformity with the rules of a limited liability company, the alienation of a participant's share or a part thereof to third parties is prohibited, while its other participants refuse to acquire it or the consent to alienation of the share or of a part of the share to a company participant or to a third party is not obtained and the company's rules provide for the necessity of obtaining it, the company shall be obliged to acquire on a demand of a participant in the company his stake or a part of the stake.

4. The share of a limited liability company's participant may be alienated prior to its full payment only in the part of it which has already been paid for.

5. In the participant's share or a part thereof has been acquired by a limited liability company itself, it shall be obliged to realize it to its other participants or to third parties within the term and in conformity with the procedure, stipulated by the **law** on limited liability companies and by the company's rules, or to reduce its authorized capital in conformity with **Items 4** and **5 of Article 90** of the present Code.

6. The shares of the authorized capital of a limited liability company shall be transferred to heirs of the citizens and to legal successors of the legal entities that have been the company's participants, if not otherwise provided for by the rules of the limited liability company. The company's rules may provide that the transfer of a share in the company's authorised capital to heirs of the citizens and to legal successors of the legal entities which have been the company's participants, the transfer of the share held by a liquidated legal entity to its founders (participants) that have real rights to its property or contractual rights in respect of this legal entity shall be only allowed with the consent of all other company's participants. The refusal to grant consent to the transfer of the share shall entail the obligation of the company to pay to the said persons the actual cost of it, or to give them in kind the property that amounts to such cost, in conformity with the procedure and on the terms stipulated by the **law** on limited liability companies and by the company's rules.

7. The transfer of the share of a limited liability company's participant to another person shall entail termination of the participation thereof in the company.

Article 94. The Withdrawal of a Participant from a Limited Liability Company

1. A participant in a limited liability company has the right of withdrawing from the company, irrespective of the consent of its other participants or of the company by means of:

1) filing a withdrawal-from-the-company application, if such opportunity is envisaged by the company's charter;

2) presenting a demand to the company for the company to acquire the stake in the cases envisaged by **Item 3 of Article 93** of the present Code and a **law** on limited liability companies.

2. If a participant in a limited liability company has filed a withdrawal-from-the-company application or presented a demand for the company to acquire his share in the cases envisaged by **Item 1** of the present article the share shall get transferred to the company from the date the corresponding entry is made in the unified state register of legal entities in connection with the withdrawal of a company participant from the company (if the company is a credit organisation, the share is transferred to such

company from the date the company receives an application from the company participant to leave the company) or from the date the company receives the relevant demand. The actual value of that participant's share in the charter capital shall be paid out thereto or property of the same value shall be handed out in kind on his consent in the procedure, by the method and within the term which are envisaged by a **law** on limited liability companies and the charter of the company.

5. The Double Liability Company

Abrogated from September 1, 2014.

6. The Joint Stock Company

Article 96. The Basic Provisions on the Joint Stock Company

1. The joint stock company shall be recognized as a business company, whose authorized capital is divided into a definite number of shares; the participants of the joint stock company (the share-holders) shall not be answerable by its obligations and shall take the risks, involved in the losses in connection with its activity, within the cost of the shares in their possession.

The shareholders, who have not paid up their shares in full, shall bear the joint responsibility by the obligations of the joint stock company within the unpaid part of the cost of the shares in their possession.

2. The trade name of the joint stock company shall contain its name and the indication of the fact that the company is a joint stock one.

3. The legal status of the joint stock company and the rights and duties of the share-holders shall be defined in conformity with the present Code and with the Law on the Joint Stock Companies.

The specifics of the legal status of the joint stock companies, founded by way of the privatization of the state-run and municipal enterprises, shall be also defined by the laws and other legal acts on the privatization of these enterprises.

The peculiarities of the legal status of the credit organisations set up in the organisational legal form of joint stock company, the rights and duties of the shareholders thereof shall also be provided by the laws governing the activities of credit organisations.

Article 97. The Public Joint Stock Company

1. A public joint stock company (**Item 1 of Article 66.3**) shall provide information for inclusion in the unified state register of legal entities on the company name of the company that comprises reference to the fact that such company is public.

A joint stock company has the right of providing information for inclusion in the unified state register of legal entities on the company name of the company comprising reference to the fact that such company is public.

A joint stock company shall acquire the right of publicly float (by open subscription) the shares and the securities convertible into its shares which may be publicly traded on the terms established by laws on securities from the day on which information is entered in the unified state register of legal entities on the company name of the company as comprising reference to the fact that such company is public.

2. The acquisition of the status of public company by a non-public joint stock company (**Item 1** of the present article) shall entail the invalidity of the provisions of the company's charter and in-house documents which contravene the rules concerning a public joint stock company which are established by the present Code, a **law** on joint stock companies and laws on securities.

3. In a public joint stock company there shall be set up a collective managerial body of the company (**Item 4 of Article 65.3**) having at least five members. The procedure for the formation of, and the competence of, said collective managerial body are defined by a **law** on joint stock companies and the charter of the public joint stock company.

4. The duty to keep a register of shareholders of a public joint stock company and the performance of the functions of a counting commission shall be carried out by an organisation that holds the licence envisaged by a **law**.

5. In a public joint stock company no restriction may be put on the number of the shares held by one shareholder, their total face value and also the maximum number of the votes granted to one shareholder. The charter of the public joint stock company shall not include a provision requiring someone's consent to the alienation of the shares of that company. The right of pre-emptive acquisition of the shares of the public joint stock company shall be granted to nobody, except for the cases envisaged by **Item 3 of Article 100** of the present Code.

The charter of the public joint stock company shall not put within the exclusive competence of the general meeting of shareholders the resolution of the issues which are not encompassed by that competence in accordance with the present Code and a **law** on joint stock companies.

6. A public joint stock company shall publicly disclose the information envisaged by a law.

7. Additional requirements applicable to the formation and activities and also termination of public joint stock companies shall be established by a **law** on joint stock companies and laws on securities.

Article 98. The Formation of the Joint Stock Company

1. The founders of the joint stock company shall sign between themselves an agreement, defining the order of their performing a joint activity, involved in the establishment of the company,the size of its authorized capital, the categories of the shares it is going to issue and the way of their distribution, and also other terms, stipulated by the **Law** on the Joint Stock Companies.

The agreement on founding a joint stock company shall be made out in written form by means of drawing up one document signed by the parties.

2. The founders of the joint stock company shall bear a joint responsibility by the obligations, which have arisen before the company's registration.

The company shall bear responsibility by the founders' obligations, related to its creation, only in case their actions have been subsequently approved by the general meeting of the share-holders.

3. The constituent documents of the joint stock company shall be its Rules, approved by the founders.

The charter of a joint-stock company shall contain information on the trade name of a company and its location, information on the categories of shares issued by the company, about their nominal value and number, on the amount of the company's authorised capital, the rights of shareholders - owners of preference shares of each type, composition and competence of the company's bodies, and procedure for making decisions. The charter of a joint-stock company shall also contain another information provided for by **law**.

4. The procedure for the performance of other actions, involved in founding a joint stock company, including the jurisdiction of the constituent assembly, shall be defined by the **Law** on the Joint Stock Companies.

5. The specifics of the creation of the joint stock companies as a result of the privatization of state-run and municipal enterprises shall be defined by the laws and other legal acts on the privatization of these enterprises.

6. A joint stock company may be formed by one person or be made up of one person if one shareholder has acquired all the shares of the company. Information about it is subject to inclusion in the unified state register of legal entities.

A joint stock company may have as sole participant another business association that is made up of one person, except as otherwise established by a law.

Article 99. Authorised Capital of the Joint Stock Company

1. The authorised capital of the joint stock company shall be comprised of the face value of the company's shares, acquired by the share-holders.

Abrogated from September 1, 2014.

2. It is not permitted to exempt a share-holder from the duty to pay for the company's shares.

It is allowed to pay by setting off claims against a company for the company's additional stocks being placed where this is provided for by the **law** on joint stock companies.

3. The public subscription for the shares of the joint stock company shall not be admitted until the authorized capital is paid up in full. When founding a joint stock company, all its shares shall be distributed among the founders.

4. If upon the expiry of the second or each subsequent financial year the value of net assets of the joint stock company turns out to be below the amount of its charter capital the company in the procedure and within the term which are envisaged by a **law** on joint stock companies shall increase the net asset value to the amount of the charter capital or register in the established procedure a reduction in the charter capital. If the value of said assets of the company falls below the law-determined minimum amount of the charter capital the company is subject to liquidation.

5. The law or the Rules of the company, not being public, may fix the limits upon the number, the total face value of its shares or the maximum number of the votes in the possession of a single share-holder.

Article 100. Augmentation of the Capital of the Joint Stock Company

1. The joint stock company in accordance with a law on joint stock companies is entitled to inflate its authorized capital by raising the face value of its shares or by issuing additional shares.

2. The augmentation of the authorized capital of the joint stock company shall be admitted after it has been paid up in full.

3. In the cases and in the procedure which are envisaged by a **law** on joint stock companies the pre-emptive right may be granted to the shareholders and the persons to whom the company's securities convertible into its shares belong to purchase the shares additionally issued by the company or the securities convertible into shares.

Article 101. Reduction of the Authorized Capital of the Joint Stock Company

1. The joint stock company entitled in accordance with a law on joint stock companies to deflate its authorized capital by cutting down the face value of its shares, or by buying up a certain number of the shares in order to reduce their total number.

The deflation of the company's authorized capital shall be admitted after the notification of all its creditors in conformity with the procedure, laid down by the **Law** on the Joint Stock Companies. The creditors' rights in case of a decrease of the company's authorized capital or of reduction of the net asset value thereof shall be defined by the **law** on joint stock companies.

The rights and duties of the creditors of the credit organisations and of non-credit organisation formed in the organisational legal form of joint stock company are also defined by the laws regulating the activities of such organisations.

2. The reduction of the authorized capital of the joint stock company by acquiring and paying off a part of the shares shall be admitted in case this possibility has been stipulated in the company's Rules.

Article 102. Restrictions on the Issue of Securities and on the Payment of Dividends of the Joint Stock Company

1. The proportion of the preference shares in the total volume of the authorized capital of the joint stock company shall not exceed 25 per cent. In this case, the public joint stock company does not have the right of floating preference shares whose face value is below the face value of ordinary shares.

2. **Abrogated** from September 1, 2014.

3. The joint stock company shall not have the right to declare and pay dividends:

- until the entire authorized capital is paid up in full;

- if the cost of the net assets of the joint stock company is less than its authorized capital and its reserve fund, or if it will fall below their size as a result of the payment of the dividends.

in other cases envisaged by a **law** on joint stock companies.

Article 103. **Abrogated** from September 1, 2014.

Article 104. Reorganisation and Liquidation of the Joint Stock Company

1. The joint stock company may be reorganised or liquidated voluntarily, by the decision of the general meeting of the share-holders.

Other grounds and the procedure for the reorganisation and liquidation of the joint stock company shall be stipulated by a **law**.

2. A joint stock company has the right of transforming into a limited liability company, business partnership or production cooperative.

7. The Subsidiary and Dependent Companies

Abrogated from September 1, 2014.

8. Production Cooperatives

Article 106.1. The Concept of Production Cooperative

1. The production cooperative (artel) is a voluntary membership-based association of citizens for joint production or another business activity (the production, processing or sale of industrial, agricultural and other products, the performance of work, trade, provision of everyday services and of other services) based on their personal labour and other participation and on the pooling of property participatory share contributions by its members (participants). A **law** and the charter of a production cooperative may envisage the participation of legal entities in its activities. A production cooperative is a corporate commercial organisation.

2. The members of a production cooperative bear subsidiary liability for the cooperative's obligations in the amounts and in the procedure which are envisaged by a **law** on production cooperatives and the charter of the cooperative.

Article 106.2. The Formation of a Production Cooperative and Its Charter

1. The constitutive document of a production cooperative is its charter endorsed by a general meeting of its members.

2. The charter of a production cooperative shall contain information on the company name of the cooperative and its location, the terms concerning the amount of participatory share contributions of the cooperative's members, the composition and the procedure the cooperative's members to make participatory share contributions and their liability for breach of the duty to make participatory share contributions, the character of, and the procedure for, the labour participation of its members in the cooperative's activities and on their liability for breach of the duty to take part in person in the cooperative's activities, the procedure for distribution of the profits and losses of the cooperative, the amount of, and the terms concerning, the subsidiary liability of its members for the cooperative's obligations, the composition and competence of the bodies of the cooperative and the procedure for them

to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes.

3. The company name of a production cooperative shall comprise its name and the words "production cooperative" or the word "artel".

4. The number of members of the cooperative shall not be less than five.

Article 106.3. The Property of a Production Cooperative

1. The property owned by a production cooperative is divided in its members' participatory shares according to the charter of the cooperative.

The charter of the cooperative may establish that a certain part of the cooperative's property constitutes indivisible funds used for the purposes defined by the charter.

A decision on formation of indivisible funds shall be taken by the members of the cooperative unanimously, except as otherwise envisaged by the charter of the cooperative.

2. By the time of registration of the cooperative a member of the production cooperative shall contribute at least 10 per cent of the participatory share contribution, and the remaining part within one year after the time of state registration of the cooperative.

3. The profit of the production cooperative shall be distributed among its members in accordance with their labour participation, except as another procedure is envisaged by a **law** on production cooperatives and the charter of the cooperative.

The same procedure shall be applied to distribute the property remaining after the liquidation of the cooperative and satisfaction of the claims of its creditors.

Article 106.4. The Details of Management in a Production Cooperative

1. The executive bodies of a production cooperative shall be the cooperative's chairman and board, if its formation is envisaged by a **law** or the charter of the cooperative.

2. Only members of a production cooperative may be members of the board of the cooperative and the chairman of the cooperative.

3. A member of the production cooperative shall have one vote when decisions are being taken by a general meeting.

Article 106.5. The Termination of Membership in a Production Cooperative and the Transfer of a Participatory Share

1. A member of a production cooperative has the right at his discretion to withdraw from the cooperative. In this case the value of the participatory share shall be paid out to him or property whose value corresponds to the value of his participatory share shall be handed out to him, and also other disbursements envisaged by the charter of the cooperative shall be made.

The payment of the value of the participatory share or the provision of other property to a withdrawing member of the cooperative shall take place upon the expiry of the financial year and the endorsement of the accounting (financial) statements of the cooperative, except as otherwise envisaged by the charter of the cooperative.

2. A member of the production cooperative may be expelled from the cooperative by a decision of a general meeting in the event of default on or improper execution of the duties vested therein by the charter of the cooperative, and also in other cases envisaged by a **law** and the charter of the cooperative.

A member of the cooperative may be expelled from the cooperative by a decision of a general meeting in connection with membership in a similar cooperative.

A member of the cooperative who has been expelled from it is eligible for receiving the participatory share and other disbursable amounts envisaged by the charter of the cooperative according to **Item 1** of the present article.

3. A member of the cooperative has the right of transferring his participatory share or a portion thereof to another member of the cooperative, except as otherwise envisaged by a **law** or the charter of the

cooperative.

The transfer of a participatory share or a portion thereof to a citizen who is not a member of the cooperative is admissible on the consent of the general meeting of members of the cooperative. In this case other members of the cooperative enjoy the pre-emptive right to purchase such participatory share or the portion thereof.

4. In the event of death of a member of the production cooperative his heirs may be admitted as members of the cooperative, except as otherwise envisaged by the charter of the cooperative. Otherwise, the cooperative shall pay out to the heirs the value of the participatory share of the deceased member of the cooperative.

5. Levy of execution on the participatory share of a member of the production cooperative for the debts of the member of the cooperative is admissible only if his other property is insufficient to cover such debts in the procedure established by a **law** and the charter of the cooperative. Levy of execution for the debts of a member of the cooperative shall not extend to the indivisible funds of the cooperative.

Article 106.6. The Transformation of a Production Cooperative

By a decision of its members taken unanimously a production cooperative may be transformed into a business company or association.

§ 3. The Production Cooperatives

Abrogated from January 1, 2014.

§ 4. The State-Run and Municipal Unitary Enterprises

Article 113. Basic Provisions on the Unitary Enterprise

1. The unitary enterprise is a commercial organisation having no right of ownership in respect of the property that has been assigned thereto by the owner. The property of an unitary enterprise is indivisible and it shall not be distributed in contributions (stakes or participatory shares) for instance among the employees of the enterprise.

State and municipal enterprises shall operate in the organisational legal form of unitary enterprises.

In the cases and in the procedure which are envisaged by a **law** on state and municipal unitary enterprises an unitary state-property enterprise (state-property enterprise) may be formed on the basis of a state or municipal property.

2. The property of a state or municipal unitary enterprise is under state or municipal ownership and it belongs to such enterprise by the right of economic jurisdiction or operative management.

The rights of a unitary enterprise in respect of the property assigned thereto shall be defined in accordance with the present Code and a **law** on state and municipal unitary enterprises.

3. The constitutive document of the unitary enterprise is its **charter**, endorsed by the empowered state body or local government body, except as otherwise envisaged by a law.

The charter of the unitary enterprise shall comprise information on its company name and location, the subject and objectives of its activities. The charter of a unitary enterprise that is not a state-property enterprise shall also contain information on the amount of the unitary enterprise's charter fund.

4. The company name of a unitary enterprise shall include reference to the owner of its property. Moreover, the company name of a state-property enterprise shall contain reference to the fact that it is a state-property one.

5. The body of an unitary enterprise shall be head of the enterprise who is appointed by the body empowered by the owner, except as otherwise envisaged by a **law**, and reports thereto.

6. For its obligations the unitary enterprise is liable with all the property it has.

The unitary enterprise is not liable for the obligations of the owner of its property.

The owner of the unitary enterprise's property, save the owner of the property of a state-property enterprise, is not liable for the obligations of its unitary enterprise. The owner of the property of a state-property enterprise bears subsidiary liability for the obligations of such enterprise, if its property is insufficient.

7. The legal status of unitary enterprises is defined by the present Code and a **law** on state and municipal unitary enterprises.

8. The unitary enterprise may be re-organised in accordance with a **law** on state and municipal unitary enterprises and laws on privatisation.

Article 114. The Formation of an Unitary Enterprise and Its Charter Fund

1. An unitary enterprise shall be formed in the name of a public-law entity (**Article 125**) by a decision of the state body or local government body empowered to do so.

2. The minimum amount of the charter fund of the unitary enterprise shall be defined by a **law** on state and municipal unitary enterprises.

3. The procedure for forming the charter fund of a unitary enterprise shall be established by a **law** on state and municipal unitary enterprises.

4. If upon the expiry of a financial year the value of net assets of an unitary enterprise turns out to be below the amount of the charter fund the body empowered to form such enterprises shall reduce the charter fund in the established procedure. If the net asset value falls below the sum defined by a **law** the unitary enterprise may be liquidated by a court's decision.

5. If a decision on reduction of the charter fund is taken the unitary enterprise shall notify its creditors accordingly in writing.

A creditor of the unitary enterprise has the right of claiming termination or early performance of the obligation in respect of which that enterprise is a debtor and claiming compensation for losses.

Article 115. **Abrogated** from September 1, 2014.

§ 5. The Non-Profit Organisations

Abrogated from September 1, 2014.

§ 6. Non-Profit Corporate Organisations

1. General Provisions on Non-Profit Corporate Organisations

Article 123.1. Basic Provisions on Non-Profit Corporate Organisations

1. The non-profit corporate organisations are legal entities which do not have profit making as the basic objective of their activities and do not distribute received profit among participants (**Item 1 of Article 50** and **Article 65.1**), whose founders (participants) acquire the right of participating (membership) in them and form their supreme body in accordance with **Item 1 of Article 65.3** of the present Code.

2. Non-profit corporate organisations shall be formed in the organisational legal forms of consumer cooperative, public organisation, associations (unions), notarial chambers, partnerships of the owners of immovable property, the Cossack societies included in the state register of Cossack societies in the Russian Federation and also communities of small-numbered indigenous peoples of the Russian Federation (**Item 3 of Article 50**).

3. Non-profit corporate organisations shall be formed by a decision of founders taken at their general (constitutive) meeting, conference, congress, etc. Said bodies shall endorse the charter of the relevant non-profit corporate organisation and set up its bodies.

4. A non-profit organisation is the owner of its property.

5. The charter of a non-profit corporate organisation may include a provision according to which

decisions on formation of other legal persons by the corporation and also decisions on the corporation's participation in other legal entities, on formation of branches and opening of representative offices of the corporation shall be adopted by the collective body of the corporation.

2. The Consumer Cooperative

Article 123.2. Basic Provisions on the Consumer Cooperative

1. The consumer cooperative of a membership-based voluntary association of citizens or of citizens and legal entities for the purposes of meeting their material and other needs realised by means of the pooling of property participatory share contributions by its members. A mutual insurance society can be based on the membership of legal entities.

2. The charter of a consumer cooperative shall comprise information on the name and location of the cooperative, the subject and objectives of its activities, the terms concerning the amount of participatory share contributions of the cooperative's members, the composition and procedure for the contribution of participatory shares by the cooperative's members and on their liability for breach of the obligation to contribute participatory shares, on the composition and competence of the bodies of the cooperative and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, the procedure for the cooperative's members to cover the losses incurred by it.

The name of a consumer cooperative shall comprise reference to the main objective of its activities and also the word "cooperative". The name of a mutual insurance society shall comprise the words "consumer society.

3. By a decision of its members a consumer cooperative may be transformed into a public organisation, association (union), autonomous non-for-profit organisation or socially useful fund. Based on a decision of its members, a garage, housing or house development cooperative may be transformed only into a partnership of the owners of immovable property. By decision of its members, a mutual insurance society can only be transformed into a business entity - an insurance organisation.

Article 123.3. The Duty of Members of a Consumer Cooperative to Make Additional Contributions

1. Within three months after the endorsement of an annual balance sheet the members of a consumer cooperative shall cover the losses that have accrued, by means of making additional contributions. In the event of default on this duty the cooperative may be liquidated in a judicial procedure on the demand of creditors.

2. The members of a consumer cooperative jointly and severally bear subsidiary liability for its obligations within the limits of the outstanding portion of the additional contribution of each of the cooperative's members.

3. Public Organisations

Article 123.4. Basic Provisions on Public Organisations

1. Public organisations are voluntary associations of citizens who have joined on the basis of common interests to meet spiritual and other non-material needs for the purposes of representation and protection of common interests and of attainment of other objectives not contravening a law.

2. A public organisation is the owner of its property. Its participants (members) shall not retain property rights to the property they have handed over to the organisation into its ownership, including membership dues.

The participants in (members of) a public organisation are not liable for the obligations of the organisation in which they participate as members, and the organisation is not liable for the obligations of its members.

3. Public organisations may join in associations (unions) in the procedure established by the present Code.

4. By a decision of its participants (members) a public organisation may be transformed into an association (union), autonomous non-for-profit organisation or socially useful fund.

Article 123.5. The Founders and the Charter of a Public Organisation

1. A public organisation shall have at least three founders.

2. The charter of the public organisation shall comprise information on its name and location, the subject and objectives of its activities, and also terms on the procedure for enlisting (being admitted) in the public organisation and for withdrawing from it, the composition and competence of its bodies and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, on the property rights and duties of a participant in (member of) the organisation and on the procedure for distribution of the property that remains after the liquidation of the organisation.

Article 123.6. The Rights and Duties of a Participant in (a Member of) a Public Organisation

1. A participant in (member of) a public organisation shall exercise the corporate rights envisaged by **Item 1 of Article 65.2** of the present Code, in the procedure established by the charter of the organisation. Also he has the right to use without compensation on equal terms with other participants (members) the services it provides.

2. Apart from the duties envisaged by participants in a corporation by **Item 4 of Article 65.2** of the present Code the participant in (member of) of the public organisation shall also have the duty to pay the membership dues and make other property contributions as envisaged by its charter.

The participant in (member of) the public organisation at his discretion at any time is entitled to withdraw from the organisation in which he/she participates.

3. Membership in the public organisation is unalienable. The exercising of the rights of a participant in (member of) the public organisation shall not be assigned to another person.

Article 123.7. The Details of Management in a Public Organisation

1. Apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code the exclusive competence of the supreme body of a public organisation also encompasses the taking of decisions on the rate of, and the procedure for payment/making of, membership dues and other property contributions by its participants (members).

2. In a public organisation there shall be set up a sole executive body (chairman, president, etc.) and may be set up permanent collective executive bodies (council, board, presidium, etc.).

By a decision of a general meeting of members of a public organisation the powers of its body may be terminated before the due date in the event of that body's gross violation of its duties, discovery of inability to properly conduct business or if there are other serious grounds.

3.1. Social Movements

Article 123.7-1. Social Movements

1. As a social movement shall be deemed a public association consisting of participants pursuing social, political and other generally useful goals which are supported by the participants of the social movement.

2. The provisions of this Code on non-profit organisations shall apply to social movements, if not otherwise provided for by **Federal Law** No. 82-FZ of May 19, 1995 on Public Associations.

4. Associations and Unions

Article 123.8. Basic Provisions on the Association (Union)

1. The association (union) is an association of legal entities and/or citizens based on voluntary or in the cases established by a law mandatory membership and formed for the purposes of representation and protection of common, inter alia, professional interests, attainment of objectives useful for the public and also other objectives that do not contravene a law and have non-commercial nature.

Inter alia, the following shall be formed in the organisational legal form of association (union): associations of persons whose objective is the coordination of their entrepreneurial activities, the representation and protection of common property interests, professional associations of citizens not having the objective of protecting the rights and interests of their members, professional associations of citizens not relating to their participation in labour relations (associations of appraisers, members of creative professions and others), self-regulating organisations and their associations.

2. Associations (unions) may have the civil rights and bear the civil responsibilities that correspond to the objectives for which they have been created and the activities envisaged by the charters of such associations (unions).

3. An association (union) is the owner of its property. The association (union) is liable for its obligations with all its property, except as otherwise envisaged by a law in respect of associations (unions) of specific types.

The association (union) is not liable for the obligations of its members, except as otherwise envisaged by a law.

The members of the association (union) are not liable for its obligations, except for cases when subsidiary liability of its members is envisaged by a law or the charter of the association (union).

4. By a decision of its members an association (union) may be transformed into a public organisation, autonomous non-profit organisation or socially useful fund.

5. The details of the legal status of associations (unions) of specific types may be established by laws.

Article 123.9. The Founders of an Association (Union) and the Charter of the Association (Union)

1. An association (union) shall have at least two founders. The laws establishing the details of the legal status of associations (unions) of specific types may establish other requirements applicable to the minimum number of founders of such associations (unions).

2. The charter of the association (union) shall comprise information on its name and location, the subject and objectives of its activities, terms on the procedure for members to join (be admitted in) the association (union) and to withdraw from it, information on the composition and competence of the bodies of the association (union) and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, on the property rights and duties of the association's (union's) members, the procedure for distribution of the property that remains after the liquidation of the association (union).

Article 123.10. The Details of Management in an Association (Union)

1. Apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code the exclusive competence of the supreme body of an association (union) also encompasses the taking of decision on the procedure for determining the rate and method of payment of membership dues, on additional property contributions of the members of the association (union) into its property and on the amount of their subsidiary liability for the obligations of the association (union), if such liability is envisaged by a law or the charter.

2. In the association (union) there shall be set up a sole executive body (chairman, president, etc.) and may be set up permanent collective executive bodies (council, board, presidium, etc.).

By a decision of the supreme body of the association (union) the powers of the body of the association (union) may be terminated before due date in the event of that body's gross violation of its

duties, discovered inability to properly conduct business or if there are other serious grounds.

Article 123.11. The Rights and Duties of a Member of an Association (Union)

1. A member of an association (union) shall exercise the corporate rights envisaged by **Item 1 of Article 65.2** of the present Code, in the procedure established in accordance with the charter of the association (union). He is also entitled on equal terms with other members of the association (union) to use without compensation the services it provides, except as otherwise envisaged by a law.

The member of the association (union) has the right of withdrawing from it at his discretion at any time.

2. Apart from the duties envisaged for the participants in a corporation by **Item 4 of article 65.2** of the present Code the members of the association (union) are also obligated to pay the membership dues envisaged by the charter and by a decision of the supreme body of the association (union) to make additional property contributions into the property of the association (union).

A member of the association (union) may be expelled from it in the cases and in the procedure which are established by the charter of the association (union) in accordance with a law.

3. Membership in the association (union) is unalienable. The consequences of termination of members in the association (union) are established by a law and/or its charter.

5. Partnerships of the Owners of Immovable Property

Article 123.12. Basic Provisions on the Partnership of the Owners of Immovable Property

1. The partnership of the owner of immovable property is a voluntary association of the owners of immovable property (premises in a building, for instance in a block of flats, or in several buildings, dwelling houses, garden houses, gardening or truck-farming land plots, etc.) formed by them for joint possession, use and within the limits established by a law disposition of the property (things) which are by virtue of a law in their common ownership or in common use, and also for the attainment of other objectives envisaged by laws.

2. The charter of the partnership of the owners of immovable property shall comprise information on its name as including the words "partnership of the owners of immovable property", location, the subject and objectives of its activities, the composition and competence of the bodies of the partnership and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, and also other information envisaged by a law.

2.1. The association of real estate owners shall be deemed the owner of its property.

3. The partnership of the owners of immovable property is not liable for the obligations of its members. The members of the partnership of the owners of immovable property are not liable for its obligations.

4. By a decision of its members the partnership of the owners of immovable property may be transformed into a consumer cooperative.

Article 123.13. Invalid from October 1, 2023 - **Federal Law** No. 351-FZ of July 24, 2023.

Article 123.14. The Details of Management in a Partnership of the Owners of Immovable Property

1. Apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code the exclusive competence of the supreme body of a partnership of the owners of immovable property shall also encompass the taking of decisions on setting the rate of mandatory payments and contributions of the members of the partnership.

2. In the partnership of the owners of immovable property there shall be set up a sole executive body (chairman) and a permanent collective executive body (board).

By a decision of the supreme body of the partnership of the owners of immovable property (**Item 1 of Article 65.3**) the powers of the permanent bodies of the partnership may be terminated before due date

in the cases of their gross violation of their duties, discovered inability to properly conduct business, or if there are other serious grounds.

6. The Cossack Societies Included in the State Register of Cossack Societies in the Russian Federation

Article 123.15. A Cossack Society Included in the State Register of Cossack Societies in the Russian Federation

1. The following shall be deemed Cossack societies: the societies which are included in the state register of Cossack societies in the Russian Federation and have been formed for the purposes of conserving the traditional lifestyle, economic activities and culture of the Russian Cossacks, and also for other purposes envisaged by Federal Law No. 154-FZ of December 5, 2005 on the State Service of the Russian Cossacks -- of the citizens who have voluntarily undertaken in the procedure established by a law to be on state service or another service.

2. By a decision of its members a Cossack society may be transformed into an association (union) or autonomous non-profit organisation.

3. The provisions of the present **Code** on non-profit organisations are applicable to the Cossack societies included in the state register of Cossack societies in the Russian Federation, except as otherwise established by Federal Law No. 154-FZ of December 5, 2005 on the State Service of the Russian Cossacks.

7. Communities of Small-Numbered Indigenous Peoples of the Russian Federation

Article 123.16. The Community of Small-Numbered Indigenous Peoples of the Russian Federation

1. The following shall be deemed communities of small-numbered indigenous peoples of the Russian Federation: the voluntary associations of citizens who belong to small-numbered indigenous peoples of the Russian Federation and have joined according to kin and/or area and neighbourhood for the purposes of protecting the age-old environment, conserving and developing the traditional lifestyle, economic activities, trades and culture.

2. The members of a community of small-numbered indigenous peoples of the Russian Federation have the right of receiving a part of its property or compensation for the value of such part when they withdraw from the community or when it is liquidated in the procedure established by a law.

3. By a decision of its members a community of small-numbered indigenous peoples of the Russian Federation may be transformed into an association (union) or autonomous non-for-profit organisation.

4. The provisions of the present **Code** on non-profit organisations are applicable to communities of small-numbered indigenous peoples of the Russian Federation, except as otherwise established by a law.

8. Barristers/Solicitors' Chambers

Article 123.16-1. Barristers/Solicitors' Chambers

1. As barristers/solicitors' chambers shall be deemed non-profit organisations which are based on mandatory membership therein established in the form of the barristers/solicitors' chamber of a constituent entity of the Russian Federation or the Federal Barristers/Solicitors' Chamber of the Russian Federation for accomplishing the tasks provided for by the legislation on barristers/solicitors' activities and the bar.

2. The barristers/solicitors' chamber of a constituent entity of the Russian Federation shall be a non-profit organisation based on mandatory membership therein of all barristers/solicitors of the constituent entity of the Russian Federation.

3. The Federal Barristers/Solicitors' Chamber of the Russian Federation shall be a non-profit

organisation uniting barristers/solicitors' chambers of constituent entities of the Russian Federation on the basis of mandatory membership therein.

4. The specifics of establishment, legal status and activities of barristers/solicitors' chambers of constituent entities of the Russian Federation and of the Federal Barristers/Solicitors' Chamber of the Russian Federation shall be defined by the legislation on barristers/solicitors' activities and the bar.

9. Barristers/Solicitors' Formations Which Are Legal Entities

Article 123.16-2. Barristers/Solicitors' Formations Which Are Legal Entities

1. As barristers/solicitors' formations which are legal entities shall be deemed non-profit organisations established in compliance with the **legislation** on barristers/solicitors' activities and the bar for the purpose of exercising barristers/solicitors' activities by barristers/solicitors.

2. Barristers/solicitors' formation which are legal entities shall be established in the form of a **bar association**, **lawyer's office** or **legal aid office**.

3. The specifics of establishment, legal status and activities of barristers/solicitors' formations which are legal entities shall be defined by the **legislation** on barristers/solicitors' activities and the bar.

10. Notarial Chambers

Article 123.16-3. Notarial Chambers

1. As notarial chambers shall be deemed non-profit organisations representing professional associations based on obligatory membership in them and established in the form of a notarial chamber of a constituent entity of the Russian Federation or the Federal Notarial Chamber for accomplishment of the tasks provided for by the legislation on the notariate.

2. A notarial chamber of a constituent entity of the Russian Federation shall be a non-profit organisation representing a professional association based on obligatory membership in it of notaries engaged in private practice.

3. The Federal Notarial Chamber shall be a non-profit organisation representing a professional association of notarial chambers of constituent entities of the Russian Federation based on their obligatory membership in it.

4. The specifics of establishment, legal status and activities of notarial chambers of constituent entities of the Russian Federation and of the Federal Notarial Chamber shall be defined by the **legislation** on the notariate.

§ 7. Non-Profit Unitary Organisations

1. Socially Useful Funds

Article 123.17. Basic Provisions on the Socially Useful Fund

1. For the purposes of the present Code the socially useful fund (hereinafter also referred to as the fund) is an unitary non-profit organisation that has no membership, is founded by citizens and/or legal entities on the basis of voluntary property contributions and is pursuing charitable, cultural, educational or other social objectives of use for the public.

2. The charter of a fund shall comprise information on the name of the fund that includes the word "fund" or the words "socially useful fund", its location, the subject and objectives of its activities, the bodies of the fund, for instance on the supreme collective body and the board of trustees that exercises supervision over the activities of the fund, the procedure for appointment and removal of the fund's officials, the fate of the property of the fund in the event of its liquidation.

3. It is hereby prohibited to re-organise a fund, except for the cases envisaged by **Item 4** of this article, as well as by by laws establishing grounds and a procedure for fund's reorganisation.

4. The legal status of non-state pension funds, including the cases of, and the procedure for, their possible re-organisation is defined by the present article and **Articles 123.18 - 123.20** of the present Code with account being taken of the details envisaged by a law on non-state pension funds.

5. Invalid from March 1, 2022 - **Federal Law** No. 287-FZ of July 1, 2021

Article 123.18. The Property of a Fund

1. The property that has been handed over to a fund by its founder(s) is owned by the fund. The founders of the fund do not have pre-emptive rights in respect of the fund they have formed and are not liable for its obligations, and the fund is not liable for the obligations of its founders.

2. The fund shall use property for the purposes defined in its charter.

Every year the fund shall publish reports on how its property has been used.

Article 123.19. The Management of a Fund

1. If not otherwise provided for by a law or other legal act, the following shall be within the scope of exclusive competence of the supreme collective body of a fund:

defining priority lines of the fund's activity, the principles of the formation and use of its property;

setting up other bodies of the fund and terminating their powers before due time;

endorsing annual reports and annual accounting (financial) statements of the fund;

taking decisions on the formation of business associations by the fund and/or on the participation of the fund in them, except when the fund's charter assigns the adoption of decisions on the cited matters to the scope of competence of other collective bodies of the fund;

taking decisions on forming branches and/or on opening representative offices of the fund;

amending the charter of the fund, if the charter envisages the opportunity for doing so;

approving the transactions concluded by the fund in the cases envisaged by a law.

A law or the charter of the fund may place the taking of decisions on other issues within the exclusive competence of the supreme collective body of the fund.

2. The supreme collective body of the fund shall elect the one-man executive body of the fund (chairman, director general, etc.) and may appoint a collective executive body of the fund (board) or other collective body of the fund, if a law or other legal act does not assign the cited powers to the scope of authority of the fund's founder.

The competence of the one-man executive and/or collective bodies of the fund encompasses the resolution of the issues not included in the exclusive competence of the supreme collective body of the fund.

3. On a demand of members of the fund's supreme collective body who act in the interests of the fund the persons empowered to act in the name of the fund shall compensate in accordance with **Article 53.1** of the present Code for the losses they have inflicted on the fund.

4. The board of trustees of the fund is a body of the fund and it exercises supervision over the fund's activities, over the taking of decisions by other bodies of the fund and over the efforts aimed at having them implemented, over the use of the resources of the fund and the observance of the legislation by the fund. The board of trustees of the fund shall pursue its activities without remuneration.

Article 123.20. Amending the Charter and Liquidating the Fund

1. The charter of a fund may be amended by the supreme collective body of the fund, unless the charter includes a provision according to which it may be amended by a decision of a founder.

The charter of the fund may be modified by a court's decision taken on an application of the bodies of the fund or the state body empowered to exercise supervision over the fund's activities, if keeping the charter of the fund unchanged is going to entail the consequences that could not be foreseen when the fund

was founded, and the supreme collective body of the fund or the founder of the fund does not modify its charter.

2. The fund may be liquidated only under a court's decision taken on an application of persons concerned, if:

1) the property of the fund is insufficient for the attainment of its objectives and the probability of receiving the necessary property is unreal;

2) the objectives of the fund cannot be attained, and the necessary changes of the fund's objectives cannot take place;

3) in its activities the fund evades the objectives set out in the charter;

4) in other cases envisaged by a law.

3. In the event of liquidation of the fund its property that has remained after creditors' claims were satisfied shall be used for the purposes specified in the charter of the fund, except for cases when a law envisages returning such property to the founders of the fund.

Article 123.20-1. Invalid from March 1, 2022 - **Federal Law** No. 287-FZ of July 1, 2021
Article 123.20-2. Invalid from March 1, 2022 - **Federal Law** No. 287-FZ of July 1, 2021
Article 123.20-3. Invalid from March 1, 2022 - **Federal Law** No. 287-FZ of July 1, 2021

1.1. Personal Funds

Article 123.20-4. Basic Provisions on Personal Fund

1. As a personal fund shall be recognised a unitary non-profit organisation established for a definite term or permanently by an individual or after the death thereof by a notary engaged in managing the property transferred to it by this individual or the property of this individual inherited by it, as well as other property items in compliance with the management terms endorsed by him/her.

2. A personal fund may be established by a notary after the death of an individual in compliance with the testament thereof (hereditary fund). The provisions of this Code on personal funds shall apply to hereditary funds, unless otherwise established by this Code or results from the specifics of legal regulation of hereditary funds. The founder of a personal fund is entitled to stipulate in the charter of the personal fund established when he/she is alive that after the death thereof such personal fund will continue its activities in compliance with the charter and management terms endorsed by the founder thereof and, in so doing, such personal fund may not be liquidated by decision of its bodies.

3. An individual who established a personal fund when alive or who stipulated in the testament thereof the establishment of a hereditary fund shall be declared as the founder of the personal fund.

The replacement of the founder of a personal fund shall not be permitted. When establishing personal funds, the co-establishment thereof by several persons shall not be permitted, except when the founders of a personal fund are spouses who transfer common property to the personal fund (**Article 256**).

4. The property of a personal foundation shall be held by the personal fund on the basis of the right of ownership. The founder of a personal fund shall not have any rights to the property of the fund established by him/her.

The cost of the property transferred to a personal fund (except for a hereditary fund) by the founder thereof when it is being established may not be below 100 million rubles and the cost of this property shall be calculated on the basis of assessment of the market value thereof.

5. A personal fund is entitled to exercise the business activities corresponding to the goals defined by the charter of the personal fund and required for pursuance of these goals. For exercising business activities a personal fund is entitled to establish economic companies or to participate in them.

6. The founder of a personal fund shall bear subsidiary liability with respect to this personal fund's obligations when the property thereof is insufficient, while the personal fund, except for a hereditary fund, shall bear subsidiary liability by the property thereof with respect to the obligations of the personal fund's founder within three years from the date when it is established. On extraordinary occasions, if creditors of

a personal fund or of the founder of a personal fund could not for sound reasons raise claims against the founder of a personal fund or a personal fund within the cited time period, this time period may be extended by court but at the most by five years from the date of the personal fund's establishment.

7. The decision of the founder of a personal fund on establishment of the personal fund is subject to certification by a notary. The testament whose terms provide for the establishment of a hereditary fund must comprise the testator's decision on the establishment of the hereditary fund, the fund's charter, as well as the terms of the hereditary fund's management. Such testament is subject to certification by a notary.

8. Seen as the constituent document of a personal fund shall be the charter thereof.

The founder of a personal fund is entitled to endorse the terms of managing the personal fund and other internal documents of the personal fund which shall be binding for all the personal fund's bodies.

The charter of a personal fund and the terms of managing a personal fund are subject to certification by a notary.

Unless otherwise established by this Code or by the charter of a personal fund, information on the content of the terms of managing the personal fund and on the content of other internal documents of the personal fund are not subject to disclosure and shall be deemed confidential.

Unless otherwise provided for in a charter of a personal foundation, the charter of a personal fund, the terms of managing a personal fund and other internal documents of a personal fund may be amended by the fund's founder when he/she is alive. After the death of the founder of a personal fund the charter of the personal fund, the terms of managing the personal fund and other internal documents of a personal fund endorsed by the founder thereof when he/she is alive may not be amended, except for making amendments therein on the basis of a court decision on demand of any personal fund's body in the instances when such fund's management under previous conditions has become impossible due to the circumstances whose origination could not be envisaged when such fund was established.

The charter of a hereditary fund and the terms of managing a hereditary fund may not be amended after the establishment of the hereditary fund, except for introduction of amendments therein on the basis of a court decision on demand of any body of the hereditary fund in the instances when the hereditary fund's management under the previous conditions has become impossible due to the circumstances whose origination could not be envisaged when the hereditary fund was established, as well as when it is established that the beneficiary of the hereditary fund is an unworthy heir (**Article 1117**), if only this circumstance was not known at the time when the hereditary fund was established.

9. The denomination of a personal fund must include the words "personal fund". The denomination of a hereditary fund must include the words "hereditary fund".

10. The re-organisation of a personal fund (except for a hereditary fund) shall be allowed in the form of merger, affiliation, division and detachment provided that as a result of such re-organisation a personal fund or personal funds created by the same founder are established. It shall also be permitted to transform a personal fund into a socially useful fund by the founder's decision when he/she is alive.

The re-organisation of a personal fund after the death of the founder thereof shall not be allowed, except for transformation of a personal fund into a socially useful fund where it is provided for by the terms of managing the personal fund and by **Item 6 of Article 123.20-5** of this Code.

11. A personal fund shall be liquidated on the basis of a court decision:

1) in the procedure and on the grounds provided for by **Subitems 1 - 4 of Item 3 of Article 61** of this Code, and also upon a claim of an authorised state agency if a personal foundation carries out activities specified in the legislation of the Russian Federation on foreign agents;

2) on demand of the sole executive body of the personal fund in connection with the expiry of the time period for which the personal fund was established;

3) on demand of the sole executive body of the personal fund in connection with the occurrence of the circumstances cited in the terms of the personal fund's management;

4) on demand of the beneficiary of the personal fund where it is impossible to form the personal fund's bodies (absence of the quorum in collective bodies, absence of the sole executive body);

5) on demand of the sole executive body of the personal fund in connection with impossibility

within three years, unless another period is provided for by the charter of the personal fund, to meet the conditions provided for by the personal fund's fonder in compliance with which the personal fund's beneficiaries are subject to identification.

The property left after liquidation of a personal fund are subject to transfer to the personal fund's beneficiaries in proportion to the extent of their rights to receive the property or income derived from the personal fund's activities, unless the terms of managing the personal fund provide for another rules for distribution of the remaining property, including its transfer to the persons not being beneficiaries. If it is impossible to identify the persons which the property left after liquidation of the personal fund is subject to transfer to, such property is subject to transfer into the ownership of the founder (founders) of the personal foundation, and if by that time the marriage between the founders that transferred the common property to the foundation has been dissolved, - then into the common shared ownership of the founders, whose shares in the property transferred to them shall be deemed equal, unless otherwise established by an agreement between them or a court decision. If it is not possible to determine persons to whom the property remaining after the liquidation of the inheritance fund shall be transferred, such property shall be transferred in accordance with a court decision to the ownership of the Russian Federation.

12. A report on the use of the property of a personal fund is not subject to publication, except when it is provided for by the rules of managing the personal fund.

Article 123.20-5. Terms of the Personal Fund's Management

1. The terms of managing a personal fund may comprise the provisions on transfer to definite persons (the personal fund's beneficiaries) or to individual categories of persons from an indefinite circle of persons (hereinafter referred to as individual categories of persons) of all the property of the personal fund or of a part thereof, including when the circumstances in respect of which it is unknown, whether they will occur or not, actually occur.

2. The terms of managing a personal fund may stipulate that the beneficiaries of the personal fund or individual categories of the persons which the property of the personal fund is subject to transfer shall be identified by the personal fund's bodies in compliance with the terms of the personal fund's management.

3. A procedure for transfer to the beneficiaries of a personal fund or to individual categories of persons of all the property of the personal fund or of a part thereof, including the incomes derived from the personal fund's activities, must be defined by the terms of the personal fund's management by specifying the kind and extent of the property to be transferred or a procedure for determination of the kind and extent of the property, including of a property right (for example, the right to the property use, the right to pay for the works and services carried out or rendered by third parties to beneficiaries of the personal fund or to individual categories of persons), the time and periodicity of the property's transfer, as well as the circumstances under which such transfer is to be effected.

4. Any participants of the relations regulated by the civil legislation may be the personal fund's beneficiaries, except for profit-making legal entities. The founder of a personal fund may not be the beneficiary of the personal fund, unless otherwise provided for by this fund's charter.

5. The beneficiary of a personal fund is entitled to demand of the personal fund, while the beneficiary of a hereditary fund is entitled to demand of a notary or hereditary fund, to familiarise them with the part of the terms of managing the personal fund that contains a procedure for determination and appointment of the personal fund's bodies and the provisions on transfer to this beneficiary of all the personal fund's property or of a part thereof, as well as a description of the circumstances under which such transfer is to be effected.

6. At the latest in six months from the date of death of the individual who established a personal fund when alive, if the terms of managing this fund after the founder's death solely stipulate the provisions on transfer to individual categories of persons from an indefinite circle of persons of all the personal fund's property or of a part thereof, such fund is subject to transformation into a socially useful fund (**Article 123.17**) and, in so doing, the charter of the personal fund, the terms of managing the personal fund and

other internal documents of the personal fund endorsed by the founder thereof, are not subject to modification and in the unified state register of legal entities shall be shown data on the new denomination of such fund and on alteration of its organisational legal form.

Article 123.20-6. Rights of the Beneficiary of a Personal Fund

1. The beneficiary of a personal fund is entitled to receive property in compliance with the terms of managing the personal fund, as well as shall enjoy other rights provided for by this Code.

The rights of the beneficiary of a personal fund may not be transferred to other persons, including in the event of universal legal succession, except when the beneficiary being a legal entity is transformed, unless the terms of managing a personal fund provide for termination of the rights of such beneficiary, should it be transformed. Execution in connection with obligations of the beneficiary of a personal fund may not be levied against the rights of such beneficiary, including the beneficiary of a hereditary fund. The transactions committed in defiance of these rules shall null and void.

2. The rights of the individual being the beneficiary of a hereditary fund shall not be inherited. The rights of the beneficiary being a legal entity of a hereditary fund shall be terminated, should the beneficiary being a legal entity be re-organised, except for the transformation when the terms of managing a hereditary fund do not provide for termination of the rights of such beneficiary when it is transformed.

After the death of the individual being the beneficiary or liquidation of the beneficiary being a legal entity, as well as in the event of the waiver by the beneficiary of a hereditary fund of the right to obtain the property thereof declared to the hereditary fund in the notarial form, new beneficiaries of the hereditary fund shall be identified in compliance with the terms of managing the hereditary fund, specifically they may be identified by way of substitution.

3. Where it is provided for by the charter of a personal fund, the beneficiary thereof is entitled to request for and obtain from the personal fund information on the personal fund's activities.

4. The beneficiary of a personal fund is entitled to demand auditing of the activity of the personal fund by the auditor selected by him. Should such auditing be conducted, the auditor's services shall be paid for on account of the personal fund's beneficiary on whose demand it is conducted. The outlays of the beneficiary of a personal fund on payment for the auditor's services may be reimbursed by decision of the board of trustees on account of such fund.

5. In the event of a violation of the terms of managing a personal fund that has caused losses to the beneficiary of the personal fund, the latter is entitled to demand their reimbursement, if this right is provided for by the charter of the personal fund.

6. The beneficiary shall not be held liable with respect of the obligations of a personal fund and the personal fund shall not be held liable with respect to the obligations of the beneficiary.

Article 123.20-7. Managing a Personal Fund

1. While the founder of a personal fund is alive, the composition of the bodies, their functions and the persons included into the composition of this fund's bodies shall be determined in compliance with the charter and terms of the personal fund's management.

After the death of the individual who established a personal fund while being alive, the personal fund's bodies shall be formed and changed in compliance with the charter and terms of managing this fund and, with this, the persons included into the composition of the personal fund's bodies or entitled to be included into the composition of this fund's bodies, as well as beneficiaries of this fund, are entitled to demand forming and alteration of the personal fund's bodies in compliance with its charter and terms of managing the personal fund. The personal fund's charter and the terms of managing a personal fund may provide for a procedure for determining members of the personal fund's collective bodies and the person exercising the functions of the sole executive body of the personal fund, should they withdraw, as well as the substitution of the cited persons from a definite list thereof.

2. As the sole executive body of a personal fund or a member of the collective body of a personal fund may act any natural person or legal entity appointed in compliance with the personal fund's charter,

except for the personal fund's founder.

The beneficiary of a hereditary fund may not act as the sole executive body of the hereditary fund or a member of the collective executive body of the hereditary fund.

3. Where it is provided for by the charter of a personal fund, the supreme collective body and the board of trustees shall be established in it that may comprise the personal fund's beneficiaries or the founder thereof.

The charter of a personal fund may also provide for the establishment of the personal fund's supervisory body whose authority lies in exercising supervision over the activities of the personal fund's bodies, in coordination of commission by the personal fund of the actions relevant in law which are defined in the charter thereof and/or in adoption of the decision on preschedule termination of the authority of the personal fund's sole executive body that has failed to discharge the duty thereof to act in good faith or reasonably in the interests of the personal fund and/or beneficiaries thereof and on appointment of the provisional sole executive body of the personal fund.

4. The terms of managing a personal fund may provide for a procedure for payment and the rate of remuneration to the persons exercising the authority of the sole executive body of the personal fund, to members of the board of trustees of the personal fund or members of other personal fund's bodies, as well as to the person exercising the functions of the supervisory body of the personal fund, for discharge of the duties thereof.

5. The charter of a personal fund may provide for the need for obtainment of the consent of the personal fund's supreme collective body, the personal fund's supervisory body or another personal fund's body to commission by the personal fund of the transactions cited in the charter thereof.

6. The activities of a personal fund shall be audited on the grounds provided for by the terms of managing the personal fund, as well as on demand of the beneficiary of the personal fund, in the procedure provided for by **Item 4 of Article 123.20-6** of this Code.

7. If within a year from the date of origination of the need for forming the bodies of a hereditary fund or the bodies of a personal fund established when the founder thereof was alive and continuing its activities after the death thereof such bodies are not formed (absence of the quorum at collective bodies, absence of the sole executive body), such funds are subject to liquidation on demand of such funds' beneficiaries or of an authorised state body. Pending the expiry of the cited time period, the bodies (if any) of the hereditary fund or personal fund established when the founder thereof was alive and continuing its activities after the death thereof shall go on exercising the activities of this hereditary fund or this personal fund in compliance with the terms of managing these funds.

Article 123.20-8. The Establishment of a Hereditary Fund and Its Management

1. After the death of the individual who provided in the testament thereof for the establishment of a hereditary fund, such hereditary fund is subject to establishment on the basis of the application to be forwarded to an authorised state body by the notary dealing with the probate case attaching to the application the decision drawn up by the cited individual when he/she was alive on the establishment of the hereditary fund and the fund's charter endorsed by this individual and after the establishment thereof shall be called on to inherit on the basis of the testament in the procedure provided for by **Section V** of this Code.

A hereditary fund may be established on the basis of a court decision on demand of the executor or beneficiary of the hereditary fund, should a notary fail to discharge the duty of establishment of the hereditary fund.

The notary dealing with a probate case must forward to an authorised state body an application for the state registration of a hereditary fund at the latest in three working days from the date of opening the probate case after the death of the individual who provided in the testament thereof for the establishment of the hereditary fund. A hereditary fund is not subject to registration on the expiry of a year from the date when the inheritance is opened.

The notary's actions involved in the establishment of a hereditary fund may be disputed by

beneficiaries of the hereditary fund, executor or heirs, if the notary has failed to follow the testator's orders contained in the testament or the decision on establishment of the hereditary fund in respect of the establishment of the hereditary fund and the terms of its managing.

2. When establishing a hereditary fund, the notary who has received from the hereditary fund an application for acceptance of inheritance must issue to such fund the certificate proving the right to inheritance at the time cited in the decision on establishment of the hereditary fund but at the latest on the time provided for by **Article 1154** of this Code. Should the notary fail to discharge the cited duties, the hereditary fund is entitled to complain against the notary's inaction.

3. Prior to forwarding by a notary the application for the state registration of a hereditary fund cited in **Paragraph Three of Item 1** of this article to an authorised state body, the notary shall propose to the persons cited in the decision on establishment of the hereditary fund or to the persons that can be identified in the procedure established by the decision on establishment of the hereditary fund to become members of the hereditary fund's bodies. Should the cited persons agree to become members of the hereditary fund's bodies, the notary shall forward data on them to an authorised state body.

In the event of the refusal of the person cited in the decision on establishment of a hereditary fund to become a member of the hereditary fund's bodies and of the impossibility of forming the hereditary fund's bodies in compliance with the decision on establishment of the hereditary fund, the notary is not entitled to send an application to an authorised state body for establishment of the hereditary fund.

4. Members of collective bodies of a hereditary fund and the person exercising the authority of the sole executive body of a hereditary fund shall be replaced in the procedure provided for by the charter of the hereditary fund. The charter of a hereditary fund may provide for a procedure for determining members of the collective bodies of the hereditary fund and of the person exercising the authority of the sole executive body of the hereditary fund, should they withdraw, including for substitution of the cited persons from a definite list.

5. The terms of managing a hereditary fund must comprise the provisions cited in **Items 1** and **3 of Article 123.20-5** of this Code.

The terms of managing a hereditary fund, prior to forwarding by a notary an application cited in **Paragraph Three of Item 1** of this article, shall be brought by him/her to the knowledge of the persons included into the composition of the hereditary fund's bodies and may only be disclosed to beneficiaries in compliance with **Item 5 of Article 123.20-5** of this Code, as well as to the state power bodies where it is provided for by law.

6. The sole executive body of a hereditary fund must keep the charter of the hereditary fund and the amendments and addenda introduced therein which are registered in the established procedure, the decision on establishment of the hereditary fund, the documents proving the right of the hereditary fund to the property thereof, the document containing the terms of managing the hereditary fund, annual reports, accounting documents, accounting (financial) reports/statements, records of meetings of the hereditary fund's collective bodies, appraisers' reports, opinions of the checkup commission (inspector) of the hereditary fund, of the auditor of the hereditary fund, of the state and municipal financial control bodies, judicial acts on the disputes connected with the hereditary fund's management and other documents provided for by the charter of the hereditary fund and the terms of managing the hereditary fund.

The charter of a hereditary fund may stipulate keeping of the documents cited in **Paragraph One** of this item by a notary according to the rules provided for by the legislation on the notariate.

2. Institutions

Article 123.21. Basic Provisions on Institutions

1. The institution is an unitary non-profit organisation formed by an owner for the purpose of carrying out managerial, socio-cultural or other functions of non-commercial nature.

The founder is the owner of the property of the institution he has formed. In respect of the property

assigned by the owner to the institution and acquired by the institution on other grounds it acquires the right of operative management in accordance with the present **Code**.

2. An institution may be formed by a citizen or a legal entity (private institution) or by the Russian Federation, a subject of the Russian Federation or municipal formation respectively (state institution, municipal institution).

Several persons' co-founding is prohibited when an institution is being formed.

3. The institution is liable for its obligations with the amounts of money its has at its disposal, and in the cases established by a law, with other property as well. If said funds or property are insufficient then subsidiary liability for the institution's obligations in the cases envisaged by **Items 4 - 6 of Article 123.22** and **Item 2 of Article 123.23** of the present Code shall be borne by the owner of the relevant property.

4. The founder of the institution shall appoint its head as the institution's body. In the cases and in the procedure which are envisaged by a law the head of a state or municipal institution may be elected by its collective body and endorsed by its founder.

By a decision of the founder collective bodies reporting to the founder may be set up in the institution. The competence of the collective bodies of the institution, the procedure for the formation thereof and for them to take decisions shall be defined by a law and the charter of the institution.

Article 123.22. The State Institution and the Municipal Institution

1. The state or municipal institution may be a state-property, budget or autonomous institution.

2. The procedure for rendering financial support for the activities of state and municipal institutions shall be defined by a law.

3. State and municipal institutions are not liable for the obligations of the owners of their property.

4. A state-property institution is liable for its obligations with the amounts of money it has at its disposal. If the funds are insufficient then subsidiary liability for the obligations of the state-property institution shall be borne by the owner of its property.

5. A budget institution is liable for its obligations with all the property it has by the right of operative management, for instance acquired at the expense of the incomes received from income-yielding activities, except for the especially-valuable movable property assigned to the budget institution by the owner of that property or acquired by the budget institution with the funds allocated by the owner of its property, and also immovable property, irrespective of the grounds on which its has come in the operative management of the budget institution and at the expense of which funds it has been acquired.

For the budget institution's obligations relating to the infliction of harm to citizens, in the event of insufficiency of the institution's property in respect of which levy of execution is possible in accordance with **Paragraph 1** of the present item, subsidiary liability shall be borne by the owner of the property of the budget institution.

In the event of liquidation of a budgetary institution with insufficient property which, in accordance with the first paragraph of this Item, may be deemed subject to recovery, subsidiary liability for obligations of the budgetary institution arising from a public contract shall be borne by the owner of the property of the budgetary institution.

6. An autonomous institution is liable for its obligations with all the property it has by the right of operative management, except for the immovable property and especially-valuable property assigned to the autonomous institution by the owner of that property or acquired by the autonomous institution at the expense of the funds allocated by the owner of its property.

For the autonomous institution's obligations relating to the infliction of harm to citizens, in the event of insufficiency of the institution's property in respect of which levy of execution is possible in accordance with **Paragraph 1** of the present item subsidiary liability shall be borne by the owner of the property of the autonomous institution.

In the event of liquidation of an autonomous institution with insufficient property which, in accordance with the **first paragraph** of this Item, may be deemed subject to recovery, subsidiary liability

for obligations of the autonomous institution arising from a public contract shall be borne by the owner of the property of the autonomous institution.

Every year the autonomous institution shall publish reports on its activities and on how the property assigned thereto has been used.

7. In the cases envisaged by a law a state or municipal institution may be transformed into a non-profit organisation of other organisational legal forms.

8. The details of the legal status of state and municipal institutions of the various types are defined by a law.

Article 123.23. The Private Institution

1. The private institution is fully or partially financed by the owner of its property.

2. A private institution is liable for its obligations with the amounts of money it has at its disposal. If said funds are insufficient subsidiary liability for the obligations of the private institution is borne by the owner of its property.

3. The private institution may be transformed by the founder into an autonomous non-profit organisation or fund.

3. Autonomous Non-Profit Organisations

Article 123.24. Basic Provisions on the Autonomous Non-Profit Organisation

1. The autonomous non-profit organisation is an unitary non-profit organisation that has no membership and is formed on the basis of property contributions of citizens and/or legal entities for the purposes of provision of services in the fields of education, health care, culture, science and other spheres of non-profit activities.

An autonomous non profit organisation may be formed by one person (may have one founder).

2. The charter of the autonomous non-profit organisation shall comprise information on its name, including the words "autonomous non-profit organisation", location, the subject and objectives of its activities, the composition, procedure for formation and competence of the bodies of the autonomous non-profit organisation and also other information envisaged by a law.

3. The property that has been handed over to the autonomous non-profit organisation by its founders is owned by the autonomous non-profit organisation. The founders of the autonomous non-profit organisation do not retain rights to the property they have handed over to that organisation to be owned by it.

The founders are not liable for the obligations of the autonomous non-profit organisation they have formed, and it is not liable for the obligations of its founders.

4. The founders of the autonomous non-profit organisation may use its services only on equal terms with other persons.

5. The autonomous non-profit organisation has the right of pursuing the entrepreneurial activity required to attain the objectives for the sake of which it has been formed and that complies with these objectives by means of forming business associations for the purpose of pursuing entrepreneurial activities or participating in them.

6. A person may at his own discretion withdraw from among the founders of the autonomous non-profit organisation.

By a decision of the founders of the autonomous non-profit organisation taken unanimously new persons may be admitted as founders.

7. By a decision of its founders the autonomous non-profit organisation may be transformed into a fund.

8. As it concerns the area not regulated by the present Code the legal status of autonomous non-profit organisations and also the rights and duties of the founders thereof shall be established by a **law**.

Article 123.25. Managing an Autonomous Non-Profit Organisation

1. The activities of an autonomous non-profit organisation shall be directed by its founders in the procedure established by its charter endorsed by its founders.

2. By a decision of the founders of the autonomous non-profit organisation a permanent collective body (bodies) may be set up in it, the competence of the body (bodies) being established by the charter of the autonomous non-profit organisation.

3. The founder(s) of the autonomous non-profit organisation shall appoint a sole executive body of the autonomous non-profit organisation (chairman, director general etc.). One of the founders of the autonomous non-profit organisation being citizens may be appointed as sole executive body thereof.

4. Religious Organisations

Article 123.26. Basic Provisions on Religious Organisations

1. A religious organisation is a voluntary association of Russian Federation citizens permanently and legally residing on the territory of the Russian Federation or of other persons that is formed by them for the purposes of joint worship and propagation of faith and registered in the procedure established by a **law** as a legal entity (a local religious organisation), an association of these organisations (a centralised religious organisation) and also an organisation formed by said association in accordance with a **law** on the freedom of conscience and on religious associations for the purposes of joint worship and propagation of faith and/or a directing or coordinating body set up by said association.

2. The civil law status of religious organisations is defined by this Code and by the law on the freedom of conscience and on religious organisations. The provisions of this Code shall apply to religious organisations, if not otherwise established by the **law** on the freedom of conscience and on religious associations, as well as by other laws.

Religious organisations shall act in compliance with their charters and internal statutes which are not at variance with law.

A procedure for forming the bodies of a religious organisation and their scope of authority, a procedure for making decisions by these bodies, as well as the relations between the religious organisation and the persons included into the composition of its bodies, shall be determined by the charter and internal statutes of the religious organisation.

3. A religious organisation shall not be transformed into a legal person of another organisational legal form.

Article 123.27. The Founders and the Charter of a Religious Organisation

1. A local religious organisation shall be formed in accordance with a **law** on the freedom of conscience and on religious associations by at least 10 citizens being founders, and a centralised religious organisation by at least three local religious organisations or by another centralised religious organisation.

2. The constitutive document of a religious organisation is a charter endorsed by its founders or a centralised religious organisation.

The charter of the religious organisation shall comprise information on its type, name and location, the subject and objectives of its activities the composition and competence of its bodies and the procedure for them to take decisions, on the sources of formation of its property, the lines of using thereof and the procedure for distribution of the property that remains after its liquidation, and also other information envisaged by a **law** on the freedom of conscience and on religious associations.

3. The founder(s) of a religious organisation may carry out the functions of an administrative body or of members of the collective administrative body of the given religious organisation in the procedure established in accordance with a **law** on the freedom of conscience and on religious associations by the

charter of the religious organisation and internal regulations.

Article 123.28. The Property of a Religious Organisation

1. Religious organisations own the property that belongs thereto, for instance the property acquired or created by them with their own resources and also donated to religious organisation or acquired by them on other grounds envisaged by a law.

2. Religious organisations' property intended for liturgical purposes is not subject to levy of execution on demands of their creditors. A list of such property shall be defined in the procedure established by a law on the freedom of conscience and on religious associations.

3. The founders of a religious organisation shall not retain property rights to the property they have handed over to that organisation to be owned by it.

4. The founders of religious organisations are not liable for the obligations of these organisations, and these organisations are not liable for the obligations of their founders.

Chapter 5. Participation of the Russian Federation, of the Subjects of the Russian Federation and of the Municipal Entities in the Relationships, Regulated by the Civil Legislation

Article 124. The Russian Federation, the Subjects of the Russian Federation and the Municipal Entities as the Subjects of Civil Law

1. The Russian Federation, the subjects of the Russian Federation: the Republics, the territories, the regions, the cities of federal importance, the autonomous region, the autonomous areas, and also the urban and rural settlements and other municipal entities shall come out in the relationships, regulated by the civil legislation, on equal terms with the other participants of these relations - individuals and legal entities.

2. Toward the subjects of civil law, indicated in Item 1 of the present Article, shall be applied the norms, defining the participation of the legal entities in the relationships, regulated by the civil legislation, unless otherwise following from the law or from the specifics of the given subjects.

Article 125. The Order of Participation of the Russian Federation, of the Subjects of the Russian Federation and of the Municipal Entities in the Relationships, Regulated by the Civil Legislation

1. The right to acquire and exercise by their actions the property and the personal rights, and to come out in the court on behalf of the Russian Federation and of the subjects of the Russian Federation shall be vested in the state power bodies within the scope of their jurisdiction, established by the acts, defining the status of these bodies.

2. The right to acquire and exercise by their actions the rights and duties, indicated in Item 1 of the present Article, on behalf of the municipal entities shall be vested in the local government bodies within the scope of their jurisdiction, established by the acts, defining the status of these bodies.

3. In the cases and in conformity with the procedure, stipulated by federal laws, decrees of the President of the Russian Federation and decisions of the Government of the Russian Federation, normative acts of the subjects of the Russian Federation and municipal entities, state bodies, local government bodies, and also legal entities and citizens may come out on their behalf upon their special order.

Article 126. Liability by the Obligations of the Russian Federation, of the Subject of the Russian Federation and of the Municipal Entity

1. The Russian Federation, the subject of the Russian Federation and the municipal entity shall be answerable by their obligations with the property they possess by the right of ownership, with the exception of the property that has been assigned to the legal entities, which they have set up by the right of economic or of operative management, and also of the property that shall be placed only in the state or in the municipal ownership.

The turning of the penalty onto the land and other natural resources in state or municipal ownership shall be admitted in the law-stipulated cases.

2. The legal entities, set up by the Russian Federation, by the subjects of the Russian Federation and by the municipal entities, shall not be answerable by their obligations.

3. The Russian Federation, the subjects of the Russian Federation and the municipal entities shall not be answerable by the obligations of the legal entities they have set up, with the exception of the law-stipulated cases.

4. The Russian Federation shall not be answerable by the obligations of the subjects of the Russian Federation and of the municipal entities.

5. The subjects of the Russian Federation and the municipal entities shall not be answerable by one another's obligations and also by those of the Russian Federation.

6. The rules, formulated in Items 2-5 of the present Article, shall not apply to the cases, when the Russian Federation has assumed upon itself the guarantee (surety) by the obligations of the subject of the Russian Federation, of the municipal or the legal entity, or when the said subjects have assumed upon themselves the guarantee (surety) by the obligations of the Russian Federation.

Article 127. The Specifics of the Liability of the Russian Federation and of the Subjects of the Russian Federation in the Relationships, Regulated by the Civil Legislation, in Which the Foreign Legal Entities, Citizens and States Are Involved

The specifics of the liability to be borne by the Russian Federation and by the subjects of the Russian Federation in the relationships, regulated by the civil legislation, in which the foreign legal entities, citizens and states are involved, shall be defined by the Law on the Immunity of the State and of Its Property.

Subsection 3. The Objects of Civil Rights

Chapter 6. The General Provisions

Article 128. Objects of Civic Rights

"Objects of civil rights" mean **things** (including **cash money** and **paper securities**) and other property, including property rights (including money in cashless form, including digital roubles, **paperless securities**, **digital rights**) the results of work and the provision of services; **protected results of intellectual activities and the individualisation means qualifying as such** (intellectual property); **non-material wealth**.

Article 129. The Circulation Capacity of the Objects of Civil Rights

1. The objects of civil rights may be freely alienated or may pass from one person to another by way of the universal legal succession (by inheritance or as a result of the reorganisation of the legal entity), or in another way, if they are not restricted for circulation.

2. Restrictions may be established by a law or in the procedure established by a law on the circulability of objects of civil rights, for instance it may be defined that certain types of objects of civil rights may belong to certain participants in circulation or that transactions involving them are admissible on a special permit.

3. The land and other natural resources shall be alienated or shall pass from one person to another in other ways so far as their circulation is admissible in conformity with the laws on the land and on other natural resources.

4. The results of intellectual activity and the means of individualisation that are equated to them (**Article 1225**), cannot be alienated or passed from one person to another in other ways. However, the

rights to such results and means, as well as the material carriers in which the corresponding results or means are expressed may be alienated or passed from one person to another in other ways in the cases and in the order established in the present Code.

Article 130. The Movables and the Immovables

1. To the real estate (the immovable property, realty) shall be referred the land plots, the land plots with mineral deposits and everything else, which is closely connected with the land, i.e., such objects as cannot be shifted without causing an enormous damage to their purpose, including the buildings and all kind of structures, objects of incompleted construction.

To the real estate shall also be referred the **air-borne** and **sea-going vessels**, the **inland navigation ships**. The law may also refer to the real estate certain other property.

Residential and non-residential premises, as well as the parts of buildings or structures (stalls) intended for accommodation of transport vehicles, shall belong to real things, if the boundaries of such premises, parts of buildings or structures are attached in the procedure established by the **legislation** on the state cadastral registration.

2. The things, which have not been referred to the real estate, including money and securities, shall be regarded as the movables. The registration of the rights to the movables shall not be required, with the exception of the cases, pointed out in the law.

Article 131. The State Registration of the Realty

1. The right of ownership and other rights of estate to the real estate, the restriction of these rights, their arising, transfer and cessation shall be liable to the state registration in the Unified State Register, effected by the bodies carrying out the state registration of rights to real estate and transactions in it. Subject to the registration shall be: the right of ownership, the right of economic management, the right of operative management, the right of the inherited life possession, the right of the permanent use, the mortgage, the servitudes, and also other rights in the cases, stipulated by the present Code and other laws.

2. In the law-stipulated cases, alongside the state registration, may be effected the special registration or the registration of certain types of the realty.

3. The body, effecting the state registration of the rights to the realty and the deals with it, shall be obliged, upon the request of the owner of the rights, to certify the effected registration by issuing a document on the registered right or deals, or by making a superscription on the document, presented for registration.

4. The body, effecting the state registration of the rights to the realty and to the deals with it, shall be obliged to provide information on the effected registration and on the registered rights to any person.

The information shall be issued in any one body, engaged in the registration of the realty, regardless of the place of effecting the registration.

5. Abrogated from October 1, 2013.

6. The procedure for state registration of rights to immovable property and the grounds for refusal to register these rights shall be established in accordance with the present Code by a **law** on registration of rights to immovable property.

Article 132. The Enterprise

1. The enterprise as an object of rights shall be recognized as a property complex, used for the performance of business activities.

The enterprise in its entirety as a property complex shall be recognized as the realty.

2. The enterprise as a whole or a part thereof may be an object of the purchase and sale, of the mortgage, the lease and other deals, connected with the establishment, the change and the cessation of the rights of estate.

Within the enterprise as a property complex shall be included all kinds of the property, intended for the performance of its activities, including the land plots, the buildings, the structures, the equipment, the implements, the raw materials, the products, the rights, the claims and the debts, and also the rights to the

symbols, individualizing the given enterprise, its products, works and services (such as the commercial designation, the trade and the service marks), as well as other exclusive rights, unless otherwise stipulated by the law or by the agreement.

Article 133. Indivisible Things

1. A thing which cannot be divided in kind without being destroyed or damaged or without a change in its intended purpose and which appears in circulation as an integral object of rights in rem is an indivisible thing even if it is made up of components.

2. The replacement of components of an indivisible thing with other components shall not cause the emergence of another thing, if in such case the substantial properties of the thing are preserved.

3. Levy of execution may take place in respect of an indivisible thing only as a whole, except as another possibility is established by a law or court's judgement for discerning a component of a thing from such thing, for instance so that it be sold separately.

4. Relations concerning interests in the right of ownership to an indivisible thing are regulated by the rules of **Chapter 16**, of **Article 1168** of the present Code.

Article 133.1. The Integral Immovable Complex

An immovable thing involved in circulation as an integral item may be an integral immovable complex, i.e., the entirety of buildings, structures and other things inseparably connected physically or technologically, for instance line facilities (railways, electricity transmission lines, pipelines and others) or located on one land plot, if the right of ownership to the entirety of said items has been registered for one indivisible thing as a whole in the comprehensive state register of rights to immovable property.

Integral immovable complexes are subject to the rules concerning **indivisible things**.

Article 134. Complex Things

If various different things are connected in a manner which presupposes their use for a common purpose (complex thing) than a transaction concluded in respect of the complex thing extends to all the things being the components thereof, except as otherwise is envisaged by the terms of the transaction.

Article 135. The Principal Thing and Its Accessory

The thing, intended for the servicing of another thing - the principal one - and connected with it by the common purpose (an accessory), shall share the fate of the principal thing, unless otherwise stipulated by the agreement.

Article 136. Fruits, Products and Income

The fruits, products, incomes received as a result of the use of a thing, no matter who uses such thing, belong to the owner of the thing, except as otherwise envisaged by a law, other legal acts or contract or ensues from the nature of relationships.

Article 137. The Animals

Toward the animals shall be applied the general rules on the property, unless otherwise stipulated by the law or other legal acts.

While exercising the rights, a cruel treatment of the animals, contradicting the principles of humanity, shall not be admitted.

Article 138. **Abrogated** from January 1, 2008.

Article 139. **Abrogated** from January 1, 2008.

Article 140. The Money (Hard Currency)

1. The rouble shall be the legal means of payment, which shall be accepted by its face value on the entire territory of the Russian Federation.

The payments on the territory of the Russian Federation shall be effected both in **cash** and **cashless**, including payments in digital roubles.

2. The cases of, the procedure and the terms for the use of foreign currency on the territory of the Russian Federation shall be defined by the law or in conformity with the established order.

Article 141. The Currency Valuables

The kinds of property, recognized as the currency valuables, and the order established for the deals made with them, shall be defined by the Law on the Currency Regulation and the Currency Control.

Rights to the currency valuables shall be protected in the Russian Federation on the general grounds.

Article 141.1. Digital Rights

1. As digital rights shall recognized obligation rights and other rights named as such in **law** whose content and terms of exercising are defined in compliance with the rules of an information system having the features established by **law**. The exercise, disposal of a digital right, in particular the transfer, putting in pledge, encumbrance of a digital right in other ways or the restriction of the disposal of a digital right, are only possible in an information system without addressing a third party.

2. Unless otherwise provided for by law, as the holder of a digital right shall be deemed the person that in compliance with the rules of an information system has the possibility to dispose of this right.

3. The transfer of a digital right on the basis of a deal shall not require the consent of the person liable in respect of this digital right.

Chapter 6.1. Immovable Things

Article 141.2. The Land Plot as an Immovable Thing

1. The land plot is a part of the surface of the earth whose boundaries are defined in the procedure established by a law.

2. The land plot is an immovable thing (**Article 130**).

Article 141.3. The Buildings and Structures as Immovable Things

1. The buildings and structures are immovable things (Article 130). Buildings and structures are created as a result of construction.

2. Buildings and structures may be created as a result of division of an immovable thing (building, structure, single immovable complex) or as a result of pooling of several immovable things (buildings, structures, all premises and car parking stalls located in one building or structure).

3. A change in the characteristics of a building or structure shall not cause the creation of a new building or structure, except as otherwise established by a law.

Article 141.4. The Premises as Immovable Things

1. The premise is an isolated part of a building or structure that is suitable for permanent residence of individuals (dwelling premise), or for other purposes not relating to the residence of individuals (non-dwelling premise), and fit for being used for the relevant purposes.

2. Premises intended for servicing other premises in a building or structure are deemed common property in such building or structure, and shall not be involved in transactions as separate immovable things, except for the case envisaged by Item 7 of Article 287.5 of this Code.

3. Premises and car parking stalls as immovable things may be created inter alia as a result of division of an immovable thing (building or structure in which they are created, premise), pooling of adjacent immovable things (premises, car parking stalls), or as a result of re-construction of the building or structure resulting in the creation of a premise or car parking stall as new immovable things.

4. At least two premises and/or car parking stalls may be created in one building or structure.

5. In the event of re-arrangement of premises, car parking stalls there may be created other premises and car parking stalls by means of pooling of adjacent premises or car parking stalls, or of division of premises, car parking stalls. In the rest of cases of realisation of re-arrangement the premise or car parking stall shall keep existing as immovable thing, including within modified boundaries.

6. It is prohibited to create premises and car parking stalls in construction-in-process units.

7. The rules of this chapter concerning premises shall be applicable to dwelling premises, except as otherwise established by the Housing Code of the Russian Federation.

Article 141.5. The Creation of Immovable Things

1. A law may establish bans or restrictions on creation of certain types of immovable things, or conditions whose observance allows to create such immovable things.

2. Encumbrances established in respect of the initial immovable thing shall keep existing in respect of all the immovable things created, except as otherwise defined by this Code or agreement of the owner of the initial immovable thing with the person for whose benefit the easement was established.

3. In the event of division of a linear unit, including in cases when it is not re-constructed in such division, there may be created one or several linear units including the linear unit that has been divided, with modified parameters.

Chapter 7. Securities

§ 1. General Provisions

Article 142. Securities

1. Securities are documents which meet the requirements established by a law and certify the rights under the law of obligations and other rights which may be exercised or assigned only upon the show of such documents (paper securities).

Also the following are deemed securities: the rights under the law of obligations and other rights which are stated in the decision on the issue or in another document of the person that has issued the securities in accordance with the provisions of a law and which may be exercised and assigned only if the rules for keeping record of these rights according to **Article 149** of the present Code are observed (paperless securities).

2. Securities are as follows: a share, bill of exchange, mortgage deed, an investment unit of a unit investment trust, bill of lading, bond, cheque and other securities named as such in a law or deemed as such in the procedure established by a law.

In the cases established by a law, an issue or the handing out of securities is subject to state registration.

Article 143. Types of Securities

1. Paper securities may be bearer (bearer securities), order or registered ones.

2. The bearer security is a paper security under which the person entitled to claim performance under the security is its holder.

3. The order security is a paper security under which the person entitled to claim performance under the security is its holder if the security has been issued in his name or has been transferred thereto from the original holder in a continuous row of endorsements.

4. The registered security is a paper security under which the person empowered to claim performance under the security is one of the below persons:

1) the holder of the security which is written as right-holder in the records kept by the obligated person or the person acting on his instructions and holding a relevant licence. A law may envisage the duty to entrust such record-keeping to a person holding a relevant licence;

2) the holder of the security, if the security has been issued in his name or has been transferred

thereto from the original holder in a continuous row of assignments of the right of claim (cession) by means of making a name-bearing inscription of assignment on it or in another form according to the rules established for the assignment of a right of claim (cession).

5. The issuance or handing out of bearer securities is admissible in the cases established by a law.

The possibility of issuing or handing out specific paper securities as registered ones or order ones may be excluded by a law.

6. Except as otherwise established by the present Code, if a law ensues from the details of stating the rights to paperless securities, such securities are subject to the rules applicable to the paper securities whose right-holder is identified according to record entries.

§ 2. Paper Securities

Article 143.1. Requirements Applicable to a Paper Security

1. The compulsory particulars, the requirements applicable to the form of a paper security and other provisions governing a paper security shall be defined by a law or in the procedure established by it.

2. If a document does not contain the compulsory details of a paper security, does not comply with the established form thereof or other requirements the document is not a security but still keeps the significance of written evidence.

Article 144. Performance on a Security

1. Proper performance on a paper security is performance to the person defined by **Items 2 - 4 of Article 143** of the present Code (to the holder of the security).

2. If the person responsible for performance relating to a paper security knew that the holder of the security to whom performance has been done is not a proper holder of the right to the security, that person shall compensate for the losses caused to the holder of the right to the security.

Article 145. Objections in Respect of a Paper Security

1. The person responsible for performance in respect of a paper security is entitled to present to the claims of the holder of the security only the objections which ensue from the security or are based on the relationships between these persons.

The person that has drawn up a paper security is liable under the security, inter alia, in cases when the document is involved in transactions beyond his will.

The rules envisaged by the present item as concerning restriction on objections are not applicable if the holder of the security at the time of acquisition thereof knew or should have known on the lack of ground for the occurrence of the rights certified by the security, for instance about the invalidity of such ground or the lack of rights of the previous holder of the security, inter alia, about the invalidity of the ground for their occurrence, and also in cases when the holder of the security is not an acquirer thereof in good faith (**Article 147.1**).

2. The persons responsible for performance under an order security are not entitled to refer to objections of other persons responsible for performance under the given security.

3. In respect of a demand for performance under a paper security the person mentioned as responsible for performance under the security may put forward objections with reference to the counterfeiting of such security or to the fact of his having signed the security (forgery of security) being disputed.

Article 146. Transferring the Rights Certified by Paper Securities

1. Once the right to a paper security has been assigned, all the rights certified by it shall be transferred in their entirety.

2. The rights certified by a bearer security shall be transferred to the acquirer by means of the

handing over of the security thereto by the person that has alienated it.

In the cases and on the grounds established by a law the rights certified by a bearer security may get transferred to another person irrespective of its being delivered.

3. The rights certified by an order security shall be transferred to the acquirer by means of its being delivered with an endorsement inscription being made thereon, i.e., endorsement. Except as otherwise envisaged by the present Code or a law the transfer of order securities is subject to the rules for transfer of a bill of exchange established by a **law** on the bill of exchange and promissory note.

4. The rights certified by a registered paper security shall be transferred to the acquirer by means of the delivering of the security thereto by the person that is alienating it with a name-bearing endorsement inscription being made thereon or in another form in accordance with the rules established for the assignment of claim (cession).

The norms of **§ 1 of Chapter 24** of the present Code are applicable to the transfer of the rights certified by registered paper securities in the procedure of assignment of claim (cession), except as otherwise established by the rules of the present chapter, another law or ensues from the nature of the relevant security.

5. If an obligation to deliver an order or registered paper security has been defaulted on, the acquirer is entitled to claim its taking from the person who is holding it, except for cases when an endorsement or endorsement inscription of the person who has alienated it has been made on the security according to which rights have been transferred to another person.

6. In the event of default on performing the obligation to make an endorsement or endorsement inscription on an order or registered paper security, the transfer of the right to the order or registered paper security shall take place on the acquirer's demand on the basis of a court's decision by means of the making of an inscription on the security having the effect of an endorsement or of an endorsement inscription by the person who executes the court's decision.

7. The transfer of the rights certified by an order or registered security to another person on the grounds other than transfer under agreement shall be effected by means of acquiring the right to the security in the cases and on the grounds established by a law.

8. The transfer of rights to order or registered securities shall be confirmed:

1) in the event of inheritance - by a notary's annotation on the security proper which has the effect of an endorsement or of an endorsement inscription of the preceding right-holder;

2) when such securities are sold when they have been subjected to levy of execution - by an annotation of the person authorised to sell the property of the holder of such securities;

3) in other cases - under a court's decision by an annotation of the person executing the court's decision.

9. When the rights relating to a registered paper security are being recorded, the rights are transferred to the person specified in the security as of the time when an entry on the transfer of the rights is made in the records. The entry shall be made on the basis of a deed made by the parties in the presence of the person responsible for record-keeping in accordance with **Item 4 of Article 143** of the present Code or on the basis of a notarised deed presented by one of the parties to the person responsible for record keeping.

10. If the person responsible for record-keeping in accordance with **Item 4 of Article 143** of the present Code is evading the making of an entry in records concerning the transfer of rights, the person in whose name the deed has been made may apply to the court claiming that a relevant entry be made in records.

Article 147. Liability for the Validity of the Rights Certified by a Paper Security

1. The person that has transferred a paper security is liable for the invalidity of the rights certified by the security, except as otherwise established by a law.

The person that has transferred a paper security is liable for the performance of the obligation relating thereto if there is a relevant clause and also in other cases established by a law.

2. The holder of a security that has discovered that it is forged or counterfeited is entitled to demand from the person that has transferred the security thereto that the person perform the obligations relating to such security and compensate for losses.

Article 147.1. The Details of Reclamation of Paper Securities from a Good-Faith Possessor

1. Paper securities shall be reclaimed from another's illegal possession according to the rules of the present Code for reclamation of a thing from another's illegal possession with the details set out in the present article.

2. The right to reclaim paper securities from another's illegal possession belongs to the person which was the lawful possessor thereof at the time when the person ceased to have the possession of the securities in the person's possession.

3. Bearer securities shall not be reclaimed from a good-faith acquirer, irrespective of the right they certify, as well as order and registered securities certifying a monetary claim.

4. The holder of the rights in respect of a security that has lost it as a result of illegal actions is entitled to demand from the person that has acquired it from a third party, irrespective of such third party's being a good-faith or bad-faith acquirer or being deemed a legal possessor, that the security be returned or its market value be compensated, if said acquirer from which the security is being reclaimed has assisted, by his misleading or other illegal actions, in the loss of the legal possessor's rights to the security or knew or should have known in the capacity of the preceding possessor about the existence of other persons' rights to the security.

5. The person to which a paper security has been returned from another's illegal possession is entitled to demand from the bad-faith possessor that everything that has been received on the security be refunded and losses be compensated; from a good-faith possessor that everything that has been received on the security since the time when he knew or should have known about the illegal nature of the possession thereof or received from a court a notice of a claim for reclamation of the security addressed thereto be refunded.

If the illegal possessor has used the priority right -- conferred by the security -- to acquire any property, then the person to which the paper security has been returned from another's illegal possession is entitled to demand from such possessor that the acquired property be transferred thereto on the condition that its value be compensated at the purchasing price of said property by the illegal possessor, and from a bad-faith possessor is also entitled to demand compensation for losses.

Article 148. Reinstatement of Rights under a Paper Security

1. Reinstatement of rights under a lost bearer security shall be effectuated by a court in the procedure to declare lost documents void in accordance with the **procedural legislation** on an application of the person that has lost the security for deeming it void and for reinstating the rights relating thereto.

2. The person that has lost an order security is entitled to declare in writing about it to all the persons obligated under it with the cause of the loss being indicated.

The obligated person that has received an application from a person that has lost an order security -- if another person presents that security -- shall suspend performance to the presenter of the security and inform him of the applicant's claims and also inform the applicant about the person that has presented the security. Unless within three months after the date of the person's application concerning the loss of the order security the person that has lost the security has not applied to a court with a relevant claim addressed to the presenter of the security, the obligated person shall perform to the presenter of the security. If the dispute between the person that has lost the security and the person that has presented the security has been resolved by a court, then performance shall be to the person in whose favour the court's decision was made.

If there is no dispute as to the right to the order security, then the person that has lost it is entitled to claim in a judicial procedure performance from the obligated person.

3. Reinstatement of the rights certified by a lost registered paper security shall be effectuated by a

court in the special proceeding for cases of establishment of facts having legal significance in keeping with the **procedural legislation** on an application of the person that has lost such security, or in the cases envisaged by a law of other persons as well.

4. If the accounts concerning the holders of registered paper securities have been lost, then the person keeping the records shall immediately publish information about it in the mass media where information of bankruptcies is to be announced and propose to the persons mentioned as right-holders in the accounts to present the registered securities within the term which is specified when the information at the publication of information and which cannot be shorter than three months after the time of its publication.

The accounts concerning the holders of registered paper securities shall be reinstated by the person keeping such records within one month after the expiry of the term for the presentation of the securities by their holders.

If the person keeping the records is evading reinstatement of the accounts, they are subject to reinstatement by a court on a claim of a person concerned in the procedure established by the procedural legislation.

5. The person obligated in respect of a registered paper security and the person keeping record on his instructions of the rights to securities shall bear solidary liability for the losses caused to the holders of such securities as a result of the loss of accounts or breach of the procedure and term for reinstatement of such accounts, unless they manage to prove that the loss or breach has occurred due to force majeure.

Article 148.1. Freezing Paper Securities

In accordance with a law or in the procedure established by it, paper securities may be frozen, i.e., transferred for safekeeping to a person entitled under a law to safekeep paper securities and/or keep record of the rights to securities. The transfer of the rights to frozen securities and the realisation of the rights certified by such securities are regulated by **Articles 149 - 149.5** of the present Code, except as otherwise envisaged by a law.

§ 3. Paperless Securities

Article 149. General Provisions on Paperless Securities

1. The persons responsible for performance under a paperless security are as follows: the person that has issued the security and also the persons which have provided collateral for the performance of the relevant obligation. The persons responsible for performance under a paperless security shall be specified in the decision on the issue thereof or in another document (envisaged by a law) of the person that has issued the security.

The right of claiming performance from the obligated person in respect of a paperless security belongs to the person specified as right-holder in accounts or another person which exercises the rights certified by the security in accordance with a law.

2. Record of the rights to paperless securities shall be kept by means of making entries in accounts by the person acting on instructions of the person obligated in respect of the security or by the person acting under a contract with the right-holder or with another person exercising the rights certified by the security in accordance with a law. The keeping of record of such rights shall be done by a person holding the licence required by a law.

3. Disposing of, for instance, transferring, mortgaging, encumbering otherwise, paperless securities and also imposing restrictions on the disposal of them may be effectuated by means of applying to the person that keeps record of the right to the paperless securities so that relevant entries be made.

4. The person that has issued a paperless security and the person that keeps record of the rights to such security on the instructions thereof shall bear solidary liability for the losses caused as a result of a breach of the procedure for keeping record of the rights, the procedure for carrying out transactions on

accounts, the loss of record date, the provision of unreliable information on record data, unless they manage to prove that the breach has occurred due to force majeure.

The person responsible for performance on a paperless security shall not be liable for the losses caused as a result of a breach of the procedure for keeping record of rights by the persons acting under a contract with the right-holder or another person exercising rights under the security according to a law.

Article 149.1. Performance on a Paperless Security

1. Proper performance on a paperless security is performance by the obligated person specified in paragraph 2 of **Item 1 of Article 149** of the present Code.

A law may establish cases in which as of a certain date a list is fixed of the persons entitled to claim performance on paperless securities. Proper performance is performance done to such persons.

2. In the cases envisaged by a law, proper performance is performance to persons other than those specified in **Item 1** of the present article.

3. The rules envisaged by **Item 2 of Article 144** and **Article 145** of the present Code are applicable to the relationships that have to do with performance on paperless securities, unless it contravenes the nature of such securities.

Article 149.2. Transfer of the Rights Concerning a Paperless Security and the Emergence of an Encumbrance on a Paperless Security

1. The transfer of the rights to paperless securities to an acquirer shall be effectuated by means of writing the paperless securities off the account of the person that has alienated them and entering them in the acquirer's account on the instructions of the person which has alienated them. A law or a contract of the right-holder with the person keeping record of the rights to the paperless securities may envisage other grounds and conditions for the wright-off and entry of securities, for instance the possibility of securities being written off the account of the person that has alienated them without his instructions being produced.

2. Rights under a paperless security shall get transferred to the acquirer as of the time when a relevant entity is made by the person keeping record of rights to paperless securities in the acquirer's account.

3. A mortgage or another encumbrance on paperless securities and also restrictions on the disposal of them shall come into being after the person keeping record of rights makes a relevant entry on the mortgage, encumbrance or restriction in the right-holder's account or in the cases established by a law, in another person's account.

An encumbrance on paperless securities may also occur as of the time when they are entered in an account used according to a law to keep record of rights to burdened paperless securities.

Entries on a mortgage or another encumbrance on paperless securities shall be made on the instructions of the right-holder (mortgage instructions, etc.), except as otherwise envisaged by a law. Entries on amendments to the encumbrance terms and on termination of an encumbrance shall be made on instructions of the right-holder, given the consent in writing of the person for the benefit of which the encumbrance has been established, or without such instructions in the cases envisaged by a law or an agreement of the right-holder with the person keeping record of the rights to the paperless securities and the person for the benefit of which the encumbrance has been established.

4. In the event of evasion by the person that has alienated or the person that has provided securities as collateral for the performance of an obligation of producing instructions for the person keeping record of the rights to paperless securities for carrying out a transaction on an account the acquirer or the person for the benefit of which an encumbrance is imposed on paperless securities is entitled to claim in a judicial procedure the making of entries on the transfer of the rights in respect of the securities or the encumbrance on them on the conditions envisaged by a contract with the person that does the alienation or with the person that provides the securities as collateral for the performance of the obligation.

If there are several persons for whose benefit an obligation has been established to transfer or to impose an encumbrance on the rights to the same paperless securities, in case when the transaction of

transferring them or imposing the encumbrance thereon has not yet been accomplished, priority is given to the person for whose benefit the obligation occurred earlier, or if it cannot be established, the person that was the first to file his claim.

5. The transfer of the rights to paperless securities in line of inheritance shall be formalised on the basis of the certificate of the right to inheritance submitted by the heir (**Article 1162**).

The transfer or the rights to paperless securities when such securities are being sold in cases when they are subjected to levy of execution shall be formalised on the basis of instructions of the person empowered to sell the right-holder's property.

The formalisation of transfer of the rights to paperless securities in accordance with a court's decision shall be effectuated by the person keeping record of rights under the court's decision or under a documents of the person executing the court's decision.

6. Evasion of, or refusal in, carrying out a transaction on an account by the person keeping record of the rights to paperless securities, is subject to appeal in court.

Article 149.3. Protecting a Right-Holders' Rights Infringed upon

1. A right-holder from whose account paperless securities have been wrongfully written off is entitled to demand from the person in whose account the securities have been entered that the same number of relevant securities be returned.

The paperless securities certifying only a monetary right of claim and also the paperless securities acquired on an organised market, irrespective of the type of certified right, shall not be reclaimed from a good-faith acquirer.

If paperless securities have been acquired without compensation from a person that had no right to alienate them, the right-holder is entitled to reclaim such securities in all cases.

2. If the paperless securities a right-holder is entitled to reclaim have been converted into other securities, the right-holder is entitled to reclaim the securities into which the securities written off his account have been converted.

3. The right-holder from whose account paperless securities have been wrongfully written off, given the possibility of acquisition of the same securities on an organised market, is entitled at his own discretion to demand from the persons liable thereto for the losses caused by it that the same securities be acquired at their expense or that compensation be provided for all the expenses required for the acquisition thereof.

Article 149.4. The Consequences of Reclamation of Paperless Securities

1. If a right-holder's claim for return of paperless securities in accordance with **Item 1** or **Item 2 of Article 149.3** of the present Code was upheld, then in respect of the person from whose account the securities have been returned thereto the right-holder shall enjoy the rights described in **Item 5 of Article 147.1** of the present Code.

2. If unauthorised persons sell the rights -- certified by paperless securities -- to participate in the management of a joint stock company or another right to take part in the taking of a decision of a meeting, the right-holder may contest the relevant decision of the meeting that infringes on his rights and law-protected interests, if the joint stock company, or the persons whose expression of will had significance when the decision was taken by the meeting, knew or should have known on the existence of the dispute concerning the rights to paperless securities and the right-holder's voting could affect the taking of the decision.

A complaint challenging the decision of the meeting may be filed within three months after the day when the person having the right to the security knew or should have known on the wrongful write-off of securities from his account but in any case within one year after the date of the relevant decision.

A court may leave the meeting's decision in force if the deeming of the decision invalid is going to cause an incommensurate actual loss to the joint stock company's creditors or other third parties.

Article 149.5. The Consequences of Loss of the Accounts Certifying Rights to Paperless Securities

1. If the accounts certifying rights to paperless securities have been lost, the person keeping record of the rights shall immediately publish information about it in the mass media in which information on bankruptcies is to be announced and file an application with the court for reinstatement of the record data concerning the rights in the procedure established by the procedural legislation.

A claim for reinstatement of the record data concerning the rights to paperless securities may be declared by any person concerned. The reinstatement of the record data concerning rights shall take place in the procedure established by the procedural legislation. When the record data concerning the rights to paperless securities are being reinstated entries on the right-holders shall be made under a court's decision.

Information on reinstatement of the record data concerning the rights to paperless securities shall be published for the general public in the mass media in which information about bankruptcies is to be announced, under a court's decision at the expense of the person which was carrying out that record-keeping as of the time when the accounts certifying the rights to the paperless securities were lost.

2. Entries in line of recording of the rights to paperless securities shall not be effective from the time when the person that keeps record of the rights lost the accounts and until the day on which the court's decision on reinstatement of the record data concerning the rights becomes final.

Chapter 8. The Non-Material Values and Their Protection

Article 150. Non-material Values

1. The life and health, personal dignity, personal immunity, honour and good name, business reputation, privacy, inviolability of the home, personal and family secret, freedom of movement, freedom of choosing the place of abode and residence, citizen's name, authorship and other non-material values belonging to a citizen from his birth or by virtue of law are inalienable and non-transferable in any other manner.

2. Non-material values are protected in accordance with the present Code and other laws in the cases and in the procedure envisaged by them, and also in the cases and within the limits in which the use of means of protection of civil rights (**Article 12**) ensues from the nature of a non-material value or personal non-proprietary right that has been violated and the character of consequences of that violation.

If the interests of a citizen require so, the non-material values belonging thereto may be protected, inter alia, by means of a court's recognising the fact of breach of his personal non-proprietary right, publishing a court's decision on the breach committed, and also by means of stopping or prohibiting actions that violate in breach of, or pose a threat of breach of, a personal non-proprietary right or infringe or pose a threat of infringement on a non-material value.

The non-material values belonging to a deceased may be protected by other persons in the cases and in the procedure envisaged by a law.

Article 151. Compensation of the Moral Damage

If the citizen has been inflicted a moral damage (the physical or moral sufferings) by the actions, violating his personal non-property rights or infringing upon non-material values in his possession, and also in other law-stipulated cases, the court may impose upon the culprit the duty to pay out the monetary compensation for the said damage.

When determining the size of compensation for the moral damage, the court shall take into consideration the extent of the culprit's guilt and other circumstances, worthy of attention. The court shall also take into account the depth of the physical and moral sufferings, connected with the individual features of a citizen, to whom the damage has been done.

Article 152. Protection of Honour, Dignity and Business Reputation

1. A citizen is entitled to demand in court the refutation of information defaming his honour,

dignity or business reputation, unless the person who disseminated such information proves that it corresponds to reality. The refutation shall be made in the same manner as the one used to disseminate the information about the citizen or in another similar manner.

On the demand of persons concerned the protection of a citizen's honour, dignity and business reputation is also admissible after his death.

2. Information defaming the honour, dignity or business reputation of a citizen which has been disseminated in mass media shall be refuted in the same mass media. Apart from the refutation, the citizen in respect of which said information has been disseminated in the mass media is entitled to demand the publication of his reply in the same mass media.

3. If information defaming the honour, dignity or business reputation of a citizen is contained in a document issued by an organisation, such document is subject to replacement or revocation.

4. In cases when information defaming the honour, dignity or business reputation of a citizen has become broadly known and accordingly refutation cannot be brought to everyone's notice, the citizen is entitled to demand the deletion of the relevant information and also the stopping or prohibition of the further dissemination of said information by means of seizure and destruction without any compensation whatsoever for the copies of material media bearing said information which have been manufactured for putting them into civil circulation, unless the deletion of the relevant information can be done without the destruction of such copies of material media.

5. If after being disseminated information defaming the honour, dignity or business reputation of a citizen has become available on the Internet the citizen is entitled to demand the deletion of the relevant information and also the refutation of said information in a manner making sure the refutation is brought to the notice of users of the Internet.

6. In cases other than the ones specified in **Items 2-5** of the present article the procedure for refuting information defaming the honour, dignity or business reputation of a citizen shall be established by a court.

7. The imposition of sanctions to a wrongdoer for default on the performance of a court's decision shall not relieve him of the duty to commit the action envisaged by the court's decision.

8. If the person that has disseminated information defaming the honour, dignity or business reputation of a citizen cannot be identified, the citizen in respect of whom such information has been disseminated is entitled to file an application with a court for deeming the information disseminated as not corresponding to reality.

9. A citizen in respect of whom information defaming his honour, dignity or business reputation has been disseminated is entitled to demand -- apart from the refutation of such information or publication of his reply -- compensation for the losses and compensation for the moral harm which have been inflicted by the dissemination of such information.

10. The rules of **Items 1 - 9** of the present article, save the provisions concerning compensation for moral harm, may be applied by a court also to the cases of dissemination of any information about a citizen not corresponding to reality, if such citizen proves that said information does not correspond to reality. The period of limitation for claims filed in connection with the dissemination of said information in mass media is one year after the date of publication of such information in the relevant mass media.

11. The rules of the present article for protection of business reputation of a citizen, save the provisions concerning compensation for moral harm, are applicable to the protection of business reputation of a legal entity respectively.

Article 152.1. Protection of the Citizen's Depiction

1. The publication and further use of a citizen's depiction (including his photographs, audio records or the works of fine arts, in which he is depicted) are admissible only with his consent. After the citizen's death his depiction may be used only with the consent of his children and his live spouse, and if such are absent - with the consent of his parents. Such consent is not required in the cases, when:

1) the depiction is used in the state, social or other public interests;

2) the citizen's depiction is obtained when shooting a film in the freely visited places or during public events (meetings, congresses, conferences, concerts, performances, sport competitions and such like events), with the exception of the cases, when such depiction is the principal object of use;

3) the citizen has sat for the depiction for a payment.

2. Copies of material media manufactured for the purposes of civil circulation and also being in circulation which contain an image of a citizen that has been obtained or is being used in breach of **Item 1** of the present Article, are subject to withdrawal from circulation and destruction without any compensation whatsoever under a court's decision.

3. If an image of a citizen that was obtained or is being used in breach of **Item 1** of the present article has been disseminated on the Internet the citizen is entitled to demand the deletion of the image and also the stopping or prohibition of the further dissemination thereof.

Article 152.2. Protecting the Private Life of a Citizen

1. Except as otherwise expressly envisaged by a law, it is hereby prohibited without the consent of a citizen the gathering, storage, dissemination and use of any information about his private life, for instance information concerning his origin, whereabouts or place of residence, private and family life.

The following shall not be deemed a breach of the rules established by paragraph 1 of the present item: the gathering, storage, dissemination and use of information on the private life of a citizen in state, social or other public interests and also in cases when information about the private life of a citizen has earlier been disclosed to the general public or disclosed by the citizen proper or at his discretion.

2. The parties to an obligation are not entitled to disclose the information they learned at the occurrence and/or performance of the obligation as concerning the private life of a citizen being a party to, or a third party in, that obligation, unless the possibility of such disclosure of information on the parties is envisaged by an agreement.

3. Wrongful dissemination of information concerning the private life of a citizen received in breach of a law if for instance the use thereof in the creation of works of science, literature and art, if such use infringes on the interests of the citizen.

4. In cases when information on the private life of a citizen received in breach of a law is contained in documents, video records or on other material media the citizen is entitled to apply to court with demand for deletion of the relevant information and also for stopping or prohibiting its further dissemination by means of seizing and destroying without any compensation whatsoever the copies of material media containing the relevant information which have been manufactured for the purposes of being put into civil circulation, unless the deletion of the relevant information can be done without the destruction of such copies of material media.

5. The right of demanding protection of the private life of a citizen by the methods envisaged by **Item 2 of Article 150** of the present Code and the present article in the event of his death shall belong to the children, parents and the surviving spouse of such citizen.

Subsection 4. Transactions. Decisions of Meetings. Representation

Chapter 9. The Deals

§ 1. The Concept, the Kinds and the Form of the Deals

Article 153. The Concept of the Deal

The deals shall be interpreted as the actions, performed by the citizens and by the legal entities, which are aimed at the establishment, the amendment or the cessation of the civil rights and duties.

Article 154. The Agreements and the Unilateral Deals

1. The deals may be bilateral or multilateral (agreements), and also unilateral.

2. The deal shall be regarded as unilateral, if for its performance in conformity with the law, other legal acts or with the agreement between the parties, the expression of the will of only one party to it is necessary and sufficient.

3. To conclude an agreement, the expression of the agreed will of the two parties (bilateral deals), or of the three or more parties (multilateral deals) shall be required.

Article 155. The Duties by the Unilateral Deal

The unilateral deal shall create duties for the person, who has effected it. It shall create duties for other persons only in the cases, established by the law or by an agreement with these persons.

Article 156. Legal Regulation of the Unilateral Deals

Toward the unilateral deals shall be correspondingly applied the general provisions on the obligations and on the agreements, if this does not contradict the law, the unilateral character and the substance of the deal.

Article 157. The Deals, Made Under a Condition

1. The deal shall be regarded as made under the suspensive condition, if the parties have made the arising of the rights and duties dependent on the circumstance, about which it is unknown, whether it will, or will not, take place.

2. The deal shall be regarded as made under the subsequent condition, if the parties have made the cessation of the rights and duties dependent upon the circumstance, about which it is unknown, whether it will, or will not, take place.

3. If the arrival of the condition has been obstructed in bad faith by the party, for which its taking place is undesirable, the said condition shall be recognized as having taken place.

If the arrival of the condition has been obstructed in bad faith by the party, for which its taking place is desirable, the said condition shall be recognized as not having taken place.

Article 157.1. Consent to Carrying out a Transaction

1. The rules of this article shall apply unless otherwise provided for by a law or other legal act.

2. Where the consent of a third party, legal entity, state body or local authority is required for carrying out a transaction, a third party or appropriate body shall report on the consent or refusal thereof to the person that has requested the consent or to another person concerned within a reasonable time period upon receiving an application of the person requesting the consent.

3. The preliminary consent for carrying out a transaction shall define the subject of the deal to whose making the consent is given.

The subsequent consent (approval) shall specify the transaction to whose carrying out the consent is given.

4. Silence shall not be deemed the consent to carry out a transaction, except as established by law.

Article 158. The Form of the Deals

1. The deals shall be effected orally or in written form (simple or notarial).

2. The deal, which may be made orally, shall be regarded as having been effected also in the case, when the behaviour of the person clearly testifies to his will to effect the deal.

3. Silence shall be recognized as the expression of the will to effect the deal in the cases, stipulated by the law or by the agreement between the parties.

Article 159. The Oral Deals

1. The deal, for which no written (simple or notarial) form has been stipulated by the law or by the

agreement between the parties, may be effected orally.

2. Unless otherwise ruled by the agreement between the parties, all the deals, executed at the moment of their being made, may be effected orally, with the exception of those, for which the notarial form has been established, and also of those, the non-observance of the simple written form of which causes their invalidity.

3. The deals, effected in the execution of the agreement, concluded in written form, may by the agreement of the parties be effected orally, unless this contradicts the law, other legal acts and the agreement.

Article 160. The Written Form of the Deal

1. The deal in written form shall be effected by way of drawing up a document, expressing its content and signed by the person or by persons who are effecting the deal, or by persons, properly authorized by them to do so.

The written form of a deal shall be also deemed observed, if it is made by a person with the use of electronic or other technical facilities enabling to reproduce the content of the deal on a material medium unchanged, and, in so doing, the requirement for availability of the signature shall be deemed satisfied, if any method enabling to reliably determine the person that has expressed the will thereof is used. A law, other legal acts and an agreement of the parties may provide for a special method of reliable determination of the person that has expressed the will thereof.

Bilateral (multilateral) deals may be made by the methods established by **Items 2** and **3 of Article 434** of this Code.

A law, other legal acts and an agreement of the parties may establish the additional requirements which the form of a deal must satisfy (its making with the use of the letterhead of a definite form, affixation of a stamp and the like) and provide for the effects of a failure to satisfy these requirements. Where such effects are not provided for, the effects of a failure to observe the simple ordinary written form shall apply (**Item 1 of Article 162**).

2. The use in effecting the deals of a facsimile reproduction of the signature, made with the assistance of the means of the mechanical or another kind of copying or another analogue of the sign manual shall be admitted in the cases and in the order, stipulated by the law and other legal acts, or by the agreement of the parties.

3. If the citizen, as a result of a physical defect, illness or illiteracy cannot put down his signature himself, another citizen may sign the deal upon his request. The latter's signature shall be certified by the notary or by another official person, possessing the right to perform such kind of the notarial action, with the indication of the reasons, by force of which the person, effecting the deal, was unable to put under it his sign manual himself.

When making the power of attorney cited in **Item 3 of Article 185.1** of this Code, the signature of the person signing a power of attorney may also be attested by the organisation for which the citizen who is unable to sign in person works or by the administration of the in-patient medical organisation in which he/she is undergoing treatment.

Article 161. The Deals, Made in the Simple Written Form

1. Shall be effected in the simple written form, with the exception of the deals, requiring notarial certification:

1) the deals of the legal entities between themselves and with the citizens;

2) the deals of the citizens between themselves to the sum of ten thousand roubles, and in the law-stipulated cases - regardless of the sum of the deal.

2. The observance of the simple written form shall not be required for the deals, which, in conformity with **Article 159** of the present Code, may be effected orally.

Article 162. The Consequences of the Non-observance of the Simple Written Form of the Deal

1. The non-observance of the simple written form of the deal shall in the case of a dispute deprive the parties of the right to refer to the testimony for the confirmation of the deal and of its terms, while not depriving them of the right to cite the written and another kind of proof.

2. In the cases, directly pointed out in the law or in the agreement between the parties, the non-observance of the simple written form of the deal shall entail its invalidity.

3. Abrogated from September 1, 2013.

Article 163. A Transaction's Certification by a Notary

1. A transaction's certification by a notary means checking the legality of the transaction, in particular if each party thereto enjoys the right to its carrying out, and shall be effected by a notary or the official authorised to make such notarial act in the procedure established by the **law** on notarial system and notarial activity.

2. The notarial certification of the deals shall be obligatory:

1) in the cases, pointed out by the law;

2) in the cases, stipulated by the parties' agreement, even if this form is not required for the given kind of the deals by the law.

3. Where the certification of a transaction by a notary in compliance with **Item 2** of this article is mandatory, failure to adhere to the notarial form of the transaction shall entail its nullity.

Article 164. The State Registration of Transactions

1. Where the state registration of transaction is provided for by law, the legal effects of a transaction shall ensue after its registration.

2. A transaction providing for alteration of the terms of a registered transaction is subject to the state registration.

Article 165. Effects of Evading the Certification of a Transaction by a Notary or the State Registration of a Transaction

1. If either party has executed in full or in part a transaction for which certification thereof by a notary is required, while the other party evades such certification of the transaction, a court is entitled on the demand of the party that has executed the transaction to declare the transaction valid. On such occasion, the subsequent certification of the transaction by a notary is not required.

2. If a transaction whose state registration is required has been carried out in a proper form but one of the parties thereto evades its registration, a court on demand of the other party is entitled to render the decision on the transaction's registration. On such occasion, the transaction shall be registered in compliance with the court's decision.

3. Where it is provided for by **Items 1** and **2** of this article, the party that has unfoundedly evaded the notarial certification or the state registration of a transaction is bound to compensate to the other party for the losses caused by a delay in the transaction's making or registration.

4. The limitation period for the claims cited in this article shall be one year.

Article 165.1. Statements Relevant in Law

1. Applications, notifications, notices, requests or other statements relevant in law with which a law or transaction links civil law effects for another person shall entail for this person such effects from the time of delivery of an appropriate statement to such person or to a representative thereof.

A statement shall be also deemed delivered if it has come to the person which it has been sent to (to the addressee) but due to the circumstances dependent on him has not been handed in thereto or the addressee has not been familiarised with it.

2. The rules of **Item 1** of this article shall apply unless otherwise provided for by a law or by the

terms of a transaction or unless otherwise results from the custom or practice existing in the relations of the parties.

§ 2. The Invalidity of the Transactions

Article 166. Disputable and Void Transactions

1. A deal shall be deemed invalid on the grounds established by law by virtue of declaring it as such by court (disputable transaction) or irrespective of such declaring (void transaction).

2. The claim for declaring invalid a disputable transaction may be raised by a party to the transaction or by other person specified by law.

A disputable deal may be declared invalid if it violates the rights and legitimate interests of the person disputing the transaction, in particular if it has entailed unfavourable effects for such person.

Where in compliance with law a transaction is disputed in the interests of third parties, it may be declared invalid if it violates the rights or legitimate interests of such third parties.

The party whose behaviour demonstrates its will to preserve a transaction's force is not entitled to dispute the transaction on a ground about which this party knew or should have known when expressing its will.

3. A party to a transaction or, where it is provided for by law, a different person is entitled to raise the claim for applying the effects of invalidity of a void transaction.

The claim for declaring invalid a void transaction, regardless of applying the effects of its invalidity, may be allowed if the person raising such claim has a legitimate interest in declaring this transaction invalid.

4. A court is entitled to apply the effects of invalidity of a void transaction on its own initiative, if it is necessary for the protection of public interests, as well as in other cases provided for by law.

5. An application for invalidity of a transaction shall not have a legal effect if the person making reference to the transaction's invalidity does not act in good faith, in particular if the behaviour thereof after carrying out the transaction gave grounds to other persons to rely upon the transaction's validity.

Article 167. The General Provisions on the Consequences of the Invalidity of the Deal

1. The invalid transaction shall not entail legal consequences, with the exception of those involved in its invalidity, and shall be invalid from the moment of its effecting.

The person that knew or should have known about the grounds of invalidity of a disputable transaction shall not be deemed as having acted in good faith after declaring this transaction invalid.

2. If the deal has been recognized as invalid, each of the parties shall be obliged to return to the other party all it has received from it by the deal, and in the case of such return to be impossible in kind (including when the deal has been involved in the use of the property, the work performed or the service rendered), its cost shall be recompensed, unless other consequences of the invalidity of the deal have been stipulated by the law.

3. If it follows from the essence of the disputed deal that it may only be terminated for the future, the court, while recognizing the deal to be invalid, shall terminate its operation for the future.

4. A court has no right to apply the effects of a transaction's invalidity (**Item 2** of this article) if their application is at variance with the basics of legal order and morals.

Article 168. Invalidity of a Transaction Carried out in Defiance of the Requirements of a Law or Another Legal Act

1. Except as provided for by Item 2 of this article or another law, a transaction carried out in defiance of a law or another legal act shall be deemed disputable, if it follows from the law that other effects of this violation which are not connected with the transaction's invalidity must be applied.

2. A transaction made in defiance of a law or another legal act and infringing upon public interests or the rights and legitimate interests of third parties shall be void, unless it follows from the law that such transaction is disputable or other effects of such violation which are not connected with the transaction's invalidity must be applied.

Article 169. Invalidity of a Transaction Carried out with the Aim Which Is Contrary to the Basics of Legal Order or Morals

A transaction carried out with the aim which is wittingly contrary to the basics of legal order or morals shall be void, and shall entail the effects established by **Article 167** of this Code. Where it is provided for by law, a court may recover for the benefit of the Russian Federation everything that has been received under such transaction by the parties thereto that have acted willfully or may apply other effects thereof established by law.

Article 170. Invalidity of the Sham and of the Feigned Deal

1. The sham deal, i.e., the deal, effected only for the form's sake, without an intention to create the legal consequences, corresponding to it, shall be regarded as insignificant.

2. A fraudulent transaction, that is, a transaction carried out for the purpose of disguising another transaction, including a transaction made under other terms, shall be void. To a transaction which the parties have genuinely had in mind shall apply the rules related to it, subject to the transaction's essence and content.

Article 171. Invalidity of the Deal, Made by the Citizen, Recognized as Legally Incapable

1. The deal, effected by the citizen, who has been recognized as legally incapable on account of a mental derangement, shall be regarded as insignificant.

Each of the parties to such a deal shall be obliged to return to the other party all it has received in kind, and if it is impossible to return what has been received in kind - to recompense its cost.

Besides that, the legally capable party shall also be obliged to recompense to the other party the actual damage the latter has sustained, if the legally capable party has been aware, or should have been aware, of the legal incapability of the other party.

2. In the interest of the citizen, recognized as legally incapable on account of a mental derangement, the deal he has effected may be recognized by the court as valid upon the demand of his guardian, if it has been made to the benefit of the said citizen.

Article 172. Invalidity of the Deal, Made by the Minor Below 14 Years of Age

1. The deal, effected by the minor, who has not reached 14 years of age (the young minor), shall be regarded as invalid. Toward such a deal shall be applied the rules, stipulated by the second and the third paragraphs of **Item 1 of Article 171** of the present Code.

2. In the interest of the young minor, the deal he has effected may be recognized by the court as valid upon the demand of his parents, adopters or guardian, if it has been made to the benefit of the young minor.

3. The rules of the present Article shall not concern the petty everyday and other deals, effected by the young minors, which they have the right to make independently in conformity with **Article 28** of the present Code.

Article 173. The Invalidity of Transaction of a Legal Entity Made Contrary to the Aims of Its Activities

A transaction carried out by a legal entity contrary to the aims of its activities clearing limited in the constituent documents thereof may be declared invalid by court at the suit of this legal entity, its founder (participant) or another person in whose interests the limitation is established, if it has been proved

that the other party to the transaction knew or should have known about such limitation.

Article 173.1. Invalidity of a Transaction Made without the Consent of a Third Party, Body of a Legal Entity, or State Body, or Local Authority

1. A transaction carried out without the consent of a third party, body of a legal entity, or state body, or local authority, whose obtaining is needed by virtue of law shall be disputable if it does not follow from the law that it is void or does not have legal effects for the person authorised to give consent where there is no such consent. It may be declared invalid at the suit of such person or other persons cited by a law.

A law or, where it is provided for by it, an agreement made with the person whose consent is required for carrying out a transaction may establish other effects of the absence of the required consent to carry out the transaction, rather than its invalidity.

2. As law does not establish otherwise, a disputable transaction carried out without the consent of a third party, body of a legal entity, or state body, or local authority whose obtaining is needed by virtue of law, may be declared invalid if it is proved that the other party to the transaction knew or should have known about the absence of the required consent of such person or such body as of the time of carrying out the transaction.

3. The person that has given his consent thereof to making a disputable transaction which is required by virtue of law is not entitled to dispute it on grounds about which this person knew or should have known at the time of giving the consent.

Article 174. The Effects of Violating by a Representative or Body of a Legal Entity the Terms of Exercising the Authority or Interests of the Represented Person or Interests of the Legal Entity

1. If the authority of a person as to carrying out a transaction is limited by an agreement or regulations on a branch or representative office of a legal entity or the authority of a legal entity's body acting on behalf of the legal entity without a letter of attorney is limited by the constituent documents of the legal entity or by other documents regulating the activities thereof as compared to the way they are defined by a letter of attorney, law or as they can be deemed evident in the situation under which the transaction is being made and, while carrying it out, such person or such body fell outside the limits of this limitation, the transaction may be only declared by court invalid at the suit of the person in whose interests the limitations are established, if it is proved that the other party to the transaction knew or should have known about these limitations.

2. A transaction made by a representative or by a legal entity's body acting on behalf of the legal entity without a letter of attorney to the detriment of the interests of the represented person or the interests of the legal entity may be declared by court invalid at the suit of the legal entity and, where it is provided for by law, at the suit made in their interests by other person or other body, if the other party to the deal knew or should have known about the evident damage for the represented person or for the legal entity or there were circumstances which testified to a conspiracy or other joint actions of the representative or the legal entity's body and the other party to the transaction to the detriment of the interests of the represented person or to the interests of the legal entity.

Article 174.1. The Effects of Carrying out a Transaction in Respect of the Property Whose Disposal Is Prohibited or Restricted

1. A transaction carried out in defiance of the ban or restriction as to the property's disposal resulting from the law, in particular from the **legislation** on insolvency (bankruptcy), shall be void, insofar as it provides for the disposal of such property (**Article 180**).

2. A transaction carried out in defiance of a ban on the disposal of the debtor's property imposed or established by law in some other procedure in favour of the creditor or other authorised person shall not impede the exercise of the rights of the cited creditor or other authorised person that were secured by the ban, except when the property's acquirer did not know or did not need to known about the ban.

Article 175. Invalidity of the Deal, Made by the Minor of 14-18 Years of Age

1. The deal, effected by the minor, aged from 14 to 18 years, without the consent of his parents, adopters or his trustee, in the cases when such consent is required in conformity with Article 26 of the present Code, may be recognized by the court as invalid upon the claim of the parents, adopters or the trustee.

If such a deal has been recognized as invalid, the rules, stipulated by the second and the third paragraphs of **Item 1 of Article 171** of the present Code, shall be correspondingly applied.

2. The rules of the present Article shall not concern the deals of the minors, who have acquired the full legal capacity.

Article 176. Invalidity of the Deal, Made by the Citizen Whose Legal Capacity Has Been Restricted by the Court

1. The deal, involved in the disposal of the property, which has been effected without the consent of his trustee by the citizen, whose legal capacity has been restricted by the court (**Article 30**), may be recognized by the court as invalid upon the claim of the trustee.

If such a deal has been recognized as invalid, the rules, stipulated by the **second** and the **third paragraphs of Item 1 of Article 171** of the present Code, shall be correspondingly applied.

2. The rules of the present Article shall not concern the deals, which the citizen, restricted in his legal capacity, has the right to effect independently in conformity with **Article 30** of the present Code.

Article 177. Invalidity of the Deal, Made by the Citizen, Incapable of Realizing the Meaning of His Actions or of Keeping Them Under Control

1. The deal, effected by the citizen, who, while being legally capable, at the moment of making the deal was in such a state that he was incapable of realizing the meaning of his actions or of keeping them under control, may be recognized by the court as invalid upon the claim of this citizen or other persons, whose rights or law-protected interests have been violated as a result of its being effected.

2. The deal, effected by the citizen, who has been recognized as legally incapable at a later date, may be recognized by the court as invalid upon the claim of his guardian, if it has been proved that at the moment of making the deal, the citizen was incapable of realizing the meaning of his actions or of keeping them under control.

A transaction carried out by a citizen whose legal capacity has been afterwards restricted as a result of a mental disorder may be declared by court invalid at the suit of the custodian thereof if it is proved that at the time of making the transaction the citizen could not have understood the meaning of his/her actions or direct them and the other party to the deal knew or should have known about it.

3. If the deal has been recognized as invalid on the ground of the present Article, the rules, stipulated by the second and the third paragraphs of **Item 1 of Article 171** of the present Code, shall be correspondingly applied.

Article 178. The Invalidity of a Transaction Carried out under the Influence of a Substantial Aberration

1. The transaction carried out under the influence of an aberration may be declared by court invalid at the suit of the party that acted under the influence of the aberration, if the aberration was so substantial that this party, upon evaluating the situation on a reasonable and unbiased basis, would not have carried out the transaction if it had known about the real state of affairs.

2. Under the circumstances provided for by **Item 1** of this article, an aberration is supposed to be substantial enough, in particular if:

1) a party has made an evident lapse, slip of the pen, misprint etc.;

2) a party is mistaken in respect of the subject of the transaction, in particular in respect of such

properties which are deemed substantial enough in the intercourse;

3) a party is mistaken in respect of the transaction's nature;

4) a party is mistaken in respect of the person which it intends to carry out a transaction with or of a person connected with a transaction;

5) a party is mistaken in respect of the circumstance which it mentions in its declaration of will or from whose availability it proceeds when carrying out a transaction and it is evident for the other party.

3. An aberration in respect of a transaction's motives shall not be deemed substantial enough for declaring the transaction invalid.

4. A transaction may not be declared invalid on the grounds provided for by this article if the other party gives its consent to preserving the transaction's validity under the terms, the notion of which served as a basis for the actions of the party acting under the influence of an aberration. On such occasion a court when refusing to declare a transaction invalid shall cite in the decision thereof these terms of the transaction.

5. A court may refuse to declare a transaction invalid if the aberration under which a party to the transaction acted was such that it could not be discerned by a person acting with a normal care and taking into account the transaction's content attending circumstances and specifics of the parties thereto.

6. If a transaction is declared invalid because it was carried out under the influence of an aberration, the rules provided for by **Article 167** of this Code shall apply thereto.

The party at whose suit a transaction is declared invalid is bound to compensate to the other party for the real damage caused thereto as a result of it, except when the other party knew or should have known about the presence of the aberration, in particular if an aberration has occurred due to circumstances under its control.

The party at whose suit a transaction is declared invalid is entitled to demand of the other party compensation for the losses caused thereto if it can prove that an aberration has occurred as a result of the circumstances which the other party is responsible for.

Article 179. The Invalidity of the Transaction Carried out under the Impact of Fraud, Violence, Threat or Unfavourable Circumstances

1. A transaction carried out under the impact of violence or threat may be declared by court invalid at the suit of the aggrieved person.

2. A transaction carried out under the impact of fraud may be declared by court invalid at the suit of the aggrieved person.

As fraud shall be deemed an intentional non-disclosure of the circumstances about which a person had to report on, subject to the good faith required of him in compliance with the terms of the intercourse.

A transaction carried out under the impact of fraud of the aggrieved person effected by a third party may be declared invalid at the suit of the aggrieved person, provided that the other party or the person to which a unilateral deal is addressed knew or should have known about the fraud. It is considered, in particular, that a party knew about fraud if the third party guilty of the fraud was its representative or employee or assisted thereto in carrying out the transaction.

3. A transaction carried out under the extremely unfavourable terms which a person had to make as a result of a set of hard circumstances, which the other party took advantage of (hard transaction), may be declared by court invalid at the suit of the aggrieved person.

4. If a transaction is declared invalid on one of the grounds cited in **Items 1-3** of this article, the effects of the transaction's invalidity established by **Article 167** of this Code shall apply. Moreover, the loss caused to the aggrieved person shall be recompensed thereto by the other person. The risk of accidental destruction of the subject of the transaction shall be borne by the other party to the transaction.

Article 180. The Consequences of the Invalidity of a Part of the Deal

The invalidity of a part of the deal shall not entail the invalidity of its other parts, if it may be supposed that the deal could have been effected without the incorporation into it of the invalidated part.

Article 181. Statute of Limitations for Invalid Transactions

1. The limitation period in respect of claims for applying the effects of invalidity of a void transaction and for declaring such transaction invalid (**Item 3 of Article 166**) shall be three years. The running of the limitation period in respect of the cited claims shall start from the date when the execution of a void transaction was started or, where a claim is raised by a person which is not a party to the transaction, from the date when this person learnt or should have learnt about the start of its execution. With this, the limitation period for a person which is not a party to the transaction in any case may not exceed ten years from the starting date of the deal's execution.

2. The time limit of the statute of limitations for a claim for declaring a voidable transaction invalid and for the application of consequences of the invalidity thereof is one year. The period of limitations for such a claim is counted from the day of termination of the violence or duress under the influence of which the transaction has been concluded (**Item 1 of Article 179**) or from the day when the plaintiff learned or should have learned about other circumstances deemed a ground for declaring the transaction invalid.

Chapter 9.1. Decisions of Meetings

Article 181.1. General Provisions

1. The rules provided for by this article shall apply unless otherwise provided for by a law or by the procedure established by it.

2. The decision of a meeting having civil law effects under law shall cause the legal effects, which the decision of the meeting is aimed at, for all the persons that are entitled to take part in the given meeting (participants of a legal entity, co-owners, creditors in case of bankruptcy and other participants of a civil law community), as well as for other persons, if such is established by law or results from the nature of relations.

Article 181.2. The Adoption of a Decision by a Meeting

1. A decision made in the session shall be deemed adopted if the majority of the meeting's participants have voted for it and at least fifty per cent of the total number of participants of an appropriate civil law community have taken part in it.

Members of the civil community may attend the session remotely using the electronic or other hardware, if any methods allowing for reliable identification of the person attending the session are applied, to participate discussion of the agenda items and to vote. Such option and methods can be established by the law, by unanimous decision of the members of the civil community, or by the legal entity's charter.

1.1. The meeting's decision can be adopted without a session (absentee voting) through sending, including that using the electronic or other hardware, the documents containing the information of their voting by at least 50 percent of the total number of the participants of the relevant civil community. With that, the decision shall be considered as duly adopted if the majority of the members of the civil community have voted in favour of such decision.

1.2. The law, the unanimous decision of the members of the civil community or the legal entity's charter may envisage for joint voting in the session and absentee voting.

2. If the agenda of a meeting contains several items, an independent decision shall be adopted on each of them, unless otherwise is unanimously established by the meeting's participants.

3. Arrangement of the session for the members of the civil community and the voting results in the session, as well as the results of the absentee voting, shall be certified by the minutes. The minutes shall be issued in writing, including that using the electronic or other hardware (**Paragraph 2 of Item 1 of Article 160**), and shall be signed by the session chairman and the session secretary, in case of the session, or by persons who have counted votes or recorded the result of the votes counting, in case of the decision

making by absentee voting. This Code, the law, the unanimous decision of the members of the civil community or the legal entity's charter may envisage for the other method to certify the session of the members of the civil community and the voting results therein, as well as that for the absentee voting results.

4. The minutes shall include the following:

1) date and time of the session, place of the session and/or the method for remote attending the session by the members of the civil community, and in case of absentee voting - the deadline for the documents acceptance with the information of the voting of the members of the civil community, and the method for their distribution;

2) information of the persons who have attended the session, and/or the persons who have delivered the documents containing the information of the voting;

3) voting results for each agenda item;

4) information of the persons who have counted the votes, if the votes counting was entrusted to certain persons;

5) information of the persons who have voted against the decision and demanded to incorporate information thereof in the minutes;

6) information of the session course or voting course, if a member of the civil community demands to incorporate it in the minutes;

7) information of the persons who have signed the minutes.

4.1. While using another method to certify the session of the members of the civil community and the voting results in the session, as well as the absentee voting results (**Item 3** of this Article), it is necessary to provide storage and intact reproduction of the information specified in **Subitems 1 - 6 of Item 4** of this Article.

5. Invalid from July 1, 2021 - **Federal Law** No. 225-FZ of June 28, 2021

Article 181.3. The Invalidity of a Meeting's Decision

1. A meeting's decision shall be deemed invalid on the ground established by this Code or other laws by virtue of declaring it as such by court (disputable decision) or irrespective of such declaring (void decision).

A meeting's invalid decision shall be disputable, unless it follows from law that the decision is void.

2. If a meeting's decision is published, a report on declaring the meeting's decision invalid by court shall be published on the basis of the court decision in the same publication on account of the person upon which court costs are imposed in compliance with the procedural legislation. If data on a meeting's decision are entered in a register, data on the judicial act which is declared invalid by the meeting's decision shall be also entered in the appropriate register.

Article 181.4. The Challengeability of a Meeting's Decision

1. A meeting's decision may be declared by court invalid in case of failure to meet the requirements of law, in particular if:

1) there was the major breach of the procedure for decision making on convocation, the procedure for preparation and conduction of the general meeting's session or absentee voting of the participants, as well as the procedure for decision making by the general meeting affecting expression of the will of the general meeting participants;

2) the person speaking on behalf of the meeting's participant had no authority to do so;

3) the equality of rights of the participants of the civil community has been breached while holding the general meeting's session or absentee voting;

4) there was a major failure to follow the rules for drawing up a protocol, in particular the rule about a written form of the protocol (Item 3 of Article 181.2).

2. A meeting's decision may not be recognised by court invalid on the grounds connected with failure to follow the procedure for adopting the decision, if it is confirmed by the successive decision of

the meeting adopted in the established procedure prior to rendering a court decision.

3. A participant of an appropriate civil law community who has not attended the session or absentee voting or has voted against the adoption of the disputable decision is entitled to dispute the meeting's decision with court.

A meeting's participant that has voted for adoption of a decision or has abstained from voting is entitled to dispute with court the meeting's decision if the expression of will thereof in the course of voting was broken.

4. A meeting's decision may not be declared invalid by court if the voting of a person whose rights are affected by the disputable decision could not influence its adoption and the meeting's decision did not entail any major unfavourable consequences for this person.

5. A meeting's decision may be disputed with court within six months from the date when the person whose rights were violated by the adoption of this decision learnt or should have learnt about it but at the latest two years from the date when data on the adopted decision became generally accessible for the participants of an appropriate civil law community.

6. The person disputing a meeting's decision shall notify in advance in writing participants of an appropriate civil law community on the intention thereof to make such claim with court and to provide them with other information related to the case. The participants of an appropriate civil law community that have not joined such claim, in the procedure established by the procedural legislation, in particular those which have other grounds for disputing the given decision, are not entitled afterwards to make a claim with a court for disputing this decision, if only the court does not find the reasons for making such claim sound.

7. The disputable meeting's decision declared by court invalid shall be invalid from the time of its adoption.

Article 181.5. The Nullity of a Meeting's Decision

Unless otherwise provided for by law, a meeting's decision shall be deemed null and void, if it:

1) is adopted on an item which is not included into the agenda thereof, except if all the participants of an appropriate civil law community have attended the session or absentee voting;

2) is adopted in the absence of the required quorum;

3) is adopted on an item which is not within the scope of the meeting's authority;

4) is at variance with the basics of legal order or morals.

Chapter 10. The Representation. The Warrant

Article 182. The Representation

1. The deal, effected by one person (the representative) on behalf of another person (the representee) by force of the power, based on the warrant, on the indication of the law or on the act, issued by the state body or local government body, authorized for this purpose, shall directly create, amend or terminate the civil rights and duties of the representee.

The power may also stem from the setting, in which the representative operates (the salesman in retail trade, the cashier, etc.).

2. The persons, who operate in the interest of other persons, but on their own behalf, the persons who only transfer the will of another person expressed in a proper form, and also the persons, authorized to enter into negotiations on the deals, which may be possibly effected in the future, shall not act as representatives.

3. The representative may not carry out transactions on behalf of the representee in his own interest, as well as in the interest of another person whom he is concurrently representing, except as provided for by **law**.

A transaction carried out in defiance of the rules established by **Paragraph One** of this article and

to which the representee has not given his consent may be declared by court invalid at the suit of the representee, if it violates his interests. The violation of the representee's interests is assumed, unless proved otherwise.

4. The effecting through the representative of the deal, which by its nature shall be effected only in **person**, and also of other deals, which have been pointed out in the law, shall not be admitted.

Article 183. The Effecting of the Deal by an Unauthorized Person

1. Where there is no authority to act on behalf of another person or when such authority is abused, the transaction shall be deemed made on behalf and in the interests of the person that has made it, if only another person (the representee) does not afterwards approve of this transaction.

Prior to approving a deal by the representee, the other party thereto is entitled to withdraw from the transaction unilaterally by way of applying to the person that has made the transaction or to the representee, except when carrying out the transaction it knew or should have known that the person that has carried out the transaction had no authority to carry it out or abused it.

2. The subsequent approval of the deal by the representee shall create, amend and terminate for him the civil rights and duties by the given deal from the moment of its being effected.

3. If the representee has refused to approve a transaction or an answer to the proposal to approve it addressed to the representee has not come within a reasonable time, the other party is entitled to demand of the unauthorised person that has carried out the transaction its execution or is entitled to withdraw from it unilaterally and to demand of this person to recompense for losses. The losses are not subject to compensation, if when making a transaction, the other party knew or should have known about the absence of the authority or about abuse of it.

Article 184. The Commercial Representation

1. As a trade agent shall be deemed the person who constantly and independently represents and acts on behalf of businessmen in their concluding agreements in the sphere of business activities.

2. The simultaneous commercial representation of different parties in the transaction shall be admitted upon the consent of these parties and in other law-stipulated cases. If a trade agent acts through organised trade, it is assumed, unless proved otherwise, that the representee agrees with simultaneous representation by such agent of the other party or other parties.

3. The specific features of the commercial representation in the individual spheres of business activities shall be established by law and by other legal acts.

Article 185. General Provisions on the Warrant

1. The warrant shall be recognised as a written authorisation document granted by a person to another person or other persons for the purpose of representing them before third parties.

2. Warrants on behalf of minors (**Article 28**) and on behalf of legally incapable persons (**Article 29**) shall be issued by legal representatives thereof.

3. The written authorisation document for effecting a deal by the representative may be presented by the representee directly to the corresponding third party who is entitled to assure himself of the representee's identity and to make a note to this effect in the document certifying the representative's authority.

The written authorisation document for receiving by a representative of a citizen the bank deposit thereof, entry on monetary assets onto a deposit account thereof, for carrying out operations on the bank account thereof, in particular receiving monetary assets from a bank account thereof, as well as for receiving mail addressed thereto at a communication organisation, may be issued by the representee directly to the bank or the communication organisation.

4. The rules of this Code in respect of the warrant shall also apply when the authority of a representative is contained in an agreement, in particular in the agreement carried out by a representative and the representee, between the representee and a third party or in a meeting's decision, unless otherwise established by law or unless it contravenes the essence of the relations.

5. If the warrant is issued to several representatives, each of them shall be vested with the authority cited in the warrant, unless the warrant provides that representatives jointly exercise them.

6. The rules of this article shall also apply accordingly when the warrant is jointly issued by several persons.

Article 185.1. The Warrant's Certification

1. The warrant for effecting the transactions, requiring notarial form, for filing applications for state registration of rights or transactions, as well as for disposal of rights registered in the state registers, shall be notarially certified, with the exception of the **law**- stipulated cases.

2. The following shall be equated to the notarially certified warrants:

1) the warrants of servicemen and other persons undergoing medical treatment at military hospitals, sanatoria, and other military medical institutions, certified by the head of such institution, by his/her deputy for medicine, or in the absence thereof by the senior doctor, or by the doctor on duty;

2) the warrants of servicemen, and at places of stationing of military units, formations, institutions and military educational establishments where there are no notary's offices and other bodies performing notarial actions, also the warrants of workers and employees, of their family members and of the family members of the servicemen certified by the commander (head) of this unit, formation, institution or establishment;

3) the warrants of persons kept at the places of deprivation of freedom certified by the head of a corresponding place of the deprivation of freedom;

4) the warrants of the adult legally capable citizens staying at in-patient social service organisations certified by the heads (their deputy heads) of such organisations.

3. The warrant for receiving wages and other payments connected with labour relations, for receiving author's and inventor's fees, pensions, allowances and grants or for receiving correspondence, except for value correspondence, may be certified by the organisation in which the trustee works or studies, and by the administration of the in-patient medical institution in which he/she is undergoing medical treatment. Such warrant shall be issued free of charge.

4. The warrant on behalf of a legal entity shall be issued with the signature of the head thereof or of other person authorised to it in compliance with law and constituent documents to be affixed thereto.

Article 186. The Period of the Warrant

1. If the warranty's duration in not cited in it, the warranty shall be in force within a year from the date when it is made.

The warrant, in which no date of its granting has been indicated, shall be regarded as insignificant.

2. The notarially certified warrant, intended for the performance of actions abroad and containing no indication of the term of its operation, shall stay in force until it is revoked by the person, who has granted it.

Article 187. Transfer of the Warrant

1. The person to whom the warrant has been granted shall be obliged to perform in person the actions which he has been authorised for. He may transfer their performance to another person, if he is authorised to do so by the warrant, or if he has been forced to do so by circumstances in order to protect the interests of the person who has granted him the warrant and does not forbid the transfer of the warrant.

2. A person who has transferred the power of attorney to another person shall be obliged to notify thereof the warrantor, and to pass over to him all the essential information on the person to whom he has transferred the said power. The failure to discharge this duty shall impose upon the person who has transferred the power of attorney by the warrant the same responsibility for the actions of the person to whom he has passed the power as he would have borne for his own actions.

3. A warrant granted by way of transferring the power of attorney shall be certified by a notary.

The rule concerning the notarial certification of the warrant issued by way of transferring the power

of attorney shall not apply to the warrant issued by way of transferring the power of attorney by legal entities, by heads of branches and representative offices of legal entities.

4. The duration of the warrant granted by way of transferring the power of attorney shall not exceed that of the warrant on the ground of which it has been granted.

5. The transfer of the warrant issued by way of transferring the power of attorney shall not be allowed in the instances provided for by **Item 3 of Article 185.1** of this Code.

6. Unless otherwise cited in the warrant or established by law, the representative that has delegated authority to another person by way of transferring the power of attorney shall not forfeit the corresponding authority.

7. The transfer of authority by the person that has obtained this authority by way of transferring the power of attorney to another person (subsequent transfer of authority) shall not be allowed, unless otherwise provided for by the original warrant or established by law.

Article 188. Withdrawal of the Warrant

1. The operation of the warrant shall be terminated as a result of the following:

1) expiry of the warrant's duration;

2) revoking of the warrant by the person who has granted it, or by one of the persons that have jointly issued it, with this, a warrant shall be revoked in the same form in which the warrant was issued, or in the notarial form;

3) rejecting the authority by the person to whom the warrant has been granted;

4) termination of the legal entity on whose behalf or to which the warrant has been granted, in particular as a result of its re-organisation in the form of division, merger or affiliation to another legal entity;

5) death of the citizen who has granted the warrant, or declaring him legally incapable, partially capable or missing;

6) death of the citizen to whom the warrant has been granted, or declaring him legally incapable, partially capable or missing;

7) initiating in respect of the representee or representative such bankruptcy proceedings in which the corresponding person forfeits the right to issue warrants independently.

2. The person who has been granted the warrant shall have the right at any time to reject the authority while the person that has granted the warrant, may withdraw the warrant or cancel the transfer of the power of attorney, except as provided for by **Article 188.1** of this Code. An agreement on the renouncement of these rights shall be void.

3. The transfer of the warrant shall lose power with the termination of the warrant.

Article 188.1. Irrevocable Warrant

1. For the purpose of discharging, or insuring the discharge of, an obligation of the representee with respect to a representative or the persons on whose behalf or in whose interests the representative acts, if such obligation is connected with the exercise of business activities, the representee may specify in the warrant issued to the representative that the warrant may not be revoked before the end of its duration or may be only revoked in the instances provided for by the warrant (irrevocable warrant).

Such warrant may in any case be withdrawn after termination of the obligation for whose discharge or for whose discharge's insuring it has been issued, as well as at any time in the event of abuse by the representative of the authority thereof, and where there are the circumstances clearly showing that this abuse may take place.

2. The irrevocable warrant shall be certified by a notary and contain a direct indication of the possibility of its withdrawal in compliance with **Item 1** of this article.

3. The person to whom the irrevocable warrant has been issued, may not transfer the authority of making the actions to which such person is authorised to another person, unless otherwise provided for in the warrant.

Article 189. The Consequences of the Termination of the Warrant

1. The person, who has granted the warrant and who has subsequently revoked it, shall be obliged to notify about it the person, to whom the warrant has been issued, and also third parties he knows, for the representation before whom the warrant has been granted. The same responsibility shall be imposed upon the legal successors of the warrantor, in the cases of the termination of the warrant on the grounds, stipulated in **Subitems 4** and 5 of **Item 1 of Article 188** of this Code.

Data on revocation of a warrant made in the notarial form shall be entered by a notary to the register of notarial actions to be kept in the electronic form in the procedure established by the **legislation** on the notariate.

Information on the revocation of a warrant, with the exception of the warrants specified in **paragraph two** of this Item, can be entered in the register of orders to revoke warrants, which is maintained in electronic form in the procedure etablished by the legislation on notaries.

The information specified in **paragraphs two** and **three** of this Item shall be provided by the Federal Notarial Chamber twenty four - seven to an unlimited number of persons without charging a fee using the Internet in the procedure etablished by the legislation on notaries.

Data on the revocation of a warrant made in a simple written form may be published in the official publication where data on bankruptcy are published. On such occasion, the signature affixed to an application for revocation of a warrant shall be certified by a notary.

If third parties have not been notified of the revocation of a warrant, they shall be deemed notified of the revocation of the warrant made in the notarial form on the next day after entering data on it to the register of notarial actions and in respect of the revocation of a warrant made in a simple written form - the next day after entering this information into the register of orders to revoke warrants or upon the expiry of a month from the date of such data's publication in the official publication where data on bankruptcy are published.

2. If the warrant about whose withdrawal a third party did not know and was not obligated to know is produced to this person, the rights and duties acquired as a result of the actions of the person whose authority have been terminated shall be in force for the representee and legal successors thereof.

3. After the termination of the warrant, the warrantee or his legal successors shall be obliged to immediately return it.

Subsection 5. The Term. The Limitation of Actions

Chapter 11. The Counting of the Term

Article 190. Definition of the Term

The term, established by the law, other legal acts and by the deal, or that fixed by the court, shall be defined by the calendar date or by the expiry of the period of time, counted in years, months, weeks, days or hours.

The term may also be defined by the reference to the event, which shall inevitably take place.

Article 191. The Start of the Term, Defined by a Period of Time

The proceeding of the term, defined by a period of time, shall start on the next day after the calendar date or after the occurrence of the event, by which its start has been defined.

Article 192. The End of the Term, Defined by a Period of Time

1. The term, counted in years, shall expire in the corresponding month and on the corresponding day of the last year of the term.

Toward the term, defined as a half of the year, shall be applied the rules for the terms, counted in months.

2. Toward the term, counted in the quarters of the year, shall be applied the rules for the terms, counted by months. The quarter of the year shall be equal to three months, and the quarters shall be counted from the beginning of the year.

3. The term, counted in months, shall expire on the corresponding day of the last month of the term.

The term, defined as a fortnight, shall be regarded as the term, counted in days, and shall be equal to 15 days.

If the term, counted in months, expires in the month, which has no corresponding date, it shall expire on the last day of this month.

4. The term, counted in weeks, shall expire on the corresponding day of the last week of the term.

Article 193. Expiry of the Term on a Holiday

If the last day of the term falls on a holiday, the day of the expiry of the term shall be the working day, following right after it.

Article 194. Procedure for Performing Actions on the Last Day of the Term

1. If the term has been fixed for the performance of a certain action, it may be performed before the expiry of 24 hours of the last day of the term.

However, if this action has to be performed in an organisation, the term shall expire at the hour, when, in conformity with the established rules, the performance of the corresponding actions in this organisation is terminated.

2. Written applications and notifications, handed in to a communications agency before the expiry of 24 hours of the last day of the term, shall be regarded as executed on time.

Chapter 12. The Limitation of Actions

Article 195. The Concept of the Limitation of Actions

The limitation of actions shall be recognized as the term, fixed for the protection of the right by the claim of the person, whose right has been violated.

Article 196. The General Term of Limitation of Actions

1. The general term of limitation of actions shall be established as three years from the date fixed in compliance with **Article 200** of this Code.

2. The limitation period may not exceed ten years from the date of violating the right for whose protection this period is fixed, except as established by **Federal Law** No. 35-FZ of March 6, 2006 on Counteracting Terrorism.

Article 197. Special Terms of the Limitation of Actions

1. For the individual kinds of claims, the law may establish special terms of the limitation of actions, reduced or extended as compared to the general term.

2. The rules of Articles **195**, **Item 2 of Article 196** and **Articles 198-207** of the present Code shall also be extended to the special terms of the limitation of actions, unless otherwise established by the law.

Article 198. Invalidity of the Agreement on Changing the Terms of the Limitation of Actions

The terms of the limitation of actions and the order of their counting shall not be changed by an agreement between the parties.

The grounds for the suspension and the interruption of the proceeding of the terms of the limitation of actions shall be laid down by the present Code and other laws.

Article 199. Application of the Limitation of Actions

1. The claim for the protection of the violated right shall be accepted by the court for consideration regardless of the expiry of the term of the limitation of actions.

2. The limitation of actions shall be applied by the court only upon the application of the party to the dispute, filed before the court has passed the decision.

The expiry of the term of the limitation of actions, the application of which has been pleaded by the party to the dispute, shall be the ground for the court passing the decision on the rejection of the claim.

3. The unilateral actions aimed at the exercise of a right (set-off, direct debiting of monetary assets, levying execution against pledged property in an extra-judicial procedure, etc.) for whose protection the term of limitation of actions has expired shall not be allowed.

Article 200. The Start of the Term of Limitation of Actions

1. Unless otherwise established by law, the term of the limitation of actions shall start from the day when the person learned or should have learned about the violation of his right and who is the competent defendant in respect of the claim for protection of this right.

2. In respect of obligations with a fixed term of execution, the term of limitation of actions shall start from the end time of the term of their execution.

In respect of obligations without a fixed term of execution, or in respect of those whose term of execution has been defined as that on demand, the term of limitation of actions shall start from the time when the creditor's right to present a claim for execution of an obligation arises, and if the debtor has been granted a term for execution of such claim, the term of the limitation of actions shall be counted after the expiry of the said term. With this, the term of limitation of actions in any case may not exceed ten years from the date when an obligation arises.

3. In respect of regressive obligations, the term of limitation of actions shall start from the time of execution of the basic obligation.

Article 201. The Term of the Limitation of Actions in the Substitution of the Persons in the Obligation

The substitution of the persons in the obligation shall not entail a change of the term of the limitation of actions or of the order of its counting.

Article 202. The Suspension of Running of the Term of Limitation of Actions

1. The running of the term of limitation of actions shall be suspended:

1) if filing of the claim has been obstructed by an extraordinary and inexorable circumstance under the given conditions (force-majeure);

2) if the plaintiff or the defendant are in the Armed Forces of the Russian Federation placed under martial law;

3) by virtue of the postponement of discharge of obligations (a moratorium) decreed on the ground of law by the Government of the Russian Federation;

4) by virtue of suspension of the operation of law or of another legal act regulating the corresponding relationship.

2. The running of the term of limitation of actions shall be suspended on condition that the circumstances cited in **Item 1** of this Article have arisen or have been existing within the last six months of the term of limitation, and, if this term is equal to six months or is less than six months - within the period of the term of limitation of actions.

3. If the parties have followed a procedure for settling disputes in an extra-judicial way (mediation procedure, agency procedure, administrative procedure etc.), the running of the term of limitation of actions shall be suspended for the term fixed by law for such procedure or, where there is no such term

fixed, for six months from the starting date of the corresponding procedure.

4. From the day of termination of the circumstance which has served as the ground for suspension of running of the term of limitation, the running of its term shall be resumed. The remaining part of the term, if it is less that six months, shall be extended to six months, and, if the term of limitation of actions is equal to six months or is less than six months - up to the term of the limitation.

Article 203. Interruption of the Proceeding of the Term of Limitation of Actions

The proceeding of the term of the limitation of actions shall be interrupted by the obligator's performing the actions, which testify to his admitting the debt.

After the interruption, the proceeding of the term of the limitation shall start anew; the time that has expired before the interruption, shall not be included into the new term.

Article 204. The Running of the Term of Limitation When Protecting a Violated Rights Judicially

1. The term of limitation of actions shall not run from the date of applying to court in the established procedure for protection of a violated right within the whole time period while the judicial protection of the violated right is being effected.

2. In the event of dismissing a claim by court, the running of the term of limitation of actions that had started before making the claim shall continue in a general procedure, unless otherwise results from the grounds on which the judicial protection of the rights is terminated.

If a court dismisses an action brought in a criminal case, the running of the term of limitation of actions that had started before bringing the action shall be suspended pending the entry into legal force of the judgment dismissing the action.

3. If after dismissing a claim the remaining part of the term of limitation of actions is less than six months, it shall be extended up to six months, except when the plaintiff's actions (omission to act) have served as the ground for dismissing the action.

Article 205. Restoration of the Term of the Limitation of Actions

In exceptional cases, when the court recognizes the cause of missing the term of limitation as valid on the ground of the circumstances (it being related to the plaintiff's personal characteristics, such as a grave illness, total disability, illiteracy, etc.), the citizen's violated right shall be liable to protection. The reasons for his missing the term of the limitation of actions may be recognized as valid, if they have taken place within the last six months of the term of limitation, and if this term is equal to six months or is less than six months - over the term of limitation.

Article 206. Execution of the Duty After the Expiry of the Term of the Limitation of Actions

1. The debtor or another obligator, who has executed the duty after the expiry of the term of limitation, shall not have the right of regress, even if at the moment of the execution the said person was not aware of the expiry of the term of limitation.

2. If upon the expiry of the limitation period the debtor or other liable person recognizes the debt thereof in writing, the running of the limitation period shall start anew.

Article 207. Application of the Limitation of Actions to Supplementary Claims

1. With the expiry of the term of limitation of actions in respect of the basic claim, the term of limitation of actions in respect of supplementary claims (interest, forfeit, pledge, surety, etc.) shall also expire, in particular in respect of the claims raised after the expiry of the limitation period in respect of the basic claim.

2. Should the time period for presenting for execution a court order in respect of the basic claim be missed, the limitation period in respect of supplementary claims shall be deemed expired.

Article 208. The Claims to Which the Limitation of Actions Shall Not Be Apply

The limitation of actions shall not be apply to:

- the claims for the protection of personal non-property rights and other non-material values, with

the exception of the cases, stipulated by the law;

- the claims of the depositors to the bank on the issue of deposits;

- the claims on recompensing the damage, inflicted on the life or the health of the citizen. However, the claims, made after the expiry of three years from the moment, when the right to the compensation of such damage has arisen, shall be satisfied for the past time for no more than three years, preceding the filing of the claim, except as provided for by **Federal Law** No. 35-FZ of March 6, 2006 on Counteracting Terrorism;

- the claims of the owner or another possessor for the elimination of all violations of his right, even though these violations have not been involved in the deprivation of the possession (**Article 304**);

- other claims in the cases, established by the law.

Section II. The Right of Ownership and Other Rights of Estate

Chapter 13. The General Provisions

Article 209. The Content of the Right of Ownership

1. The owner shall be entitled to the rights of the possession, the use and the disposal of his property.

2. The owner shall have the right at his own discretion to perform with respect to the property in his ownership any actions, not contradicting the law and other legal acts, and not violating the rights and the law-protected interests of other persons, including the alienation of his property into the ownership of other persons, the transfer to them, while himself remaining the owner of the property, of the rights of its possession, use and disposal, the putting of his property in pledge and its burdening in other ways, as well as the disposal thereof in a different manner.

3. The possession, the use and the disposal of the land and other natural resources so far as their circulation is admitted by the law (**Article 129**), shall be freely effected by their owner, unless this inflicts damage to the natural environment or violates the rights and the legal interests of other persons.

4. The owner may pass his property over into the confidential management, or into the trusteeship (to a confidential manager, or to the trustee). The transfer of the property into the confidential management shall not entail the transfer of the rights of ownership to the confidential manager, who shall be obliged to perform the management of the property in the interest of the owner or a third party the owner has named.

Article 210. The Burden of Maintaining the Property

The owner shall bear the burden of maintaining the property in his ownership, unless otherwise stipulated by the law or by the contract.

Article 211. The Risk of an Accidental Destruction of the Property

The risk of an accidental destruction of the property or of an accidental damage inflicted on it shall be borne by its owner, unless otherwise stipulated by the law or by the contract.

Article 212. The Subjects of the Right of Ownership

1. In the Russian Federation shall be recognized the private, the state, municipal and other forms of ownership.

2. The property may be in the ownership of the citizens and of the legal entities, and also of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities.

3. The specifics of the acquisition and of the cessation of the right of ownership to the property, of the possession, the use and the disposal thereof may be established only by the law, depending on whether the given property is in the ownership of the citizen or of the legal entity, in the ownership of the Russian Federation, of the subject of the Russian Federation or of the municipal entity.

The law shall stipulate the kinds of the property, which may only be in state or municipal ownership.

4. The rights of all the owners shall be equally protected.

Article 213. The Right of Ownership of Citizens and Legal Entities

1. In the ownership of the citizens and of the legal entities may be any property, with the exception of the individual kinds of the property, which, in conformity with the law, may not be owned by the citizens or by the legal entities.

2. The amount and the cost of the property in the ownership of the citizens and of the legal entities shall not be limited, with the exception of the cases, when such limitations have been established by the law for the purposes, stipulated by Item 2, **Article 1** of the present Code.

3. The commercial and the non-profit organisations, with the exception of the state and of the municipal enterprises, and also of the institutions shall be the owners of the property, transferred to them by way of the investments (the contributions), made by their founders (participants, members), and also of the property, acquired by these legal entities on other grounds.

4. The public and the religious organisations (the associations), socially useful funds shall be the owners of the property they have acquired and shall have the right to use it only for achieving the goals, stipulated in their constituent documents. The founders (the participants, the members) of these organisations shall lose the right to the property, which they have transferred into the ownership of the corresponding organisation. In case of the liquidation of such an organisation, its property, left after the creditors' claims have been satisfied, shall be used for the purposes, pointed out in its constituent documents.

Article 214. The Right of the State Ownership

1. The state property in the Russian Federation shall be the property, owned by the right of ownership by the Russian Federation (the federal, or the federally owned property), and also the property, owned by the right of ownership by the subjects of the Russian Federation - by the Republics, the territories, the regions, the cities of federal importance, by the autonomous region and by the autonomous areas (the property of the subject of the Russian Federation).

2. The land and other natural resources, which are not in the ownership of the citizens, the legal entities or the municipal entities, shall be the state property.

3. On behalf of the Russian Federation and of the subjects of the Russian Federation, the rights of the owner shall be exercised by the bodies and by the persons, indicated in **Article 125** of the present Code.

4. The property, which is in the state ownership, shall be assigned to the state-run enterprises and institutions into the possession, the use and the disposal in conformity with the present Code (**Articles 294** and **296**).

The means of the corresponding budget and other state property, not assigned to the state enterprises and institutions, shall comprise the state treasury of the Russian Federation, the treasury of the Republic within the Russian Federation, of the territory, the region, the city of federal importance, of the autonomous region and of the autonomous area.

5. Referring the state property to the federal property and to the property of the subjects of the Russian Federation shall be effected in conformity with the procedure, laid down by the law.

Article 215. The Right of the Municipal Ownership

1. The property, belonging by the right of ownership to the urban and rural settlements, and other municipal entities, shall be the municipal property.

2. On behalf of the municipal entity, the rights of the owner shall be exercised by local government bodies and persons, indicated in **Article 125** of the present Code.

3. Property in municipal ownership shall be assigned to municipal enterprises and institutions into the possession, the use and the disposal in conformity with the present Code (**Articles 294** and **296**).

The means of the local budget and other municipal property, not assigned to municipal enterprises

and institutions, shall comprise the municipal treasury of the corresponding urban or rural settlement or of another municipal entity.

Article 216. The Rights of Estate of Persons Who Are Not Owners

1. The rights of estate shall be, alongside the right of ownership:

- the right of the inherited life possession of the land plot (**Article 265**);
- the right of the permanent (perpetual) use of the land plot (**Article 268**);
- the servitudes (**Articles 274** and **277**);
- the right of the economic management of the property (**Article 294**) and the right of the operation management of the property (**Article 296**).

2. The rights of estate to the property may be possessed by the persons, who are not the owners of this property.

3. The transfer of the right of the ownership to the property to another person shall not be a ground for the cessation of other rights of estate to this property.

4. The rights of estate of the person, who is not the owner of the property, shall be protected from their violation by any person in the order, stipulated by **Article 305** of the present Code.

Article 217. Privatization of the State and of the Municipal Property

The property in the state or in the municipal ownership may be transferred by its owner into the ownership of the citizens and of the legal entities in the order, stipulated by the laws on the privatization of the state and of the municipal property.

In the course of the privatization of the state and of the municipal property, the provisions, stipulated by the present Code, which regulate the order of the acquisition and of the cessation of the right of ownership, shall be applied, unless otherwise stipulated by the laws on the privatization.

Chapter 14. The Acquisition of the Right of Ownership

Article 218. The Grounds for the Acquisition of the Right of Ownership

1. The right of ownership to a new thing, manufactured or created by the person for himself, while abiding by the law and other legal acts, shall be acquired by this person.

The right of ownership to the fruits, the products and the incomes, derived through the use of the property, shall be acquired on the grounds, stipulated by **Article 136** of the present Code.

2. The right of ownership to the property, which has its owner, may be acquired by another person on the grounds of the contract of the purchase and sale, of the exchange and of making a gift, or on the ground of another kind of the deal on the alienation of this property.

In the case of the citizen's death, the right of ownership to the property he has owned shall pass by the right of succession to other persons in conformity with the will or with the law.

In the case of the reorganisation of the legal entity, the right of ownership to the property it has owned shall pass to the legal entities, which are the legal successors of the reorganised legal entity.

3. In the cases and in the order, stipulated by the present Code, the person may acquire the right of ownership to the ownerless property, to the property, whose owner is unknown, and to the property, which the owner has renounced or to which he has lost the right of ownership on other law-stipulated grounds.

4. The member of the housing, housing-construction, country cottage, garage or another kind of the consumer cooperative, and also other persons, enjoying the right to make share accumulations, who have paid up in full their share contribution for the flat, the country cottage, the garage or other quarters, given to these persons by the cooperative, shall acquire the right of ownership to the said property.

Article 219. Arising of the Right of Ownership to the Newly Created Realty

The right of ownership to the buildings, the structures and other newly created realty, subject to the

state registration, shall arise from the moment of such registration.

Article 220. The Processing

1. Unless otherwise stipulated by the contract, the right of ownership to a new movable thing, which the person has manufactured by processing the materials he does not own, shall be acquired by the owner of the materials.

However, if the cost of the processing essentially exceeds the cost of the materials, the right of ownership to the new thing shall be acquired by the person who, while acting in good faith, has effected the processing for himself.

2. Unless otherwise stipulated by the contract, the owner of the materials, who has acquired the right of ownership to the thing, manufactured from them, shall be obliged to recompense the cost of the processing to the person, who has performed it, and in the case of the right of ownership to the new thing being acquired by the latter, this person shall be obliged to recompense the cost of the materials to their owner.

3. The owner of the materials, who has been deprived of them as a result of the actions in bad faith of the person, who has executed the processing, shall have the right to claim that the new thing be transferred into his ownership and that the losses, inflicted upon him, be compensated.

Article 221. Turning into the Ownership of the Objects, Generally Available for Collection

In the cases, when in conformity with the law or with the general permission of the owner, or in conformity with the local custom, in a certain area, the berry-picking, procurement (catching) of fish and other aquatic biological resources, gathering, extraction, hunting and trapping of the generally available objects and animals is admitted, the right of ownership to the corresponding objects shall belong to the person, who has performed these actions.

Article 222. The Unauthorized Structure

1. The unauthorised building is a building, installation or another structure erected or created on a land plot that has not been granted in the established procedure or a land plot whose use does not allow the construction of this building on it, or erected or created without the approvals and **permits** required for it by operation of law or in breach of the town-planning and building standards and rules, if the permitted use of the land plot, the requirement to secure relevant approvals and permits and (or) said town-planning and building standards and rules have been established as of the date of commencement of the erection or creation of the unauthorised building, and keep effective as of the date of discovery of the unauthorised building.

The following is not deemed unauthorised building: a building, installation or another structure erected or created in breach of the restrictions imposed in accordance with a law on the use of the land plot, if the owner of the given building did not know and could not know about the effect of said restrictions in respect of the land plot belonging to him.

2. The person, who has built an unauthorized structure, shall not acquire the right of ownership to it. He shall have no right to dispose of the said structure, i.e., to sell it, to make a gift of it, to give it in rent and to perform other deals with it.

The paragraph is invalid from August 4, 2018 - **Federal Law** No. 339-FZ of August 3, 2018

The use of the unauthorised building is prohibited.

The unauthorised building is subject to demolition or to being brought in line with the parameters established by land-use and development rules, documentation on the planning of territories, or the mandatory provisions governing the parameters of the building envisaged by a law (hereinafter referred to as "established provisions") by the person that has realised it or on his account, and if information about him is not available, by the person that has the land plot on which the unauthorised building has been erected or created in his ownership, life inheritable possession, permanent (perpetual) use, or by the person to which such land plot which is under state or municipal ownership has been granted for temporary possession and use, or on the account of the relevant person, except for the cases envisaged by **Item 3** of

this article, and cases when the demolition of unauthorised building or the bringing thereof in line with the established requirements is effectuated in accordance with a law by a local government body.

3. The right of ownership to an authorized structure may be **recognized by court** and in some other legal procedure established by laws in the instances provided for by laws in respect of the person, in whose ownership, inherited life possession or permanent (perpetual) use is the land plot, on which the said structure has been built, if the following conditions are concurrently met:

if in respect of the land plot the person that has erected the structure enjoys the rights allowing to erect the given object on it;

if as of the date of application to the court the building meets the established requirements;

if the preservation of the structure does not violate the rights and legitimate interests of other persons and does not pose danger to citizens' life and health.

On such occasion, the person whose right of ownership to the structure has been recognized shall compensate to the person that has erected it the outlays on its construction in the amount estimated by court.

3.1. A decision on demolition of the unauthorised building or a decision on demolition of the unauthorised building or bringing it in line with the established provisions shall be taken by the court or in the cases envisaged by **Item 4** of this article by the local government bodies in accordance with their competence established by the law.

3.2. The person having in his ownership, life inheritable possession, permanent (perpetual) use the land plot on which unauthorised building has been erected or created that has executed the demand for bringing the unauthorised building in line with the established provisions acquires the right of ownership to such building, installation or other structure in accordance with this Code.

The person to which the land plot which is under state or municipal ownership and which has been granted for temporary possession and use for the purposes of construction and on which the unauthorised building has been erected or created shall acquire the right of ownership to such building, installation or other structure if he has complied with the demand to bring the unauthorised building in line with the established provisions, unless it contravenes a law or an agreement.

The person that has acquired the right of ownership to the building, installation or other structure shall provide compensation to the person that has constructed them for building expenses less the expenses towards the bringing of the unauthorised building in line with the established provisions.

4. Local government bodies shall take the following in the procedure established by a law:

1) a decision on demolition of an unauthorised building, if the unauthorised building has been erected or created on the land plot in respect of which right-established documents are not available and the need for their being available has been established in accordance with the legislation as of the date of commencement of the construction of such building, or the unauthorised building has been erected or created on the land plot whose type of permitted use does not allow the construction of such building on it, and which is located within the boundary of a common-use territory;

2) decision on demolition of the unauthorised building or on the bringing thereof in line with the established provisions, if the unauthorised building has been erected or created on a land plot whose type of permitted use does not allow the construction of such building on it and the given building is located within the boundary of a zone with special conditions of use of the territory on the condition that the regime of said zone does not allow the construction of such building, or in cases when in respect of the unauthorised building there is no building permit, on the condition that the boundary of said zone and the need for availability of that permit have been established in accordance with the legislation as of the date of commencement of the construction of such building.

The term for demolition of an unauthorised building shall be established with account being taken of the character of the unauthorised building, but it shall not be less than three months, or more than 12 months, and the term for bringing an unauthorised building in line with the established provisions shall be established with account being taken of the character of the unauthorised building, but it shall not be less than six months or more than three years.

The decisions envisaged by this item shall not be taken by local government bodies in respect of the unauthorised buildings erected or created on the land plots not being under state or municipal ownership, except for cases when the preservation of such buildings poses a threat to the lives and health of citizens.

In any case, local government bodies are not entitled to take a decision on demolition of an unauthorised building or decision on demolition of an unauthorised building or on the bringing thereof in line with the established provisions in respect of a piece of immovable property in respect of which the right of ownership has been registered in the Unified State Register of Immovable Property or has been recognised by a court in accordance with **Item 3** of this article or in respect of which a court has earlier taken a decision on refusal to uphold claims for demolition of the unauthorised building, or in respect of a block of flats, dwelling house or a garden house.

Article 223. The Moment of the Right of Ownership Arising in the Acquirer by the Contract

1. The right of ownership shall arise in the acquirer of the thing from the moment of its transfer, unless otherwise stipulated by the law or by the contract.

2. In the cases, when the alienation of the property is subject to the state registration, the right of ownership shall arise with the buyer from the moment of such registration, unless otherwise established by the law.

Immovable property shall be declared belonging to a good faith acquirer (**Item 1 of Article 302**) on the right of ownership from the moment of such registration, except for the cases stipulated by **Article 302** of this Code when the owner has the right to recover such property from a good faith acquirer.

3. A good faith acquirer of residential premises a claim against which has been rejected on the basis of **Item 4 of Article 302** of this Code shall be deemed the owner of the residential premises from the time when the state registration of the right of ownership thereof is effected. On such occasion, the right of ownership of the good faith acquirer may be disputed judicially and the residential premises may be only reclaimed from him in compliance with **Items 1** and **2 of Article 302** of this Code on the basis of a claim of a person that is not the civil law subject cited in **Item 1 of Article 124** of this Code.

Article 224. The Transfer of the Thing

1. The transfer shall be recognized as the handing in of the thing to the acquirer, and also as the handing in to a transporter for the delivery to the acquirer or the passing to a communications agency for forwarding to the acquirer of the things, alienated without an obligation of delivery.

The thing shall be regarded as handed in to the acquirer from the moment of its actually being placed into the possession of the acquirer or of the person, whom he has named.

2. If by the moment of concluding the contract on the alienation of the thing it has already been placed into the acquirer's possession, it shall be regarded as transferred to him from this moment.

3. The transfer of the thing shall be equalized to the transfer of the bill of lading or of another document of title to the thing.

Article 225. Ownerless Things

1. An object that has no owner, or whose owner is unknown, or, if not otherwise provided for by laws, whose owner has renounced the right of ownership thereof to said object shall be recognized as ownerless.

2. Unless this is excluded by the rules of the present Code on the acquisition of the right of ownership to the things, which have been renounced by the owner (**Article 226**), on the find (**Articles 227** and **228**), on the neglected animals (**Articles 230** and **231**) and on the treasure (**Article 233**), the right of ownership to the ownerless movables may be acquired by force of the acquisitive prescription.

3. The ownerless immovable things shall be registered by the body, engaged in the state registration of the right to the realty, upon the application of the local government body, on whose territory they are situated.

The body authorised to manage municipal property may apply to the court with a demand for recognition of the right of municipal ownership of this property after one year from the date of registration of the ownerless immovable property, unless another period is provided for by this Article.

The ownerless immovable thing, which has not been recognized by the court ruling as given into the municipal ownership, may once again be accepted into the possession, the use and the disposal by its owner, who has formerly left it, or it may be acquired into ownership by force of the acquisitive prescription.

4. In the cities of federal significance Moscow, St. Petersburg and Sevastopol - ownerless immovable things located on the territories of these cities shall be accepted for recording by the bodies conducting state registration of rights to immovable property upon the applications of the authorised state bodies of these cities.

An authorised state body of the city of federal significance Moscow, St. Petersburg or Sevastopol may apply to the court with a demand for recognition of the right of ownership of the city of federal significance Moscow, St. Petersburg or Sevastopol to this thing after one year from the date of registration of the ownerless immovable property, unless another period is provided for by this Article.

An ownerless immovable thing which has not been recognised by decision of a court as having gone into the ownership of the city of federal significance Moscow, St. Petersburg or Sevastopol may be retaken into the possession, use, and disposition of the owner who has left it or may be acquired for ownership by virtue of **acquisitive prescription**.

5. Apart from the bodies cited in **Items 3** and **4** of this article an application for registration of ownerless linear units may be filed by the persons which are obligated under a law to operate such linear units.

6. After three months from the date of registration of an ownerless immovable property, the bodies specified in **Items 3** and **4** of this Article may apply to the court with a demand for recognition of the right of ownership of this property if it is an object (including a linear one) necessary for providing heat and electric energy, water, gas, for water disposal, or a hydraulic structure, or a civil defence facility.

After three months from the date of registration of the ownerless objects specified in **Items 5** and **6** of this Article, persons obliged to operate such objects, in accordance with the law, may also apply to the court with a demand for recognition of the right of ownership of such objects.

Article 226. The Movables, Renounced by the Owner

1. The movable things, abandoned by their owner, or left by him in another way with the purpose of renouncing his right of their ownership (the abandoned things), may be turned by other persons into their ownership in conformity with the order, stipulated by Item 2 of the present Article.

2. The person, in whose ownership, possession or use is the land plot, body of water or another object, where the abandoned thing, which costs obviously less than three thousand roubles and also the abandoned metal scrap, the rejected products, the sinken logs in the floating, the dumps and the drains formed in the extraction of minerals, the production and other wastes are located, shall have the right to turn these things into his ownership by starting to use them, or by performing other actions, testifying to the thing being turned into ownership.

Other abandoned things shall go into the ownership of the person, who has entered into their possession, if, upon the application of this person, the court has recognized them as ownerless.

Article 227. The Find

1. The person, who has found a lost thing, shall be obliged to immediately notify about this the person, who has lost it, or the person, who is its owner, or somebody else from among the persons he knows, who have the right to obtain it, and to return the thing he has found to this person.

If the thing has been found indoors or in a transport vehicle, it shall be subject to being handed over to the person, representing the owner of the quarters or of the transport vehicle in question. In this case, the person, to whom the find has been handed over, shall acquire the rights and shall discharge the obligations

of the person, who has found the thing.

2. If the person, who has the right to claim that the found thing be returned to him, or the place of his stay is not known, the person, who has found the thing, shall be obliged to declare the find to the police or to the local government body.

3. The person, who has found the thing, shall have the right to keep it or to give it for keeping to the police, to the local government body, or to the person these have pointed out.

The perishable thing or the thing, the cost of whose storage is inordinately great compared with its cost, may be realized by the person, who has found it; the latter shall obtain a written proof of the earnings he has derived. The money, received from the sale of the find, shall be subject to the return to the person, legally entitled to obtain it.

4. The person, who has found the thing, shall be answerable for the said thing's loss or damage only in the case of an evil intent or of a flagrant carelessness on his part, and then only within the limits of its cost.

Article 228. Acquisition of the Right of Ownership to the Find

1. If in the course of six months from the moment of the declaration of the find to the police or to the local government body (**Item 2 of Article 227**), the person, legally entitled to obtain the found thing, is not identified, or does not himself declare his right to the thing to the person, who has found it, to the police or to the government body, the person, who has found it, shall acquire the right of ownership to the given thing.

2. In case the person, who has found the thing, refuses to acquire the found thing into his ownership, it shall be turned into municipal ownership.

Article 229. Compensation of the Expenses, Involved in the Find, and the Reward to the Person, Who Has Found It

1. The person, who has found and returned the thing to the person, legally entitled to obtain it, shall have the right to receive from this person, and in case the thing is turned into municipal ownership - from the corresponding local government body, the compensation of the necessary expenses, involved in the keeping, handing in or realization of the thing, as well as the outlays he has made in his efforts to discover the person, who has the right to obtain the thing.

2. The person, who has found the thing, shall have the right to claim from the person, legally entitled to obtain it, the reward for the find, amounting to up to 20 per cent of its cost. If the found thing presents a value only to the person, legally entitled to obtain it, the amount of the reward shall be defined by an agreement with this person.

The right to the reward shall not arise, if the person, who has found the thing, has not declared the find or has tried to conceal it.

Article 230. Neglected Animals

1. The person, who has detained the neglected or stray cattle or other neglected domestic animals, shall be obliged to return them to the owner, and if the owner of the animals or the place of his stay is not known, shall declare, within three days from the moment of their detention, about his finding the said animals to the police or to the local government body, which shall take measures to find their owner.

2. The person, who has detained the animals, may maintain and use them during the time, required to find their owner, or turn them over for the maintenance and use to another person, disposing of the necessary facilities. By the request of the person, who has detained the neglected animals, the search for a person, who disposes of the necessary facilities for their maintenance, and the transfer of the said animals to this person shall be effected by the police or by the local government body.

3. The person, who has detained the neglected animals, and also that person, to whom they have been turned over for the maintenance and for the use, shall be obliged to keep them properly and shall be answerable for their perish and for the harm done to the animals through their fault within the limits of the

animals' cost.

Article 231. Acquisition of the Right of Ownership to the Neglected Animals

1. If, in the course of six months from the moment, when the declaration about the detention of the neglected animals was made, their owner has not been found or has not himself claimed his right to them, the person, in whose maintenance and use the animals have been, shall acquire the right of ownership to them.

In case this person has refused to acquire the right of ownership to the animals in his maintenance, they shall be turned into the municipal ownership and shall be used in conformity with the procedure, laid down by the local government body.

2. If the former owner of the animals turns up after their being passed over into the ownership of another person, the former owner shall have the right, in case the said animals are showing the signs of affection for him, or in case the new owner treats them cruelly or improperly, to claim that they be returned to him on the terms, defined by an agreement with the new owner, and if it is impossible to reach such an agreement - on the terms, ruled by the court.

Article 232. Compensation of the Expenses Involved in Keeping Neglected Animals and the Reward for Them

In case the neglected domestic animals are returned to the owner, the person, who has detained the animals, and also the person, in whose maintenance and use they have been, shall be entitled to the compensation by the owner of their outlays on the maintenance of the animals, with offsetting the profits, derived from their use.

The person, who has detained the neglected domestic animals, shall have the right to the reward in conformity with **Item 2 of Article 229** of the present Code.

Article 233. The Treasure

1. The treasure, i.e., the money or other valuable things, buried underground or hidden away in any other manner, whose owner cannot be identified or, by force of the law, has lost the right to them, shall be turned into the ownership of the person, who is the owner of the property (the land plot, the building, etc.), where the treasure was hidden, and of the person, who has discovered the treasure, in equal shares, unless another kind of agreement has been reached between them.

In case the treasure is discovered by the person, who has been performing excavation work or the search for valuables without obtaining a permission to this effect from the owner of the land plot or of other property, where it was hidden, the treasure shall be subject to the transfer to the owner of the land plot or of the other property, where the treasure was discovered.

2. In case of discovering a treasure, containing things which are classified as cultural values and whose owner can not be determined, or, according to the law, has lost the right to them, than these things shall be handed over into the state ownership. The owner of the land plot or another kind of property, where the treasure was hidden, and the person, who has discovered the treasure, shall be together entitled to a reward, amounting to 50 per cent of the cost of the treasure. The reward shall be divided between these persons in equal shares, unless another kind of agreement has been reached between them.

In case the treasure has been discovered by the person, who has performed excavation work or the search for valuables without the consent of the owner of the property, where the treasure was hidden, the reward shall not be paid to this person and shall be paid in full to the property owner.

3. The rules of the present Article shall not be applied to the persons, who have been engaged in the excavation work and in the search, aimed at the discovery of the treasure, by force of such duties being included within the range of their labour or official duties.

Article 234. Acquisitive Prescription

1. The person - the citizen or the legal entity - who is not the owner of the property, but who has, in

good faith, openly and uninterruptedly, possessed the realty as his own immovable property, unless another time and terms of acquisition are provided for by this article, in the course of fifteen years, or any other property in the course of five years, shall acquire the right of ownership to this property (the acquisitive prescription).

The right of ownership to the realty and other property, subject to the state registration, shall arise in the person, who has acquired this property by force of the acquisitive prescription, from the moment of such registration.

2. Before the acquisition of the right of ownership to the property by force of the acquisitive prescription, the person, possessing the given property as his own, shall have the right to protect his possession against third parties, who are not the owners of the said property, and also against those, who have no rights to its possession on other grounds, stipulated by the law or by the agreement.

3. The person, referring to the long term of possession, may add to the period of his possession the entire period of time, in the course of which the property has been possessed by the person, whose legal successor the given person is.

4. The running of the term of the acquisitive prescription with respect to the things, which are in the custody of the person, from whose possession they could be reclaimed in conformity with **Articles 301** and **305** of the present Code, shall start from the date when a good faith inquirer begins to openly possess a thing or, if the right of ownership of the good faith acquirer of an immovable property item which he openly possesses has been registered, at the latest from the time of the state registration of such good faith acquirer's right of ownership.

Chapter 15. The Cessation of the Right of Ownership

Article 235. The Grounds for the Cessation of the Right of Ownership

1. The right of ownership shall cease with the alienation by the owner of his property in favour of other persons, with the owner's renouncement of his right of ownership, with the perish or the destruction of the property and with the loss of the right of ownership in other law-stipulated cases.

2. The forcible withdrawal of the property from the owner shall not be admitted, with the exception of the cases, when, on the law-stipulated grounds, shall be effected:

1) the turning of the penalty onto the property by the obligations (**Article 237**);

2) the alienation of the property, which by force of the law may not be owned by the given person (**Article 238**);

3) the alienation of immovable property in connection with withdrawal of a land plot because of its improper use (**Article 239**);

3.1) the alienation of an incomplete construction object in connection with termination of the validity term of an agreement on lease of a land plot which is under state or municipal ownership (**Article 239.1**);

3.2) the alienation of immovable property in connection with compulsory alienation of a land plot for state or municipal needs (withdrawal of a land plot for state or municipal needs (**Article 239.2**);

4) the redemption of the mismanaged cultural values and of domestic animals (**Articles 240** and **241**);

5) the requisition (**Article 242**);

6) the confiscation (**Article 243**);

7) the alienation of the property in the cases, stipulated by **Article 239.2**, **Item 4 of Article 252**, by **Item 2 of Article 272**, and by **Articles 282**, **285** and **293**, by **Items 4** and **5 of Article 1252** of the present Code.

8) appropriation on the basis of a court decision by the Russian Federation of the property in respect of which any evidence proving its acquisition with the use of lawful income are not presented in compliance with the anticorruption **legislation** of the Russian Federation.

9) appropriation on the basis of a court decision by the Russian Federation of the monetary assets, valuables, other property and the income derived from them in respect of which in compliance with the **legislation** of the Russian Federation on counteracting terrorism a person has not presented data proving the legality of their acquisition.

By the owner's decision and in conformity with the procedure, stipulated by the laws on the privatization, the property, which is in the state or in the municipal ownership, shall be alienated into the ownership of the citizens and of the legal entities.

The turning into the state ownership of the property, which is in the ownership of the citizens and of the legal entities (the nationalization), shall be effected on the ground of the law with the recompensing of the cost of this property and other losses in conformity with the procedure, laid down by **Article 306** of the present Code.

Article 236. Renouncement of the Right of Ownership

The citizen or the legal entity may renounce the right of ownership to the property in his (its) ownership by announcing this or by performing other actions, definitely testifying to his abstaining from the possession, the use and the disposal of the property without an intention to preserve any rights to this property.

The renouncement of the right of ownership shall not entail the cessation of the rights and duties of the owner with respect to the corresponding property until the right of ownership to it is acquired by another person.

Article 237. Turning of the Penalty onto the Property by the Owner's Obligations

1. The withdrawal of the property by turning onto it the penalty by the owner's obligations shall be effected on the grounds of the court decision, unless another order of turning the penalty is stipulated by the law or by the agreement.

2. The right of ownership to the property, onto which the penalty has been turned, shall cease in its owner from the moment, when the right of ownership to the withdrawn property arises in the person, to whom this property is transferred.

Article 238. Cessation of the Right of Ownership to the Property in the Person, Who May Not Own It

1. If on the grounds, admitted by the law, in the ownership of the person has been found the property, which he may not own by force of the law, this property shall be alienated by the owner in the course of one year from the moment of the arising of the right of ownership to the property, unless the law has established another term.

2. In the cases, when the property has not been alienated by the owner within the term, established by **Item 1** of the present Article, such property, with account for its nature and purpose, shall be subject, in accordance with the court decision, passed upon the application of the state body or local government body, to the forcible sale with the transfer to the former owner of the money, derived from this sale, or to the transfer into the state or into the municipal ownership, with the compensation to the former owner of the cost of the property, defined by the court. The outlays, involved in the alienation of the property, shall be detracted. In the event of the putting under state or municipal ownership of a land plot on which a building, installation or another structure is located in respect of which a decision has been taken on demolition of the unauthorised building or decision on demolition of the unauthorised building or bringing thereof in line with the established provisions there shall also be deducted the expenses towards the performance of the works of demolition of the unauthorised building or of bringing it in line with the established provisions which are defined in accordance with the legislation on the appraisal business.

3. If, on the grounds, admitted by the law, in the ownership of the person or of the legal entity has been found the thing, for the acquisition of which a special permit is required, while its issue has been refused to the owner, this thing shall be subject to alienation in the order, established for the property, which may not be owned by the given owner.

Article 239. Alienation of the Realty in Connection with the Withdrawal of the Land Plot, on Which It Is Situated

1. In the cases, when the withdrawal of the land plot because of the improper use of land is impossible without the cessation of the right of ownership to the buildings, the structures or other immovable property, situated on the given land plot, this property may be withdrawn from the owner by way of its sale at a public auction in conformity with the procedure, stipulated by **284-286** of the present Code.

Abrogated from April 1, 2015.

2. Abrogated from April 1, 2015.

Article 239.1. The Alienation of an Incomplete Construction Object Located on a Land Plot Which Is under State or Municipal Ownership in Connection with Termination of an Agreement on Lease of Such Land Plot

1. If not otherwise provided for by law, in the event of termination of the validity term of an agreement on lease of a land plot which is under state or municipal ownership and which is allotted on the basis of the results of an auction, the incomplete construction objects located on such land plot may be withdrawn from the owner thereof on the basis of a court decision through public sales.

The procedure for holding public sales of incomplete construction objects shall be established by the Government of the Russian Federation.

2. The executive state power body or local authority authorized to dispose of a land plot which is under state or municipal ownership and on which an incomplete construction object is located are entitled to make a court claim for the sale of this object through public sales.

3. A claim for the sale of an incomplete construction object is subject to satisfaction if the owner of this object can prove that violation of the time for construction of the incomplete construction object is connected with the actions (failure to act) of the state power bodies, local authorities or persons engaged in operation of engineering support networks which this object is connected (technologically connected) to.

4. The starting selling price of an incomplete construction object shall be fixed on the basis of assessment of its market value.

If public auctions for the sale of an incomplete construction object are declared frustrated, such object may be acquired under state or municipal ownership at the starting price of this object within two months from the date of declaring the auction frustrated.

5. The assets derived from selling an incomplete construction object through public auction or from acquisition of such object under state or municipal ownership shall be paid to the former object's owner less the outlays on the preparation and holding of the public auction.

6. The rules of this article shall also apply in the event of termination of an agreement on lease of a land plot which is under state or municipal ownership and which has been made without holding a tender for the purpose of completion of constructing the incomplete construction object, provided that the construction of this object is not completed.

Article 239.2. Alienation of Immovable Property in Connection with the Withdrawal of a Land Plot for State or Municipal Needs

1. The buildings, structures and incomplete construction objects which are located on the land plot to be withdrawn for state or municipal needs, or the premises and stalls in such buildings and structures (except for the structures (in particular structures whose construction is not completed) whose placement on the land plot to be withdrawn is not at variance with the aim of withdrawal) shall be alienated in connection with withdrawal of the land plot on which such buildings, structures and incomplete construction objects are located.

2. If the owner of the land plot to be withdrawn for state or municipal needs or the person holding such land plot on the basis of some other right possesses the immovable property items located on such land plot, such land plot shall be withdrawn and such items shall be alienated in compliance with this

article at the same time.

3. The buildings, structures, premises in such buildings and structures, as well as incomplete construction objects, shall be alienated in connection with withdrawal of a land plot for state or municipal needs according to the rules for withdrawal of land plots for the state or municipal needs.

Article 240. Redemption of the Mismanaged Cultural Values

In the cases, when the owner of the cultural values, referred in conformity with the law to those particularly valuable and protected by the law, carelessly maintains these values, as a result of which they may lose their importance, such values may be withdrawn from the owner in accordance with the court decision, by way of their redemption by the state or by their sale at an open auction.

In case of the redemption of the cultural values, the owner shall be recompensed their cost in the amount, fixed by the agreement between the parties, and in the case of a dispute arising between them - by the court. If the values are sold at an open auction, the owner shall receive the earnings from the sale, less the outlays for holding the auction, as well as of the cost of restoration works with respect to the cultural heritage object or of the cost of measures necessary for preserving an archeological heritage object pointed out in Article 40 of Federal Law No. 73-FZ of June 25, 2002 on the Cultural Heritage Objects (on the Monuments of History and Culture) of the Peoples of the Russian Federation.

Article 241. Redemption of the Domestic Animals in Case of Their Improper Treatment

In the cases, when the owner's treatment of the domestic animals is in glaring contradiction with the rules of the humane attitude toward the animals, established on the ground of the rules and norms, accepted in society, these animals may be withdrawn from the owner by way of their redemption by the person, who has filed the corresponding claim with the court. The redemption price shall be defined by the agreement between the parties, and in case of a dispute arising between them - by the court.

Article 242. Requisition

1. In case of the natural calamities, the accidents, the epidemics or the epizootics, and under other circumstances of an extraordinary nature, the property may be, in the interest of society and by the decision of the state bodies, withdrawn from the owner in accordance with the procedure and on the terms, laid down by the law, with the cost of the requisitioned property paid out to him (the requisition).

2. The estimate, according to which the owner shall be paid the cost of the requisitioned property, may be disputed by him in the court.

3. The person, whose property has been requisitioned, shall have the right to claim through the court the return to him of the preserved property, if the circumstances, in connection with which the requisition was performed, have ceased to operate.

Article 243. Confiscation

1. In the law-stipulated cases, the property may be withdrawn from the owner without any compensation in accordance with the court decision as a sanction, inflicted for his committing a crime or another violation of the law (the confiscation).

2. In the **law-stipulated** cases, the confiscation may be carried out in the administrative order. The decision on the confiscation, adopted in the administrative order, may be disputed in the court.

Chapter 16. The Common Property

§ 1. General Provisions on Co-Ownership

Article 244. The Concept and the Grounds for the Common Property to Arise

1. The property, which is in the ownership of two or of several persons, shall belong to them by the right of common ownership.

2. The property may be in the common ownership, with the share of each of the owners in the right of ownership defined (the share ownership), or not defined (the joint ownership).

3. The common ownership of the property shall be the share ownership, with the exception of the cases, when the law stipulates the formation of the joint ownership to this property.

4. The common ownership shall arise when into the ownership of two or of several persons falls the property, which cannot be divided without changing its intended purpose (the indivisible things) or which shall not be subject to division by force of the law.

The common ownership of the divisible property shall arise in the cases, stipulated by the law or by an agreement.

5. By an agreement between the participants in the joint ownership, and if no agreement can be reached - by the court decision, the share ownership to the common property may be established.

Article 245. Definition of the Shares in the Right of the Share Ownership

1. If the shares of the participants in the share ownership cannot be defined on the ground of the law and have not been established by an agreement between all its participants, the shares shall be regarded as equal.

2. By an agreement between all the participants in the share ownership, the order of defining and amending their shares, which would depend on the contribution of each of them into the formation and the increment of the common property, may be established.

3. The participant in the share ownership, who has effected at his own expense and with the observation of the order, established for the use of the common property, the inseparable improvements in this property, shall be entitled to the corresponding increase of his share in the right of ownership to the common property.

The separable improvements, made in the common property, unless otherwise stipulated by the agreement between the participants in the common property, shall be the property of that of the participants, who participants, who has effected them.

Article 246. Disposal of the Property in the Share Ownership

1. The disposal of the property, which is in the share ownership, shall be effected in accordance with the agreement between all its participants.

2. The participant in the share ownership shall have the right at his own discretion to sell, to make a gift of, to leave by will, or to pledge his share, or to dispose of it in any other way, with the observation in its gratuitous alienation of the rules, stipulated by **Article 250** of the present Code.

Article 247. Possession and Use of the Property in the Share Ownership

1. The possession and the use of the property, which is in the share ownership, shall be effected in accordance with an agreement between all its participants, and in case such an agreement cannot be reached - in accordance with the order, ruled by the court.

2. The participant in the share ownership shall have the right to put into his possession and use the part of the common property, proportionate to his share, and in case of this being impossible, he shall have the right to claim the corresponding compensation from other participants, who possess and use the property, comprising his share.

Article 248. The Fruits, Products and Incomes from the Use of the Property in the Share Ownership

The fruits, products and incomes, derived from the use of the property, which is in the share ownership, shall comprise the common property and shall be distributed between the participants in the share ownership proportionately to their shares, unless otherwise stipulated by an agreement between

them.

Article 249. Burden of Maintenance of the Property in the Share Ownership

Every participant in the share ownership shall be obliged to take part, proportionately to his share, in the payment of the taxes, collections and other mandatory dues by the common property, as well as in costs and expenses, involved in its maintenance and storage.

Article 250. Preferential Right of the Purchase

1. In case a share in the right of the common ownership is sold to an outsider, the rest of the participants in the share ownership shall have the right of priority in the purchase of the share on sale for the price, for which it is being sold, and on other equal terms, with the exception of the case, when it is being sold at an open auction, as well as when a share in common ownership of common property specified in **Item 2 of Article 259.2** of this Code.

An open auction for the sale of the share in the right of the common ownership in the absence of the consent to it of all the participants in the share ownership, may be held in the cases, stipulated by the second part of **Article 255** of the present Code, and also in other law-stipulated cases.

2. The seller of the share shall be obliged to notify in written form the rest of the participants in share ownership about the intention thereof to sell his share to an outsider, with an indication of the price and other terms, on which he is selling his share.

If the rest of the participants in the share ownership do not acquire the shares to be sold in the right of ownership to immovable property within a month and in the right of ownership to movable property within 10 days from the date of notification, the seller shall have the right to sell his share to any person. If the rest of the participants in share ownership refuse in writing to exercise the pre-emptive right to the purchase of the shares being sold, such shares may be sold to an outsider ahead of the specified time.

The specifics of notification of participants in share ownership about the intent of the seller of a share in the right of common ownership to sell the share thereof to an outsider may be established by federal law.

3. If the share is sold with a violation of the right of priority to the purchase, any other participant in the share ownership shall have the right to claim through the court, in the course of three months, that the buyer's rights and duties be transferred to him.

4. The cession of the right of priority to the purchase of the share shall not be admitted.

5. The rules of the present Article shall also be applied in case of the alienation of the share by a barter agreement.

Article 251. The Moment of the Transfer of the Share in the Right of the Common Ownership to the Acquirer by the Contract

The share in the right of the common ownership shall be transferred to the acquirer by the contract from the moment of its conclusion, unless otherwise stipulated by the agreement between the parties.

The moment of the share in the right of the common ownership being transferred by the contract, which is subject to the state registration, shall be defined in conformity with **Item 2 of Article 223** of the present Code.

Article 252. Division of the Property in the Share Ownership and the Setting Apart of a Share from It

1. The property, which is in the share ownership, may be divided between its participants by an agreement between them.

2. The participant in the share ownership shall have the right to claim that his share be set apart from the common property.

3. If the participants in the share ownership have failed to come to an agreement on the way and the terms for the division of the common property or for the setting apart of the share of one of the

participants, the participant in the share ownership shall have the right to claim through the court that his share be set apart from the common property in kind.

If the setting apart of the share in kind is not admitted by the law or is impossible without causing an inordinate harm to the property in the common ownership, the withdrawing owner shall have the right to the payment out to him of the cost of his share by other participants in the share ownership.

4. The rift between the property, set apart in kind to the participant in the share ownership on the ground of the present Article, and his share in the right of ownership shall be eliminated by paying out to him of the corresponding sum of money or by another kind of compensation.

The payment out to the participant in the share ownership by the rest of the participants of a compensation instead of the setting apart of his share in kind, shall be admitted only with his consent. In case the owner's share is insignificant, cannot be realistically set apart and he doesn't display a serious interest in the use of the common property, the court may obligate the rest of the participants in the share ownership to pay him out the compensation even in the absence of his consent.

5. Upon the receipt of the compensation in conformity with the present Article, the owner shall lose the right to a share in the common property.

Article 253. Possession, Use and Disposal of the Property in the Joint Ownership

1. The participants in the joint ownership, unless otherwise stipulated by the agreement between them, shall possess and use the common property jointly.

2. The property in the joint ownership shall be disposed of by the consent of all the participants, which shall be presumed regardless of which particular participant performs the deal, involved in the disposal of the property.

3. Each of the participants in the joint ownership shall have the right to perform the deals, involved in the disposal of the common property, unless otherwise following from the agreement between all the participants. The deal, effected by one of the participants in the joint ownership, involved in the disposal of the common property, may be recognized as invalid upon the demand of the rest of the participants for the reason of the participant, who has made the deal, not having the necessary powers, only if it has been proved that the other party to the deal has known, or should have known, about it.

4. The rules of the present Article shall be applied so far as no other rules have been laid down for the individual kinds of the joint ownership by the present Code or other laws.

Article 254. Division of the Property in the Joint Ownership and the Setting Apart of a Share from It

1. The division of the common property between the participants in the joint ownership, as well as the setting apart of the share of one of them may be effected after making a preliminary estimate of the share of each of the participants in the right to the common property.

2. Unless otherwise stipulated by the law or by the agreement between the participants, when dividing the common property and setting apart a share from it, their shares shall be recognized as equal.

3. The grounds and the order for the division of the common property and for the setting apart of a share from it shall be defined according to the rules of **Article 252** of the present Code, so far as no other rules have been laid down for the individual kinds of the joint ownership by the present Code and other laws or follow from the substance of the relationships between the participants in the joint ownership.

Article 255. Turning of the Penalty onto the Share in the Common Property

The creditor of the participant in the share or in the joint ownership shall have the right, in case the given owner's other property proves to be insufficient, to claim the setting apart of the debtor's share in the common property for turning the penalty onto it.

If in such cases the setting apart of the share in kind is impossible or if the rest of the participants in the share or in the joint ownership object to it, the creditor shall have the right to claim the sale by the debtor of this share to the rest of the participants of the common property for the price, proportionate to the

market cost of this share, with the means, derived from the sale, going to service the debt.

In case of the refusal of the rest of the participants in the common ownership to acquire the debtor's share, the creditor shall have the right to claim through the court that the penalty be turned onto the debtor's share in the right of the common ownership by way of selling this share at an open auction.

Article 256. The Community Property

1. The property, accumulated by the spouses during their married life, shall be their joint, or community property, unless another regime has been established for this property by the marriage contract between them.

2. The property, which was owned by each of the spouses before they entered into the marriage, or that received by one of the spouses during their married life as a gift or by inheritance, shall be the property of this particular spouse.

The things of personal use (such as the clothes, the footwear, etc.), with the exception of the jewels and other luxury goods, even though acquired during the married life at the expense of the spouses' common means, shall be recognized as the property of that spouse, who has used them.

The property of each of the spouses may be recognized by the court as their joint property, if it has been established that during their married life, at the expense of the common property of the spouses or of the personal property of the other spouse, have been made the contributions, which have essentially increased the cost of that property (the overhaul, the reconstruction, the re-equipment, etc.). The present rule shall not be applied, if otherwise stipulated by a marriage contract between the spouses.

An exclusive right to the result of intellectual activity belonging to the author of such result (**Article 1228**) shall not be included into the spouses' common property. However, incomes derived from the use of such result are the spouses' common property, unless otherwise stipulated in the marriage contract signed by them.

3. By the obligations of one of the spouses, the penalty may be turned only onto the property in his ownership and onto his share in the common property of the spouses, which should be due to him in case of the division of this property.

4. The rules for defining the spouses' shares in the common property during its division and the order of such a division, shall be laid down by the **family legislation**.

If one the spouses has died the surviving spouse shall have a share in the right to the common property of the spouses, equal to one half, unless another amount of the share has been defined in the marriage contract, joint will, inheritance contract or a court's decision.

Article 257. Ownership of the Farm Household

1. The property of the farm household shall belong to its members by the right of joint ownership, unless otherwise stipulated by the law or by an agreement between them.

2. In the joint ownership of the members of the farm household shall be the land plot, assigned into the ownership of this economy or acquired, the economic and another kind of buildings, the amelioration and another kind of structures, the productive and the draft animals, the poultry, the farm and another kind of machinery and equipment, the transportation vehicles, the implements and another kind of property, acquired for the economy at the expense of the common means of its members.

3. The fruits, products and incomes, derived as a result of the activity of the peasant (the farmer's) economy, shall be the common property of the members of the peasant (the farmer's) economy and shall be used by an agreement between them.

Article 258. Division of the Farm Household

1. Upon the termination of the farm household in connection with the retirement of all its members or on other grounds, the common property shall be subject to division in accordance with the rules, stipulated by **Articles 252** and **254** of the present Code.

The land plot in such cases shall be divided according to the rules, established by the present Code

and by the land legislation.

2. The land plot and the means of production, belonging to the farm household, shall not be subject to division in case of the retirement of one of its members. The retired member shall have the right to receive the money compensation, proportionate to his share in the common ownership of this property.

3. In the cases, stipulated by the present Article, the shares of the members of the farm household in the right of the joint ownership to the property of the economy shall be recognized as equal, unless otherwise stipulated by an agreement between them.

Article 259. Ownership of the Economic Partnership or the Cooperative, Based on the Property of the Farm Household

1. The members of the farm household may set up, on the basis of the economy's property, a business company or a production cooperative. Such business company or a cooperative as a legal entity shall possess the right of ownership to the property, transferred to it in the form of investments and other contributions by the members of the farm household, and also to the property, which has resulted from its activity or has been acquired on other grounds, admitted by the law.

2. The size of the contributions of the participants in the partnership or of the members of the cooperative, set up on the basis of the farm household, shall be fixed, proceeding form their shares in the right of the common ownership to the economy's property, to be defined according to **Item 3 of Article 258** of the present Code.

§ 2. Common Property of Owners of Real Estate

Article 259.1. Right of Common Shared Ownership of Real Estate Owners to Common Property

1. Owners of real estate located within a common territory defined in accordance with the law and connected physically or technologically, or located in a building or facility, own property on the right of common shared ownership, the use of which was supposed to meet the common needs of such owners when creating or forming such real estate, as well as property to be acquired, created or formed in the future, for the same purpose (common property).

2. If, in accordance with the procedure established by law, the boundaries of a common territory are defined and creation of common property on it is envisaged, then the owners of land plots located on such territory also own shares in the right of common ownership of general-purpose land plots, unless otherwise provided by law.

3. The composition of the common property may be determined in accordance with the law.

4. If a building or facility owned by the owner is located on a land plot owned by another person, then the law may provide that the share in the right of common ownership of common property belongs to such owner of the building or facility.

5. The owner of an immovable shall be entitled to receive information on any decisions taken by the general meeting of owners of real estate from persons that, by virtue of the law or a decision of the general meeting of owners, are entrusted to store such information.

6. The provisions of § 1 of this Chapter shall apply to the relations between the owners of real estate with respect to the common property belonging to them, unless otherwise provided by this Article and Articles 259.2 - 259.4 of this Code.

Article 259.2. Share in the Right of Common Ownership with Respect to Common Property

1. The share in the right of common ownership of common property belonging to the owner of an immovable item shall be proportional to the area of the corresponding immovable item belonging to him, unless otherwise established by law.

2. A share in the right of common ownership of common property follows the fortune of the right of ownership of an immovable item, cannot be allocated in kind and cannot be alienated separately from

the right of ownership of an immovable item. The owner of an immovable item also shall not be entitled to perform other actions entailing the transfer of such share separately from the ownership of the immovable item. Transactions made in violation of the provisions of this Item shall be deemed null and void.

Article 259.3. Ownership, Use and Disposal of Common Property

1. Each owner of an immovable item shall be entitled to own and use common property along with the owners of other real estate, unless a different procedure is determined by a decision of the owners of real estate, this Code or law.

2. Except for the cases provided for in Items 4 and 5 of this Article, a decision of real estate' owners with respect to the issues of ownership, use and disposal of common property shall be taken by a majority vote of all real estate' owners, unless a different number of votes is provided for by this Code or law.

3. The number of votes belonging to an owner of an immovable item shall be proportional to the size of his/her share in the common property.

4. Common property suitable for independent use may be transferred to the possession or use of third parties, if such transfer does not entail violation of the rights and legally protected interests of the owners of real estate. Common property shall be transferred to possession or use of third parties on the basis of a decision of the real estate' owners, adopted by at least two-thirds of the votes of the real estate' owners.

5. Immovables classified as common property shall not be subject to transfer to third parties, except in cases where a decision on such transfer is made unanimously by the real estate' owners, provided that such transfer does not contradict the law.

Article 259.4. Burden of Maintenance of Common Property

1. Unless otherwise established by a unanimous decision of the owners of real estate, each owner of an immovable item must take part in the costs and expenses for maintenance and preservation of common property proportionally to his/her share in the right to common property (Item 1 of Article 259.2). The owner of an immovable item, as a result of whose actions or failure to act additional costs and expenses arise for maintenance and preservation of common property, must cover such cost and expenses.

2. Each owner of an immovable item shall, proportionally to his/her share in the right of common ownership of common property (Item 1 of Article 259.2), take part in payment of taxes, fees and other mandatory payments related to common property.

Chapter 17. Right of Ownership and Other Real Rights to Land

Article 260. The General Provisions on the Right of Ownership to the Land

1. The persons, having in their ownership a land plot, shall have the right to sell it, to make a gift of it, to pledge it or to give it in rent, and to dispose of it in any other way (**Article 209**), so far as the corresponding lands have not been withdrawn from, or restricted in the circulation in conformity with the law.

2. On the ground of the law and of the law-established order, shall be defined the lands, intended for agricultural and other special purposes, whose use for the different purposes is not admitted or is restricted. The land plot, referred to this category of lands, may be used within the limits, defined by its intended purpose.

Article 261. The Land Plot as an Object of the Right of Ownership

1. Abrogated.

2. Unless otherwise decreed by the law, the right of ownership to the land plot shall be spread to the surface (the soil) layer, the bodies of water, other plants, situated within the boundaries of this land plot.

3. The owner of the land plot shall have the right to use at his own discretion everything, which is over and under the surface of this land plot, unless otherwise stipulated by the laws on the mineral wealth and on the use of the air space and by other laws, and so far as it does not violate the rights of other persons.

Article 262. The Land Plots of the Common Use. Access to the Land Plot

1. The citizens shall have the right to freely pass, without being obliged to draw any permits, to the land plots, which have not been closed for the common access, in the state or in the municipal ownership, and to use the natural objects, located on these plots within the limits, admitted by the law and other legal acts, as well as by the owner of the corresponding land plot.

2. Unless the land plot has been fenced off or its owner has clearly indicated that no trespassing is admitted without his permission, any person shall have the right to walk across the land plot under the condition that this does not inflict a loss or cause worry to the owner.

Article 263. Construction on the Land Plot

1. The owner of the land plot shall have the right to erect on it buildings and structures, to rebuild or to pull them down, and also to permit the construction on his land plot to other persons. These rights shall be exercised under the condition that the town-development and construction norms and rules, as well as the demands with regard to the special purpose of the land plot (**Item 2 of Article 260**) be complied with.

2. Unless otherwise stipulated by the law or by the agreement, the owner of the land plot shall acquire the right of ownership to the building, the structure or another kind of the immovable property, which he has erected or created for himself on the land plot in his ownership.

The consequences of the unauthorised building erected or created on a land plot by the owner thereof or by other persons are defined by **Article 222** of this Code.

Article 264. The Rights to the Land of the Persons, Who Are Not the Owners of the Land Plots

1. Land plots may be granted by the owners thereof to other persons on the terms and in the procedure set out in the **civil** and **land legislation**.

2. The person, who is not the owner of the land plot, shall exercise the rights to the possession and to the use of the land plot on the terms and within the limits, laid down by the law or by the agreement with the owner.

3. The possessor of the land plot, who is not the owner, shall not have the right to dispose of this land plot, unless otherwise stipulated by the law.

Article 265. The Grounds for the Acquisition of the Right to the Inherited Life Possession of the Land Plot

The right of the inherited life possession of the land plot, which is in the state or in the municipal ownership, shall be acquired by the citizens on the grounds and in the order, stipulated by the **land legislation.**

Article 266. Possession and Use of the Land Plot by the Right of the Inherited Life Possession

1. The citizen, enjoying the right of the inherited life possession (the possessor of the land plot) shall have the **right of the possession and of the use** of the land plot, which shall be passed by the right of succession.

2. Unless otherwise following from the terms, established for the use of the land plot by the law, the owner of the land plot shall have the right to erect on it buildings and structures and to create other kinds of the immovable property, acquiring to it the right of ownership.

Article 267. Disposing of a Land Plot in Inheritable Possession for Life

It is hereby prohibited to dispose of a land plot in inheritable possession for life, except for the case of transfer of the right to the land plot in line of succession.

Article 268. The Grounds for the Acquisition of the Right of the Permanent (Perpetual) Use of the Land Plot

1. The right of permanent (perpetual) use of a land plot which is under state or municipal ownership shall be granted to the persons cited in the **Land Code** of the Russian Federation.

2. Abrogated.

3. In case of the reorganisation of the legal entity, its right of the permanent (perpetual) use shall be passed in the order of the legal succession.

Article 269. Possession and Use of the Land by the Right of the Permanent (Perpetual) Use

1. The person, to whom the land plot has been given into the permanent (perpetual) use, shall exercise the possession and the use of this land plot within the limits, established by the law, other legal acts and by the act on granting the land plot into the use.

2. The person, to whom the land plot has been granted into the permanent (perpetual) use, shall have the right, unless otherwise stipulated by the law, to independently use the land plot for the purposes, for which it has been granted, including the erection with these purposes in view on the land plot of the buildings, the structures and other kinds of the immovable property. The buildings, the structures and other kinds of the immovable property, erected by this person for himself, shall be his property.

3. The persons to whom land plots are allotted for permanent (termless) use are not entitled to dispose of such land plots, except when an agreement is made on establishing and transferring a land plot for gratuitous use to a citizen in the form of a service allotment in compliance with the **Land Code** of the Russian Federation.

Article 270. Abrogated.

Article 271. The Right of the Use of the Land Plot by the Owner of the Immovable Property

1. The owner of the building, the structure or another kind of the realty, situated on the land plot, which is in the ownership of another person, shall have the right of the use to the land plot granted by such person for the immovable property.

Paragraph 2 was **abrogated**.

2. If the right of ownership to the realty, situated on another man's land plot, is transferred to another person, the latter shall acquire the right of the use of the land plot on the same terms and in the same volume, as the former owner of the realty.

The transfer of the right of ownership to the land plot shall not be the ground for the termination or the amendment of the right to the use of this land plot, belonging to the owner of the realty.

3. Invalid from September 1, 2022 - **Federal Law** No. 430-FZ of December 21, 2021 (in the wording of **Federal Law** No. 185-FZ of June 28, 2022)

4. The rules of this article shall be applicable to buildings and structures with account being taken of the specifics established by Article 287.3 of this Code.

Article 272. The Consequences of the Loss by the Realty Owner of the Right to the Use of the Land Plot

1. If the right to the use of the land plot, granted to the owner of the realty, situated on this land plot, is terminated (**Article 271**), the rights to the realty, left by its owner on the land plot, shall be defined in conformity with an agreement between the owner of the land plot and the owner of the corresponding immovable property.

2. In the absence of, or in case of the failure to reach an agreement, stipulated in Item 1 of the present Article, the consequences of the termination of the right to the use of the land plot shall be defined by the court upon the claim of the owner of the land plot or of the owner of the realty.

The owner of the land plot shall have the right to claim through the court that the owner of the realty remove it from his land plot after the termination of the right to the use of the land plot and bring the land plot into its primary state.

In the cases, when the demolition of the building or of the structure, situated on the land plot, is prohibited in conformity with the law or with other legal acts (the living quarters, the monuments of culture and history, etc.), or is not subject to being effected in view of an obvious excess of the cost of the building or the structure over the cost of the land plot assigned for it, the court, taking into account the grounds for the termination of the right to the use of the land plot and in case of the corresponding claims being filed by the parties, shall have the right:

- to recognize the right of the owner of the realty to the acquisition into ownership of the land plot, on which this realty is situated, or the right of the owner of the land plot to the acquisition of the realty left upon it, or to lay down the terms for the use of the land plot by the owner of the realty for a new period of time.

3. The rules of the present Article shall not be applied in case of termination of an agreement on lease of a land plot which is under state or municipal ownership and on which an incomplete construction object is located (**Article 239.1**), if the land plot is withdrawn for state or municipal needs (**Article 279**), and also in case the rights to the land plot are terminated in view of its of the non-use to the set purpose or of the use with a violation of the legislation of the Russian Federation.

Article 273. Transfer of the Right to the Land Plot in Case of the Alienation of the Buildings or the Structures, Situated on It

In the transfer of the right of ownership to the building or to the structure, belonging to the owner of the land plot, on which it is situated, the right of ownership to the land plot occupied by a building or structure and required for using it is transferred, shall pass to the acquirer of the building (the structure), except as otherwise envisaged by a law.

Part 2 was **abrogated**.

Article 274. The Right of the Limited Use of Another Person's Land Plot (the Servitude)

1. The owner of the immovable property (the land plot and other realty) shall have the right to claim from the owner of the neighboring land plot, and if necessary, also from the owner of yet another land plot (the neighboring plot) that the right of the limited use of the neighboring land plot (the servitude) be granted to him.

The servitude may be established to guarantee the passage across the neighboring land plot both on foot and by a motor vehicle, to provide for the construction, reconstruction and operation of linear facilities that do not impede the use of a land plot in compliance with the permitted use thereof, and also for other needs of the owner of the realty, which cannot be provided for without establishing the servitude.

2. The burdening of the land plot with the servitude shall not deprive the owner of the land plot of the rights of the possession, the use and the disposal of this land plot.

3. The servitude shall be established by an agreement between the person, claiming the institution of the servitude, and the owner of the neighboring land plot, and shall be subject to the registration in conformity with the procedure, laid down for the registration of the immovable property. In case of the failure to reach an agreement on the establishment or on the terms of the servitude, the dispute shall be resolved by the court upon the claim of person, demanding that the servitude be instituted.

4. On the terms and in conformity with the order, stipulated by Items 1 and 3 of the present Article, the servitude may also be established in the interest and upon the claim of the person, to whom the land plot has been granted by the right of the inherited life possession or by the right of the permanent (perpetual) use and of other persons where it is provided for by federal laws.

5. The owner of the land plot, burdened with the servitude, shall have the right, unless otherwise stipulated by the law, to claim from the persons, in whose interest the servitude has been established, a proportionate payment for the use of the land plot.

6. Where it is provided for by law an easement shall be established on basis of an agreement

between the person requiring the establishment of the easement and the person which a land plot which is under state or municipal ownership is allotted to, if this is allowed by the land legislation. On such occasion, the rules provided for by **Articles 275** and **276** of this Code shall apply for the owner of such land plot in respect of the person to whom an easement is allotted.

Article 275. Preservation of the Servitude in the Transfer of the Rights to the Land Plot

1. The servitude shall be preserved in the case of the transfer of the land plot, burdened with this servitude, to another person, if not otherwise provided for by this **Code**.

2. The servitude shall not be an independent object of the purchase and sale or of the mortgage, and shall not be transferred in any way to the persons, who are not the owners of the immovable property, to provide for the use of which the servitude has been established.

Article 276. Termination of the Servitude

1. Upon the claim of the owner of the land plot, burdened with the servitude, the servitude may be terminated in view of the disappearance of the grounds, on account of which it has been instituted.

2. In the cases, when the land plot, owned by the citizen or by the legal entity, cannot be used in conformity with its special purpose as a result of its being burdened with the servitude, the owner shall have the right to claim through the court that the servitude be terminated.

Article 277. The Burdening with the Servitude of the Buildings and the Structures

As applied to the rules, stipulated by **Articles 274-276** of the present Code, with the servitude may also be burdened the buildings, the structures and other immovable property, whose limited use is necessary, regardless of the use of the land plot.

Article 278. The Turning of the Penalty onto the Land Plot

The turning of the penalty onto the land plot by the obligations of its owner shall be admitted only on the grounds of the court decision.

Article 279. The Withdrawal of a Land Plot for State or Municipal Needs

1. A land plot shall be withdrawn for state or municipal needs in the instances and in the procedure which are provided for by the **land legislation**.

2. As a result of withdrawal of a land plot for state or municipal needs the following shall be effected:

1) termination of the right of ownership of a citizen or legal entity to such land plot;

2) termination of the right of permanent (termless) use or of life-long inherited possession of a land plot which is under the state or municipal ownership;

3) preschedule termination of a contract of lease of a land plot which is under the state or municipal ownership or a contract of gratuitous use of such land plot.

3. The decision on withdrawal of a land plot for state or municipal needs shall be adopted by the federal executive power bodies, executive power bodies of constituent entities of the Russian Federation or by local authorities determined in compliance with the **land legislation**.

4. From the date of termination of rights to the withdrawn land plot of the previous right holder thereof the easement or mortgage established in respect of such land plot shall be terminated, as well as the contracts made by the given right holder in respect of such land plot. The easements established in respect of the withdrawn land plot shall be preserved, if the use of such land plot under the terms of an easement is not at variance with the aims for which the land plot is withdrawn.

Where the withdrawal of a land plot for state or municipal needs makes impossible the discharge by the right holder of the land plot of other obligations with respect to third parties, including the obligations based on the contracts made by the right holder of the land plot with such persons, the decisions on withdrawal of the land plot for state or municipal needs shall serve as a ground for

termination of these obligations.

5. The right holder of a land plot shall be notified of the adopted decision on withdrawal of the land plot for state or municipal needs in compliance with the **land legislation**.

6. The time, amount of compensation and other terms under which a land plot is to be withdrawn for state or municipal needs shall be specified by an agreement on withdrawal of the land plot and of the immovable property items located on it for meeting state or municipal needs (hereinafter referred to as an agreement on withdrawal). In the event of compulsory withdrawal, such terms shall be specified by court.

Article 280. The Use and Disposal of a Land Plot to Be Withdrawn for State or Municipal Needs

The persons whose rights to a land plot are to be terminated by virtue of its withdrawal for state or municipal needs, prior to the date of termination of the given rights, shall possess, use and dispose of such land plot in compliance with law at the own discretion thereof. In so doing, the persons cited in this article shall bear the risk of being charged with the outlays and losses connected with construction and reconstruction of buildings and structures, with making inseparable improvements from the date of notifying them about the adopted decision on withdrawal of the land plot for state or municipal needs in compliance with the **land legislation**.

Article 281. Compensation for the Land Plot to Be Withdrawn

1. A compensation shall be made to the right holder of the land plot to be withdrawn for state or municipal needs for the land plot thereof.

2. When estimating the amount of compensation in case of withdrawal of a land plot for state or municipal needs, the market value of the land plot in respect of which the right of ownership is subject to termination, or the market value of other rights to the land plot which are subject to termination and the losses caused by withdrawal of such land plot, including lost earnings, and estimated in compliance with the federal legislation shall be included into it.

If concurrently with withdrawal of a land plot for state or municipal needs the immovable property items located on such land plot and possessed by the right holder of the given land plot are withdrawn, the market value of the immovable property items in respect of which the right of ownership is subject to termination, or the market value of other rights to the immovable property items which are subject to termination shall be included into the compensation for the property to be withdrawn.

3. Where there is the consent of the person whose land plot is to be withdrawn, an agreement on withdrawal may provide for allotment to this person of another land plot and/or another immovable property under the terms and in the procedure which are defined by the legislation, setting off the cost of such land plot and/or other immovable property or of the rights thereto against the amount of compensation for the land plot to be withdrawn.

4. The compulsory withdrawal of a land plot for state or municipal needs shall be permitted on condition of making a preliminary and equivalent compensation.

Article 282. The Withdrawal of a Land Plot for State or Municipal Needs on the Basis of a Court Decision

1. If the right holder of the land plot to be withdrawn has not made an agreement on withdrawal, in particular for the reason of disagreement with the decision on withdrawal of the land plot thereof, the compulsory withdrawal of the land plot for state or municipal needs is allowed.

2. A land plot shall be compulsorily withdrawn for state or municipal needs on the basis of a court decision. A claim for compulsory withdrawal of a land plot for state or municipal needs may be raised with court within the validity term of the decision on withdrawal of the land plot for state or municipal needs. In so doing, the cited claim may not be filed earlier than before the expiry of 90 days from the date of receiving by the right holder of such land plot a draft agreement on withdrawal.

Article 283. **Abrogated** from April 1, 2015.

Article 284. Withdrawal of a Land Plot Which Is Not Used to the Set Purpose

A land plot may be withdrawn from its owner in the cases when it is intended for agricultural activities or for the housing or a different kind of construction and is not used to the set purpose in the course of three years unless a longer time term is established by the law. Into this period is not included the time necessary for the development of the land plot with the exception of the cases when the land plot is referred to agricultural lands whose turnover is regulated by **Federal Law** No. 101-FZ of July 24, 2002 on the Turnover of the Agricultural Lands as well as the time during which the land plot could not have been used to the set purpose because of natural calamities or because of other circumstances precluding such use.

Article 285. Withdrawal of a Land Plot Used in Breach of the Legislation of the Russian Federation

A land plot may be taken from the owner if the plot is being used in breach of the provisions of the legislation of the Russian Federation, in particular when the plot is used for a purpose other than the intended one, if the use thereof causes a substantial fall in the fertility of agricultural-purpose lands or the infliction of harm to the environment, or an unauthorised building has been erected or created on the plot, and the persons specified in **Item 2 of Article 222** of this Code have not executed the duties - envisaged by a law - to demolish it or bringing it in line with the established provisions.

"**Article 286.** Procedure for the Withdrawal of a Land Plot Which Is Not Used Not to the Set Purpose or Which Is Used with a Violation of the Legislation of the Russian Federation

1. The state power body or the local government body, authorized to adopt decisions on the withdrawal of land plots on the grounds, stipulated by **Articles 284** and **285** of the present Code, as well as the procedure for an obligatory advance warning of the land plot owners on the violations, committed by them, shall be defined by the law.

2. If the owner of the land plot notifies in written form the body, which has adopted the decision on the withdrawal of the land plot, about his consent to execute this decision, the land plot shall be subject to the sale at an open auction.

3. If the owner of the land plot does not agree with the decision on the withdrawal of the land plot from him, the body, which has passed the decision on the withdrawal of the land plot, may file the claim for the sale of the land plot with the court.

Article 287. Termination of the Rights to the Land Plot, Belonging to the Persons, Who Are Not Its Owners

The termination of the rights to the land plot, belonging to the lease-holders and other persons, who are not its owners, for the reason of an improper use of the land plot by these persons, shall be effected on the grounds and in conformity with the order, established by the **land legislation.**

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Chapter 17.1. The Right of Ownership and Other Rights in Rem to Buildings, Structures, Construction-in-Process Units, Premises and Car Parking Stalls

Article 287.1. The Emergence of a Right of Ownership to a Building, Structure, Construction-in-Process Unit, Premises and Car Parking Stalls at Their Creation

A right of ownership to a created building, structure, construction-in-process unit, premises, car parking stalls shall come into being for the owner of the land plot on which said units are located, except as otherwise envisaged by this Code, another law or agreement. A right of ownership to a created building, structure, construction-in-process unit, premises, car parking stalls shall come into being for the person to which the land plot being under state or municipal ownership has been granted for creation of the relevant

immovable thing, except as otherwise envisaged by this Code, another law or agreement.

Article 287.2. Specifics of the Right of Ownership to a Building or Structure

1. In the event of state registration of the rights to the premises and/or car parking stalls created in a building or structure the right of ownership to the building or structure as a is terminated.

2. The owner of a building or structure has the right to transfer to another person for temporary possession and use or temporary use a premise (a part of a premise), or other parts of the building or structure. In this case an agreement between the owner and another person shall define the part of the building or structure which is subject to transfer for temporary possession and use or for temporary use.

3. Premises and car parking stalls may be created at the division of a building or structure which belongs to several persons by the right of common share property (**Article 252**), as offsetting the shares of all the co-owners of such building or structure in the right of ownership to such building or structure.

Article 287.3. The Use of Someone Else's Land Plot by the Owner of a Building or Structure

1. The owner of a building or structure located on a land plot belonging to another person shall use this land plot on the terms and on the scope which are envisaged by a law, or an agreement with the owner of this land plot.

2. The owner of a building or structure located on a land plot belonging to another person which owner does not have the right to use that land plot under a law or an agreement with the owner of the land plot shall have the right to use this land plot on the scope required for his getting access to such building or structure (**Article 271**).

3. The owner of a building or structure located on someone else's land plot has the right to possess, use and dispose of these building or structure at his discretion, including to demolish his building or structure to the extent that does nor contravenes the terms for use of this land plot which are established by a law or agreement, and does not infringes on the rights of the owner of this land plot or its legal possessor.

4. The accidental loss of a building or structure, located on someone else's land plot shall not cause termination of the right -- cited in **Items 1** and **2** of this article -- of the owner of these building or structure to the land plot, except as otherwise envisaged by a law or agreement. The owner of the lost building or structure shall have the right to restore them in the procedure defined by a law.

Unless the owner of the lost building or structure which are located on someone else's land plot starts restoration of the building or structure within five years from the time of their accidental loss, his right cited in Items 1 and 2 of this article shall get terminated, except as otherwise envisaged by a law or agreement.

5. The owner of a building or structure on a land plot which is under state or municipal ownership shall have the right to claim that the land plot require for using them be transferred to him for ownership or temporary possession or use or only for temporary use, in the cases and in the procedure which are envisaged by a law.

Article 287.4. Specifics of the Right of Ownership to a Premise or Car Parking Stall

1. The owner of premises or car parking stall shall possess, use and dispose of his premise or car parking stall in keeping with their intended purpose. The owner of the premise or car parking stall do not have the right to use them by methods which infringe on the rights and law-protected interests of the owners of other premises or car parking stalls located in the same building or structure.

2. The owner of a premise or car parking stall shall have a share in the right of ownership to the common property in such building or structure (Article 287 [5]).

3. Using a dwelling premise for purposes not connected with individuals' residence shall be admissible only after the dwelling premise is re-classified as "non-dwelling premise" in the procedure defined by the housing legislation, except for the cases established by the Housing Code of the Russian Federation.

4. In the case of demolition or destruction of a building or structure in which premises, car parking

stalls are located the owners of such premises, car parking stalls shall retain the right of common share ownership to the land plot on which the building or structure were located.

Article 287.5. Common Property of the Owners of Premises and Car Parking Stalls in a Building or Structure

1. Owners of premises and parking spaces own shares in the right of common ownership of common property (**Item 1 of Article 259.1**). The purpose of the property to meet the general needs of owners of premises, parking spaces may follow, among other things, from its location and purpose determined during construction of a building or facility, or from a decision of owners of premises, parking spaces on acquisition, creation or formation of common property.

2. The common property inter alia includes auxiliary premises (for instance technical floors, attics, technical basements in which there are utility lines servicing more than one premise or car parking stall in these building or structure), roofs, enclosing structures of these building or structure, mechanical, electrical, plumbing equipment and other equipment located outside or inside the premises or car parking stalls and servicing more than one premise or car parking stall.

Specifics of the classification of properties as common property shall be established by a law.

3. In the cases envisaged by this Code or another law the land plot with landscaping and improvement elements that is occupied by a building or structure and is needed for their use, including for ensuring the safe operation of the building or structure, is also included in the composition of the common property belonging to the owners of premises and car parking stalls, and belongs to the owners of the premises and car parking stalls by the right of common share ownership.

4. Invalid from October 1, 2023 - **Federal Law** No. 351-FZ of July 24, 2023.

5. Invalid from October 1, 2023 - **Federal Law** No. 351-FZ of July 24, 2023.

6. Invalid from October 1, 2023 - **Federal Law** No. 351-FZ of July 24, 2023.

7. Invalid from October 1, 2023 - **Federal Law** No. 351-FZ of July 24, 2023.

8. Unless otherwise established by this Code, other laws or ensues from the essence of relations, the provisions of **§ 2 of Chapter 16** of this Code shall be applicable to the common property of the owners of rooms in a shared flat.

Article 287.6. The Rights of the Owners of Premises, Car Parking Stalls to the Land Plot under the Building or Structure

1. The owners of premises, car parking stalls in a building or structure shall use the land plot on which these building or structure are located, in accordance with the rules established by Article 287.3 of this Code.

2. The owners of premises in a block of flats have by the right of common share ownership the land plot on which this block of flats is located, with landscaping and improvement elements, and other facilities located in said land plot and intended for servicing, operating and improving this block of flats.

3. In the cases envisaged by the Land Code of the Russian Federation the owners of non-dwelling premises in buildings or structures located on a land plot which is under state or municipal ownership, except for the owners of non-dwelling premises in blocks of flats, shall have the right to claim the transfer to them of the land plot occupied by the building or structure, and required for using them, including for ensuring their safe operation, for common ownership or for temporary possession and use or only for temporary use.

Article 287.7. Terminating the Rights of Ownership to Mismanaged Premises

1. If the owner of a premise uses it for purposes other than intended, systematically infringes on the rights and interests of neighbours or mismanages the premise allowing its dilapidation the authorised state body or local government body may warn the owner of the need for eliminating the irregularities, and if they cause dilapidation of the premise, also to set for the owner a commensurate term for repair of the premise.

If after the warning the owner premises keep infringing on the rights and interests of neighbours, or using the premise for purposes other than intended, or if he defaults on repairing the premise without a good reason then on a claim of an authorised state body or local government body the court may take a decision on selling such premise by public auction, with proceeds from the sale less the costs incurred to execute the court's decision being paid to the owner.

2. The rules envisaged by this article shall be applicable to relations connected with the termination of a right of ownership to mismanaged dwelling premises, with the specifics envisaged by the Housing Code of the Russian Federation.

3. The rules envisaged by this article shall be applicable to car parking stalls, except as otherwise envisaged by a law and ensues from the essence of legal relations.

Chapter 18. The Right of Ownership and Other Rights of Estate to the Living Quarters

Article 288. The Ownership of the Living Quarters

1. The owner shall exercise his rights of the possession, the use and the disposal of the living quarters in his ownership in conformity with their intended purpose.

2. The living quarters shall be intended for the citizens' residence.

The citizen-the owner of the living quarters may use them for his own residence and for the residence of the members of his family.

The living quarters may be given by their owner in rent for residence on the ground of a contract.

3. The accommodation in the dwelling houses of various kinds of industrial production shall not be admitted.

The accommodation by the owner in the living quarters he owns of the enterprises, institutions and organisations shall be admitted only after the said quarters have been turned from the living into the non-living ones. The transfer of the quarters from the living into the non-living ones shall be effected in conformity with the procedure, defined by the **housing legislation**.

Article 289. The Flat as an Object of the Right of Ownership

To the owner of the flat in an apartment house, alongside the quarters he owns, occupied by his flat, shall also belong a share in the right of the ownership to the common property of the house (**Article 290**).

Article 290. The Common Property in a Block of Flats

1. The owners of premises, car parking stalls in a block of flats shall have by the right of common share ownership the common premises of the block of flats, bearing and non-bearing structures, mechanical, electrical, plumbing and other equipment of the block of flats located outside or inside the premises which service more than one premise or car parking stall in the block of flats, and also the land plot cited in Item 2 of Article 287.6 of this Code.

2. The owner of a premise or car parking stall does not have the right to alienate his share in the right of ownership to the common property of the block of flats, and also to commit other actions causing the transfer of his share separately from the right of ownership to the premise or car parking stall.

Article 291. The Partnership of the Housing Owners

1. The owners of premises in an apartment house or several apartment houses, or the owners of several dwelling houses, for the purpose of joint management of common property in the apartment house or of the property of the owners of premises in several apartment houses, or of the property of the owners of several dwelling houses and for the purpose of exercising the activities involved in the creation, maintenance, conservation and increment of such property, as well as for the purpose of exercising other kinds of activities aimed at attaining the goals of apartment houses' management or at the joint use of the property possessed by the owners of premises in several apartment houses, or of the property of the owners

of several dwelling houses, may establish partnerships of housing owners.

2. The partnership of the owners of flats shall be the non-profit organisation, set up and operating in conformity with the Law on the Partnerships of the Owners of Flats.

Article 292. The Rights of the Family Members of the Owners of the Living Quarters

1. The family members of the owner, residing in the living quarters he owns, shall have the right to use these quarters on the terms, stipulated by the housing legislation.

The family members who have dispositive capacity and who are limited by a court in their dispositive capacity, living in housing premises belonging to the owner shall bear joint and several liability with the owner for the obligations arising from the use of the housing premises.

2. The transfer of the right of the ownership to the dwelling house or to the flat to another person shall be the ground for the cessation of the right of the use of the living quarters by the family members of the former owner, unless otherwise established by law;

3. The family members of the owner of the living quarters may claim the elimination of the violations of their rights to the living quarters on the part of any persons, including on the part of the owner of the living quarters.

4. Alienation of a dwelling in which there live members of the family of the owner of the dwelling who are under guardianship or curatorship or minor members of the family of the owner without parental custody (of which the body of guardianship and curatorship is aware), if it affects the rights or legally protected interests of the indicated persons, shall be permitted with the consent of the body of guardianship and curatorship.

Article 293. Invalid from September 1, 2022 - **Federal Law** No. 430-FZ of December 21, 2021 (in the wording of **Federal Law** No. 185-FZ of June 28, 2022)

Chapter 19. The Right of Economic Management and the Right of Operation Management

Article 294. The Right of Economic Management

The state or the municipal unitary enterprise, which owns the property by the right of economic management, shall possess, use and dispose of this property within the limits, defined in conformity with the present Code.

Article 295. The Rights of the Owner with Respect to the Property in Economic Management

1. The owner of the property in economic management, in conformity with the law, shall resolve the issues, involved in the setting up of the enterprise, in defining the object and the goals of its activity, in its reorganisation and liquidation; he shall appoint the director (the head) of the enterprise and shall exert control over the use in conformity with the stipulated purpose and over the maintenance of the property, assigned to it.

The owner shall have the right to obtain a part of the profit, derived from the use of the property in the economic management of the enterprise.

2. The enterprise shall not have the right to sell the immovable property, belonging to it by the right of economic management, to give it in rent, to mortgage it, to contribute it as an investment into the authorized (joint) capital of the economic companies and the partnerships, or to dispose of it in any other way without the consent of the owner.

The enterprise shall dispose of the rest of the property, belonging to it, independently, with the exception of the cases, established by the law or other legal acts.

Article 296. The Right of Operative Management

1. An institution and treasury enterprise to which property is assigned by the right of operative management shall possess and use this property within the law established framework in accordance with

the goals set for their activity and the purpose of this property, and, if not otherwise established by law, shall dispose of it by approbation of this property's owner.

2. The owner of this property has the right to exact an excessive property, not used or used not to the purpose, which he has assigned to a institution or treasury enterprise or which is acquired by the state-run enterprise or institution at the expense of the funds allocated to it by the owner for the acquisition of this property. The owner of this property has the right to dispose of the property exacted from the institution or treasury enterprise at his own discretion.

Article 297. Disposal of the Property of the State Enterprise

1. The state enterprise shall have the right to alienate or to dispose in another way of the property, assigned to it, only with the consent of the owner of this property.

The state enterprise shall independently realize the products it manufactures, unless otherwise established by the law or other legal acts.

2. The order for the distribution of the incomes of the state enterprise shall be defined by the owner of its property.

Article 298. Disposal of the Property of an Institution

1. A private institution has no right to alienate or dispose in any other way of the property assigned to it by the owner or acquired by this institution at the expense of the funds allocated to it by the owner for acquisition of this property.

A private institution is only entitled to exercise profitable activities if such right is provided for by the constituent document thereof and, at this, the incomes derived from such activities and the property acquired on account of these incomes are independently disposed of by this private institution.

2. An autonomous institution is not entitled, without authorization of the owner, to dispose of the immovable property and especially precious movable property assigned to it by the owner or acquired by the autonomous institution on account of the assets allocated by the owner for acquisition of such property. The autonomous institution is entitled to dispose independently of the remaining property it holds by the right of operative management, if not otherwise established by **law**.

An autonomous institution is entitled to exercise profitable activities, insofar as it serves the purpose it has been established for, and corresponding to these purposes, provided that such activities are cited in the constituent documents thereof. The incomes derived from such activities and the property acquired on account of these incomes shall be independently disposed of by the autonomous institution.

3. A budget-financed institution is not entitled without the owner's consent to dispose of the especially precious movable property assigned thereto by the owner or acquired by the budget-financed institution on account of the assets allocated to it by the owners for acquisition of such property, as well as of immovable property. The budget-financed institution is entitled to independently dispose of the remaining property it has by the right of operative management, if not otherwise established by law.

A budget-financed institution is entitled to exercise profitable activities, insofar as it serves the purposes it has been established for, and corresponding to such purposes, provided that such activities are cited in the constituent documents thereof. The incomes derived from such activities and the property acquired on account of these incomes shall be independently disposed of by the budget-financed institution.

4. A treasury institution is not entitled to alienate or to dispose in any other way of the property without approbation of the property's owner.

A treasury institution may exercise profitable activities in compliance with the constituent documents thereof. The incomes derived from the cited activities shall be remitted to an appropriate budget of the budget system of the Russian Federation.

Article 299. The Acquisition and the Termination of the Right of Economic Management and of the Right of Operation Management

1. The right of economic management or the right of operation management of the property, with respect to which the owner has adopted the decision to assign it to a unitary enterprise or to an institution, shall arise with the given enterprise or institution from the moment of the transfer of this property, unless otherwise established by the law and other legal acts, or by the owner's decision.

2. Issues, products and incomes derived from the use of the property which is held by the right of economic management or operative management by a unitary enterprise or institution, as well as the property acquitted by a unitary enterprise or institution under a contract or for other reasons shall be used by way of economic management or operative management by the enterprise or institution in the procedure established by this **Code**, other laws and other legal acts for acquisition of ownership.

3. The right of economic management and the right of operation management shall be terminated on the grounds and in conformity with the order, stipulated by the present Code, other **laws** and other legal acts for the termination of the right of ownership, and also in the case of the lawful withdrawal of the property from the enterprise or from the institution by the owner's decision, if not otherwise provided for by this Code.

Article 300. Preservation of the Rights to the Property When the Enterprise or the Institution Is Transferred to Another Owner

1. When the right of the ownership to the state or to the municipal enterprise as a property complex is transferred to another owner of the state or of the municipal property, such an enterprise shall preserve the right of economic management to the property, belonging to it.

2. When the right of the ownership to the institution is transferred to another person, this institution shall preserve the right of operation management with respect to the property, belonging to it.

Chapter 20. Protection of the Right of Ownership and Other Rights of Estate

Article 301. Reclamation of the Property from Another Person's Adverse Possession

The owner shall have the right to reclaim his property from another person's adverse possession.

Article 302. Reclamation of the Property from the Bona Fide Acquirer

1. If the property has been purchased for a price from the person, who had no right to alienate it, of which the acquirer has been unaware and could not have been aware (the bona fide acquirer, or the acquirer in good faith), the owner shall have the right to reclaim this property from the acquirer, if the said property was lost by the owner or by the person, to whom the owner has passed the property into possession, or if it was stolen from the one or from the other, or if it has gone out of their possession in another way contrary to their will.

2. If the property has been acquired gratuitously from the person, who had no right to alienate it, the owner shall have the right to reclaim the property in any case.

3. The money, and also the securities to bearer shall not be reclaimed from the bona fide acquirer.

4. A court shall reject the claim of the civil law subject cited in **Item 1 of Article 124** of this Code for reclamation of residential premises from the good faith acquirer that is not such civil law subject in any case, if after the withdrawal of the residential premises from the plaintiff's possession three years have passed from the date of making in the state register of an entry on the right of ownership of the first good faith acquirer of the residential premises. With that, the burden of proving the circumstances indicating the acquirer's bad faith or the circumstances of withdrawal of the residential premises from the plaintiff's possession shall be borne by the civil law subject cited in Item 1 of Article 124 of this Code.

Article 303. Settlements in the Reclamation of the Property from the Adverse Possession

In reclaiming the property from another person's adverse possession, the owner shall also have the right to claim from the person, who has known, or should have known, that his possession is adverse (the

possessor in bad faith), the return or the compensation of all the incomes, which he has derived, or should have derived, over the entire period of the possession; and from the bona fide possessor - the return or the compensation of all the incomes, which he has derived, or should have derived from the moment, when he has learned, or should have learned, about the adversity of the possession or when he has received the summons by the owner's claim for the return of the property.

The possessor, both in good and in bad faith, shall in his turn have the right to claim that the owner recompense the necessary outlays for the property he has made over that period of time, for which the incomes from the property are due to the owner.

The bona fide possessor shall have the right to retain the improvements he has made in his own possession, if they can be set apart without damaging the property. If such separation of the improvements is impossible, the bona fide possessor shall have the right to claim the compensation of the outlays for the improvements he has made, but not in excess of the amount of the increment in the property's cost.

Article 304. Protection of the Owner's Rights from the Violations, Not Involved in the Deprivation of the Possession

The owner shall have the right to claim that all violations of his right be eliminated, even though these violations have not entailed the deprivation of the possession.

Article 305. Protection of the Rights of the Possessor, Who Is Not the Owner

The rights, stipulated by **Articles 301-304** of the present Code, shall also belong to the person, who, even though he is not the owner but possesses the property by the right of the inherited life possession, the economic management, the operation management or on other grounds, stipulated by the law or by the contract. This person shall have the right to the protection of his possession also against the owner.

Article 306. The Consequences of the Termination of the Right of Ownership by Force of the Law

If the Russian Federation passes the law, terminating the right of ownership, the losses, inflicted upon the owner as a result of the adoption of this act, including the cost of the property, shall be recompensed by the state. The disputes on the compensation for the losses shall be resolved by the court.

Section III. The General Part of the Law of Obligation

Subsection 1. The General Provisions on Obligations

Chapter 21. The Concept of an Obligation

Article 307. The Concept of an Obligation

1. By virtue of an obligation, a person (the debtor) is obliged to make in favour of another person (the creditor) a certain action, such as: to transfer property, to perform a job, to render a service, to make a contribution to joint activities, to pay money, etc., or to abstain from a certain action, while the creditor has the right to demand of the debtor execution of the obligation thereof.

2. Obligations shall originate from an agreement and other transactions, as a result of the infliction of harm or of unjust enrichment, as well as on other grounds indicated in the present **Code**.

3. When establishing or discharging an obligation and after its termination, the parties are bound to act in good faith taking into account the rights and legitimate interests of each other and mutually rendering necessary assistance to attaining the purpose of the obligation, as well as providing the necessary information to each other.

Article 307.1. Application of General Provisions on Obligations

1. The general provisions on obligations (this subsection) shall apply to the obligations resulting from a contract (contractual obligations), if not otherwise provided for by the rules in respect of individual kinds of contracts contained in this Code and other laws or, in the absence of such special rules, by the general provisions on a contract (**Subsection 2 of Section III**).

2. The general provisions on obligations (this subsection) shall apply to the obligations resulting from the infliction of harm and to the obligations resulting from unjust enrichment, if not otherwise provided for by accordingly the rules of **Chapters 59** and **60** of this Code or does not result from the essence of the existing relations.

3. Insofar as not otherwise established by this Code, other laws or results from the essence of the existing relations, the general provisions on obligations (this subsection) shall apply to the claims:

1) originating from corporate relations (**Chapter 4**);

2) connected with application of the effects of a transaction's invalidity (**Paragraph 2 of Chapter 9**).

Article 308. The Parties to an Obligation

1. One or several persons simultaneously may take part in the obligation in the capacity of each of its parties.

The invalidity of the creditor's claims against one of the persons, participating in the obligation on the side of the debtor, the same as the expiry of the term of the limitation of actions by the claim against such a person, shall not of themselves have a bearing on his claims against the rest of these persons.

2. If each of the parties by the contract shall bear a duty in favour of the other party, it shall be regarded as the debtor of the other party by what it is obliged to do in its favour, and simultaneously as its creditor by what it has the right to claim from it.

3. The obligation shall not create the duties for the persons, who do not participate in it in the capacity of the parties (for third parties).

In the cases, stipulated by the law, by other legal acts or by an agreement between the parties, the obligation may create for third parties the rights with respect to one or to both parties of the obligation.

Article 308.1. Alternative Obligation

1. As alternative shall be deemed an obligation under which the debtor is bound to make one of two or several actions (to abstain from making actions) to be chosen by the debtor, if a law, other legal acts or contract do not grant the right of choice to the creditor or a third party.

2. From the time when the debtor (creditor, third parties) makes the choice thereof, an obligation shall cease to be an alternative.

Article 308.2. Optional Obligation

As optional obligation shall be deemed an obligation under which the debtor is granted the right to replace the principal execution by another (optional) execution provided for by the terms of the obligation. If the debtor has exercised the right thereof to replace the execution provided for by the terms of an obligation, the creditor is bound to accept from the debtor the appropriate execution of the obligation.

Article 308.3. The Protection of the Creditor's Rights under an Obligation

1. In the event of the debtor's failure to execution an obligation, the creditor is entitled to demand judicially the execution of the obligation in kind, if not otherwise provided for by this Code, other laws or the contract or results from the essence of the obligation. A court is entitled at the creditor's request, in the event of failure to execute the cited judicial act, to award a monetary sum thereto (**Item 1 of Article 330**) to be fixed by the court on the basis of the principles of fairness, proportionality and inadmissibility of deriving profit from unlawful or unfair conduct (**Item 4 of Article 1**).

2. The protection by the creditor of the rights thereof in compliance with **Item 1** of this article shall

not relive the debtor of the liability for failure to execute or improper execution of an obligation (**Chapter 25**).

Chapter 22. The Discharge of Obligations

Article 309. The General Provisions

Obligations shall be discharged in the proper way in conformity with the terms of the obligation and with the requirements of the law and other legal acts, and in the absence of such terms and requirements - in conformity with the customs or other habitually presented demands.

The terms of a deal may provide for the discharge by its parties of the obligations resulting from it, when definite circumstances occur, without an additional separately expressed declaration of will by the parties thereof aimed at the discharge of an obligation by way of using the information technologies determined by the terms of the deal.

Article 309.1. A Creditors' Agreement on the Order of Satisfaction of Their Claims against the Debtor

1. Creditors of the same debtor in respect of homogeneous obligations may conclude an agreement on the order of satisfaction of their claims against the debtor, in particular on the order of their satisfaction and on disproportional distribution of their execution. The parties to the cited agreement are bound not to take actions aimed at receiving execution from the debtor in defiance of the terms of the cited agreement.

2. The execution received by one of the creditors in defiance of the terms of the agreement made by creditors on the order of satisfaction of their claims against the debtor is subject to transfer to the creditor under another obligation in compliance with the terms of the cited agreement. The creditor that has transferred the execution received from the debtor to another creditor shall obtain the latter's claim against the debtor in the appropriate part thereof.

3. The creditors' agreement on the order of satisfaction of their claims against the debtor shall not create any duties for persons that do not participate in it the parties thereto, including for the debtor (**Article 308**).

Article 309.2. Outlays on the Execution of Obligations

The debtor shall bear the outlays on the execution of an obligation if not otherwise provided for by a law, other legal acts or contract or results from the essence of an obligation, customs and other normally made claims.

Article 310. Inadmissibly of the Unilateral Refusal to Execute an Obligation

1. The unilateral refusal to execute an obligation and unilateral amendment of its terms shall not be permitted, except as provided for by this Code, other laws or other legal acts.

2. Unilateral amendment of the terms of an obligation connected with the exercise of business activities by all the parties thereto or the unilateral refusal to execute this obligation is only allowed as provided for by this Code, other laws, other legal acts or the contract.

Where the execution of an obligation is not connected with the exercise of business activities by all the parties thereto, the right to unilaterally amend the terms thereof or to refuse to execute the obligation may be granted by a contract solely to the party which is not engaged in business activities, except when a law or other legal act provides for the possibility of granting such right by a contract to some other party.

3. The right provided for by this Code, other law, other legal act or contract to unilaterally refuse to execute an obligation connected with the exercise of business activities by the parties or the right to unilateral amendment of the terms of such obligation may be caused as agreed by the parties by a need for payment of a definite sum of money to another party to the obligation.

Article 311. Discharge of the Obligation by Parts

The creditor shall have the right not to accept the discharge of the obligation by parts, unless otherwise stipulated by the law, other legal acts and by the terms of the obligation, and does not follow from the customs or from the substance of the obligation.

Article 312. Discharge of the Obligation to the Proper Person

1. Unless otherwise stipulated by the agreement between the parties and follows from the customs, or from the substance of the obligation, the debtor shall have the right, while discharging the obligation, to demand proofs of the fact that the discharge is accepted by the creditor himself or by the person he has authorized for this purpose, and shall take the risk of the consequences of his failure to present such a demand.

2. If the creditor's representative acts on the basis of the powers contained in a document made in simple written form, the debtor is entitled not to execute an obligation for the given representative pending the receipt of proof of the authority thereof from the person being represented, in particular pending presentation by the representative of a power of attorney attested and certified by a notary, except as cited in a law or except when the authorization in writing has been directly provided by the creditor to the debtor (**Item 3 of Article 185**) or when the powers of the creditor's representative are contained in the contract made by the creditor and the debtor (**Item 4 of Article 185**).

Article 313. The Execution of an Obligation by a Third Party

1. The creditor is bound to accept the execution offered for the debtor by a third party, if the execution of the obligation in imposed by the debtor on the third party.

2. If the debtor has not imposed the execution of an obligation upon a third party, the creditor is bound to accept the execution offered for the debtor by such third party in the following instances:

1) the debtor has delayed in discharging a pecuniary obligation;

2) such third party is in danger of forfeiting the right thereof to the debtor's property as a result of levying execution against this property.

3. The creditor is not bound to accept the execution offered for the debtor by a third party, if it follows from a law, other legal acts, terms of the obligation or from the essence thereof that the obligation must be executed by the debtor in person.

4. Where in compliance with this article the execution of an obligation by a third party is allowed, the latter is also entitled to execution of the obligation by depositing the debt with a notary or of setting it off subject to the rules established by this Code for the debtor.

5. The creditor's rights under an obligation shall pass to a third party that has executed the debtor's obligation in compliance with **Article 387** of this Code. If only a part of the creditor's rights under an obligation has passed over to a third party, they may not be used by the latter to the detriment of the debtor, in particular such rights have no priority when they are satisfied on account of the securing obligation or when the debtor does not have enough assets for satisfying claims in full.

6. If a third party has discharged a debtor's duty which is not a pecuniary one, such person shall be bear the liability instead of the debtor with respect to creditors established for the given obligation for drawbacks in the execution.

Article 314. The Term for Executing an Obligation

1. If an obligation provides for or allows the fixing of the date of its execution or the time period within which is must be executed (including if this period is counted from the time of discharge of duties by the other party or of the occurrence of other circumstances provided for by law or contract), the obligation is subject to execution on this date or, accordingly, at any time within such time period.

2. Where an obligation does not provide for the time of its execution and does not contain the conditions enabling one to fix this time, as well as when the term of the obligation's execution is determined by the time of raising a claim, the obligation shall be executed within seven days from the date when the creditor makes a claim for its discharge, if the duty to discharge it at a different time is not

provided for by a law, other legal acts, conditions of the obligation or does not follow from customs or the essence of the obligation. If the creditor fails within a reasonable time period to claim for the execution of such obligation, the debtor is entitled to demand that the creditor accept the execution, if not otherwise provided by a law, other legal acts, conditions of the obligation or arises from customs or the essence of the obligation.

Article 315. Advanced Discharge of the Obligation

The debtor shall have the right to discharge the obligation in advance of the deadline, unless otherwise stipulated by the law, other legal acts or by the terms of the obligation or follows from its substance. However, an advanced discharge of the obligations, involved in the performance by its parties of the business activity, shall be admitted only in the cases, when the possibility to discharge the obligation before the fixed date has been stipulated by the law, other legal acts or by the terms of the obligation, or follows from the customs or from the substance of the obligation.

Article 316. The Place of Discharging an Obligation

1. If the place of executing an obligation is not established by a law, other legal acts or contract, is not clear from customs or the essence of the obligation, the execution shall be effected:

in respect of an obligation to transfer a land plot, building, construction or other immovable property - at the location of such property;

in respect of an obligation to transfer goods or other property providing for their carriage - at the place of the property's delivery to the first carrier for its transportation to the creditor;

in respect of other obligations of a businessman to transfer goods or other property - at the place of the property's manufacture or storage, if this place was known to the creditor at the time of the obligation's origination;

in respect of a pecuniary obligation to pay money in cash - at the place of the creditor's residence at the time of the obligation's origination or, if the creditor is a legal entity, at its location at the time of the obligation's origination;

in respect of a pecuniary obligation to pay money on a cashless basis - at the location of the bank (of its affiliate or subdivision) that is serving the creditor, if not otherwise provided for by law;

in respect of other obligations - at the debtor's place of residence or, if the debtor is a legal entity, at the location thereof.

2. If after the origination of an obligation the place of its execution has changed, in particular the place of residence of the debtor or creditor, the party upon which such change depended is bound to compensate the other party for additional outlays, as well as shall assume the additional risks connected with the change of the place of the obligation's execution.

Article 317. The Currency of the Pecuniary Obligations

1. The pecuniary obligations shall be expressed in roubles (**Article 140**).

2. In the pecuniary obligation it may be stipulated that it shall be liable to the payment in roubles in the amount, equivalent to the definite amount in the foreign currency, or in the agreed monetary units (ECU, the "special borrowing rights", etc.). In this case, the amount liable to the payment in roubles shall be defined in conformity with the official exchange rate of the corresponding currency or of the conventional monetary units by the day of the payment, unless another exchange rate or another day of its formulation has been established by the law or by the parties' agreement.

3. The use of the foreign currency and also of the payment documents in the foreign currency on the territory of the Russian Federation by obligations shall only be admitted in the cases, in the order and on the terms, defined by the law or established in conformity with the procedure, laid down by it.

Article 317.1. Interest on a Pecuniary Obligation

1. Where a law or contract stipulates that interest is to be charged on the amount of a pecuniary

obligation for the period while monetary assets are being used, the rate of interest shall be determined by the **key rate** of the Bank of Russia (legal interest) that was in effect in appropriate periods, unless another rate of interest is fixed by law or contract.

2. The clause of an obligation that provides for charging interest on interest shall be deemed null and void, except for the clauses of the obligations originating from bank deposit contracts and from contracts connected with the exercise of business activities by the parties.

Article 318. The Increase of the Amounts to Be Paid for a Citizen's Support

If not otherwise provided for by a law, the amount to be paid under a pecuniary obligation directly for support of a citizen, in particular to repair harm inflicted upon the life or health thereof or under a contract of life-long support, shall be increased in proportion to an increase of the amount of the minimum subsistence level fixed in compliance with **law**.

Article 319. Priority for Satisfaction of Claims under the Monetary Obligation

The amount of the effected payment, insufficient for the discharge of the pecuniary obligation in full, in the absence of another agreement, shall first of all cover the creditor's expenses, involved in the enforcement of the discharge, then - the interest, and in the remaining part - the basic amount of the debt.

Article 319.1. Satisfaction of Claims in Respect of Homogeneous Obligations

1. If the execution effected by the debtor is not sufficient for satisfaction of all the debtor's homogeneous obligations with respect to the creditor, the execution shall be counted against the obligation specified by the debtor when it is being executed or without any delay after the execution.

2. If not otherwise provided for by law or the agreement made by the parties, when the debtor has not specified against which of the homogeneous obligations the execution has been effected and among such obligations there are those for which the creditor has security, the execution shall be counted against the obligations for which the creditor has no security.

3. If not otherwise provided for by law or the agreement made by the parties, when the debtor has not specified against which of homogeneous obligations the execution has been effected, as the priority shall be deemed the obligation which is mature or which is the earliest to become mature, or if the time of an obligation's execution is not fixed, then the obligation that was the first to originate. If the time of obligations execution is the same, the execution shall be counted proportionally for satisfaction of all the homogeneous claims to be satisfied.

Article 320. The Execution of an Alternative Obligation

1. If the debtor under an alternative obligation (**Article 308.1**) enjoying the right of choice has not made a choice within the time period fixed for it, in particular by way of executing an obligation, the creditor at the choice thereof is entitled to demand that the debtor take an appropriate action or abstain from taking an action.

2. If the right of choice in respect of an alternative obligation (**Article 308.1**) is granted to the creditor or to a third party and such creditor or third party has not made a choice within the time period fixed for it, the debtor shall execute the obligation at the choice thereof.

Article 320.1. The Execution of an Optional Obligation

1. If the debtor in respect of an optional obligation (**Article 308.2**) has not started the principal execution by the time fixed, the creditor is entitled to demand the principal execution of the obligation.

2. The rules for execution of an alternative obligation (**Article 320**) may be applied to an obligation that provides for the debtor taking one of two or several actions, if it may not be recognized as an optional obligation.

Article 321. Discharge of the Obligation, in Which Several Creditors or Several Debtors Participate

If several creditors or several debtors take part in the obligation, each of the creditors shall have the right to claim the discharge, and each of the debtors shall be obliged to discharge the obligation in an equal share with the others, unless otherwise following from the law, other legal acts, or from the terms of the obligation.

Article 322. Joint Obligations

1. The joint duty (the liability), or the joint claim shall arise, if the joint nature of the duty or of the claim has been stipulated by the contract or has been established by the law, in particular, in the case of the indivisibility of the object of the obligation.

2. The duties of several debtors by the obligation, involved in the business activity, the same as the claims of several creditors in such an obligation, shall be joint ones, unless otherwise stipulated by the law, other legal acts, or by the terms of the obligation.

Article 323. The Creditor's Rights in the Joint Duty

1. In case of the debtors' joint duty, the creditor shall have the right to claim the discharge both from all the debtors jointly, and also from any one of them taken apart, and both in full and in the part of the debt.

2. The creditor, who has not been fully satisfied by one of the joint debtors, shall have the right to claim the rest from the joint debtors.

The joint debtors shall stay obligated until the moment, when the obligation has been discharged in full.

Article 324. Objections to the Creditor's Claims in the Joint Duty

In the case of the joint duty, the debtor shall not have the right to put forward against the creditor's claims the objections, which are based on such relations of other debtors with the creditor, in which the said debtor does not participate.

Article 325. Discharge of the Joint Duty by One of the Debtors

1. The discharge of the joint duty in full by one of the debtors shall absolve the rest of the debtors from the discharge toward the creditor.

2. Unless otherwise following from the relations between the joint debtors:

1) the debtor, who has discharged the joint duty, shall have the right of the claim of regress to the rest of the debtors in equal shares, less his own share;

2) that which has not been paid by one of the joint debtors to the debtor, who has discharged the joint duty, shall fall in equal shares on this debtor and on the rest of the debtors.

3. The rules of the present Article shall be applied correspondingly to the termination of the joint obligation by offsetting the claim of regress, filed by one of the debtors.

Article 326. The Joint Claims

1. In the case of the joint claims, any of the joint creditors shall have the right to present to the debtor the claim in the full volume.

Before the claim has been presented by one of the joint creditors, the debtor shall have the right to discharge the obligation toward any one of them at his own discretion.

2. The debtor shall not have the right to put forward the objections against the claim of one of the creditors, that are based on such relations of the debtor with the other joint creditor, in which the given creditor does not take part.

3. The discharge of the obligations in full toward one of the creditors shall absolve the debtor from the discharge toward other creditors.

4. The joint creditor, who has accepted the discharge from the debtor, shall be obliged to recompense what is due to other creditors in equal shares, unless otherwise following from the relations

between them.

Article 327. Discharge of the Obligation by Placing the Debt on a Deposit

1. The debtor shall have the right to place the money or the securities he owes on the notary's deposit, and in the law-established cases - on the court's deposit, if the obligation cannot be discharged by the debtor on account of:

1) the absence of the creditor or of the person, whom he has authorized to accept the discharge of the obligation, at the place, where the obligation shall be discharged;

2) the creditor's legal incapacity and his having no substitute;

3) an obvious absence of any certainty about who is the creditor by the obligation, in particular, in connection with the dispute on this issue arising between the creditor and other persons;

4) the creditor's avoidance of accepting the discharge of the obligation or any other delay on his part.

1.1. Invalid from June 1, 2018 - **Federal Law** No. 120-FZ of May 23, 2018.

2. The placing of the sum of money or of the securities on the notary's or on the court's deposit shall be regarded as the discharge of the obligation.

The notary or the court, on whose deposit the money or the securities have been placed, shall notify about this the creditor.

3. At any time before the creditor receiving money or securities from a notary's deposit or from court the debtor is entitled to demand the return of such money or securities thereto, as well as the income derived from them. In the event of return to the debtor of execution under an obligation, the debtor shall not be deemed as having executed the obligation.

4. In the event of transferring to a notary for depositing movable articles (including cash money, certified securities and documents), non-cash monetary assets or uncertified securities on the basis of a joint application of the creditor and debtor, the rules in respect of a conditional depositing (escrow) agreement are subject to application to such relations, unless otherwise provided for by the **legislation** on the notariate and notarial activity.

Article 327.1. The Conditional Execution of an Obligation

The execution of the duties, as well as the exercise, change and termination of definite rights under a contractual obligation, may be conditional on one of the parties to the obligation taking or not taking definite actions or on the occurrence of other circumstances provided for by the contract, including fully dependent on the will of one of the parties.

Article 328. The Counter-Execution of an Obligation

1. As counter-execution shall be deemed execution of an obligation by one of the parties which is conditional on execution by the other party of the obligations thereof.

2. In the event of failure of the liable party to provide execution of an obligation or where there are the circumstances clearly showing that such execution will not be provided in due time, the party which is responsible for providing counter-execution is entitled to suspend execution of the obligation thereof or to refuse to execute this obligation and to demand compensation for losses.

If the obligation provided for by a contract is not executed in full, the party which is responsible for counter-execution is entitled to suspend execution of the obligation thereof or to deny execution in the part thereof corresponding to the execution which is not provided.

3. None of the parties to an obligation whose terms provide for counter-execution is entitled to demand execution judicially without providing that for which it is liable with respect to the other party under the obligation.

4. The rules provided for by **Items 2** and **3** of this article shall apply if not otherwise provided for by law or contract.

Chapter 23. Providing for the Discharge of Obligations

§ 1. The General Provisions

Article 329. Ways of Securing the Execution of Obligations

1. The execution of obligations may be secured by forfeit, pledge, retention of the debtor's property, suretyship, independent guarantee, earnest money, security payment and in other ways provided for by law or contract.

2. The invalidity of an agreement on securing the execution of an obligation shall not entail the invalidity of the agreement from which the principal obligation has originated.

3. In the event of invalidity of the agreement from which the principal obligation has originated, as secured shall be deemed the duties involved in the return of the property which are connected with the effects of such invalidity.

4. The termination of the principal obligation shall entail the termination of the obligation securing it, if not otherwise provided for by law or contract.

§ 2. The Forfeit

Article 330. The Concept of the Forfeit

1. The forfeit (the fine, the penalty) shall be recognized as the sum of money, defined by the law or by the agreement, which the debtor is obliged to pay to the creditor in case of his non-discharge, or an improper discharge, of the obligation, in particular, in the case of the delay of the discharge. By the claim for the payment of the forfeit, the creditor shall not be obliged to prove that the losses have actually been inflicted upon him.

2. The creditor shall not have the right to claim the payment of the forfeit, if the debtor is not responsible for the non-discharge or an improper discharge of the obligation.

Article 331. The Form of the Agreement on the Forfeit

The agreement on the forfeit shall be made out in written form, irrespective of the form of the principal obligation.

The non-observance of the written form shall entail the invalidity of the agreement on the forfeit.

Article 332. The Legal Forfeit

1. The creditor shall have the right to claim the payment of the forfeit, defined by the law (the legal forfeit), irrespective of whether the obligation for its payment has been stipulated by the agreement between the parties.

2. The amount of the legal forfeit may be increased by the agreement between the parties, unless it is prohibited by the law.

Article 333. The Reduction of the Forfeit

1. If the forfeit to be paid is obviously out of proportion as compared to the effects of the obligation's violation, a court shall have the right to reduce the forfeit. If an obligation is violated by a person engaged in business activities, the court is entitled to reduce the forfeit if the debtor applies for such reduction.

2. The forfeit's reduction determined by an agreement and subject to payment by a person engaged in business activities shall be allowed in exceptional instances, if it is proved that the recovery of the forfeit in the amount provided for by the agreement may lead to the creditor receiving unjustified profit.

3. The rules of the present Article shall not infringe upon the debtor's right to the reduction of the volume of liability thereof on the grounds of **Article 404** of the present Code and upon the creditor's right

to the compensation for losses where it is stipulated by **Article 394** of the present Code.

§ 3. Pledge

1. General Provisions on Pledge

Article 334. The Concept of Pledge

1. By virtue of a pledge the creditor under an obligation secured with the pledge (pledgee) has the right, in the event of the debtor's default on or improper performance of this obligation, to receive satisfaction from the value of the pledged property (the subject of pledge) preferentially before other creditors of the person to whom the pledged property belongs (pledgor).

In the cases and procedure envisaged by law the pledgee's claim may be satisfied by means of transferring the subject of pledge to the pledgee (its being left with the pledgee).

2. Also the pledgee has the right to receive satisfaction of the pledge-secured claim preferentially before other creditors of the pledgor at the expense of:

an insurance indemnity for the loss or damage of the pledged property, no matter for whose benefit it has been insured, unless the loss or damage was due to the causes for which the pledgee is responsible;

an indemnity which is due to the pledgor and is provided in place of the pledged property, for instance if the pledgor's right of ownership in respect of the property serving as the subject of pledge is terminated on the grounds and in the procedure which are established by law as a result of taking (purchase) for state or municipal needs, requisition or nationalisation and also in other cases envisaged by law;

incomes from the use of the pledged property by third parties due to the pledgor or pledgee;

property due to the pledgor when a third party performs an obligation in respect of which the right of claiming the performance thereof is the subject of pledge.

In the cases mentioned in **Paragraphs 2 - 5** of the present item the pledgee has the right of claiming the sum of money due to him or other property directly from the obligated person, except as otherwise envisaged by a law or contract.

3. Except as otherwise envisaged by a law or the contract, if the sum of proceeds from the levy of execution on the pledged property is insufficient for redeeming the claim the pledgee is entitled to satisfy his claim in as much as the unredeemed portion is concerned with other property of the debtor, without using the preferential treatment based on the pledge.

If the sum of proceeds from levy of execution on the pledged property exceeds the amount of the pledgee's pledge-secured claim the difference shall be refunded to the pledgor. An agreement on the pledgor's waiving the right of receiving said difference is null and void.

4. Specific kinds of pledge (**Articles 357 - 358.17**) are subject to general provisions on pledge, except as otherwise envisaged by the rules of the present Code on these kinds of pledge.

The pledge of immovable property (mortgage) is subject to the rules of the present Code on rights in rem, and where it is not regulated by said rules and the **law** on mortgage, general provisions on pledge.

5. Except as otherwise ensues from the essence of the relationships of a pledge, the creditor or another empowered person in whose interests a ban has been imposed on the disposal of a property (**Article 174.1**) has the rights and duties of pledgee in respect of that property from the time when the court's decision upholding the claims of such creditor or other empowered person becomes final. The priority rating for satisfying said claims shall be defined in accordance with the provisions of **Article 342.1** of this Code as of the date on which the relevant ban is deemed to emerge.

Article 334.1. Grounds for the Emergence of a Pledge

1. A pledge between a pledgor and a pledgee shall arise on the basis of a contract. In the cases established by law a pledge comes into being upon the onset of the circumstances specified by law (pledge

on the basis of law).

2. The rules of this Code on pledge on the basis of law are applicable to a pledge that has arisen on the basis of law, except as otherwise established by law.

3. When a pledge arises on the basis of law the pledgor and the pledgee are entitled to conclude an agreement regulating their relationships. Such agreement is subject to the rules of the present Code on the form of a contract of pledge.

Article 335. Pledgor

1. Either the debtor proper or a third party may be a pledgor.

If a third party is a pledgor the relationships between the pledgor, debtor and pledgee are subject to the rules of **Articles 364 - 367** of the present Code, except as otherwise envisaged by law or an agreement between the relevant persons.

2. The right of putting an item in pledge belongs to the owner of the item. In the cases envisaged by the present Code the person having another right in rem may put the thing in pledge.

If an item has been put in the pledge of a pledgee by a person who was not its owner or who was not properly empowered to dispose of the property, about which fact the pledgee did not know and could not know (bona fide pledgee), the owner of the pledged property has the rights and duties of pledgor envisaged by the present Code, other laws and the contract of pledge.

The rules envisaged by **Paragraph 2** of the present Item are not applicable if an item that was put in pledge had been lost before that by the owner or by the person to whom the thing had been handed over by the owner for possession or had been stolen from that or another person or had ceased to be in their possession otherwise beyond their will.

3. If the subject of pledge is a piece of property whose alienation required the consent or permission of another person or of an empowered body the same consent or the same permission is required for putting that piece of property in pledge, save for cases when a pledge arises by virtue of law.

4. If the pledgor's property being the subject of pledge has been transferred in line of succession to several persons each of the successors (acquirers of property) shall bear the consequences -- ensuing from the pledge -- of a default on performing the pledge-secured obligation commensurately to the part of said property that has been transferred thereto. If the subject of pledge is indivisible or remains on other grounds in the common ownership of the successors they shall become solidary co-pledgors.

Article 335.1. Co-Pledgees

1. In the cases envisaged by a law or a contract the subject of pledge may be in the pledge of several persons which have equal rights in terms of seniority of pledgees (referred to as "co-pledgees") as security for the performance of the various obligations under which the co-pledgees are independent creditors.

Except as otherwise established by law or an agreement between the co-pledgees, each of them shall independently exercise the rights and duties of a pledgee. In the event of levy of execution on the subject of pledge held in the pledge of the co-pledgees the rules of **Items 2** and **6 of Article 342.1** of the present Code shall be applied.

The proceeds from the sale of the subject of pledge shall be distributed among the co-pledgees pro rata to the amounts of their claims secured with the pledge, except as otherwise envisaged by an agreement among them or ensues from the essence of the relationships among the co-pledgees.

2. Except as otherwise envisaged by law or the contract, the solidary or share creditors under the obligation secured with a pledge are solidary co-pledgees for such pledge. In the event of levy of execution on the subject of the pledge which is in the pledge of solidary co-pledgees the rules of **Item 6 of Article 342.1** of the present Code shall be applied.

The amounts of proceeds from the sale of the subject of pledge shall be distributed among the co-pledgees being solidary creditors in respect of the principal obligation, in the procedure established by **Item 4 of Article 326** of the present Code. The proceeds from the sale of the subject of the pledge shall be

distributed among the co-pledgees being share creditors in respect of the principal obligation pro rata to the amounts of their claims secured with the pledge, except as otherwise envisaged by a contract among them.

Article 336. The Subject of Pledge

1. The subject of pledge may be any property, for instance things and property rights, save the property not subject to levy of execution, claims inseparably linked with the creditor's personality, inter alia claims for alimony, compensation for harm caused to life or health and other rights whose assignment to another person is prohibited by law.

The pledge of specific types of property may be restricted or prohibited by law.

2. A contract of pledge or law, in respect of a pledge arising by virtue of law, may include a provision for the pledge of a piece of property the pledgor is going to acquire in the future.

3. The fruits, products and incomes received as a result of the use of pledged property are subject to pledge in the cases envisaged by law or a contract.

4. While concluding a contract of pledge the pledgor shall notify the pledgee in writing of all the rights of third parties to the subject of pledge he has learned about by the time of conclusion of the contract (rights in rem, rights arising from contracts of lease, loan etc.). If the pledgor has defaulted on that duty the pledgee has the right to claim early performance of the obligation secured with the pledge or amend the terms of the contract of pledge, except as otherwise envisaged by law or the contract.

Article 337. The Claim Secured with a Pledge

Except as otherwise envisage by law or a contract, a pledge secures a claim in the amount it has at the time of satisfaction, for instance interest, forfeit money, compensation for losses due to late performance, and also compensation for the pledgee's necessary expenses required to maintain the subject of pledge and related to levy of execution on the subject of pledge and realisation of expenses incurred.

Article 338. Possessing the Subject of Pledge

1. The pledged property shall remain with the pledgor, except as otherwise envisaged by the present Code, another law or the contract.

2. The subject of pledge may remain with the pledgor under lock and seal of the pledgee.

The subject of pledge may remain with the pledgor, with marks testifying of the pledge (firm pledge) being applied.

3. The subject of pledge that has been handed over by the pledgor for a time to a third party for possession or for use shall be deemed retained by the pledgor.

Article 339. The Terms and Form of a Contract of Pledge

1. A contract of pledge shall specify the subject of pledge, the essence, amount and period for performance of the obligation secured with the pledge. The terms concerning the principal obligation shall be deemed agreed upon if the contract of pledge comprises reference to the contract from which the secured obligation has arisen or is going to arise in future.

In a contract of pledge the parties may include a clause on the procedure for sale of the pledged property that is subjected to levy of execution under a court's decision or a clause on the possibility of levy of execution on the pledged property in extrajudicial proceedings.

2. In a contract of pledge under which the pledgor is a person pursuing entrepreneurial activities the obligation secured with the pledge, including a future obligation, may be described in a manner allowing one to define the obligation as an obligation secured with the pledge as of the time when levy of execution takes place, for instance by means of referring to security for all existing and/or future obligations of the debtor owing the creditor within a specific sum.

In a contract of pledge under which the pledgor is a person pursuing entrepreneurial activities the subject of pledge may be described in any manner allowing one to identify the property as the subject of

pledge as of the time of levy of execution, for instance by means of referring to the pledge of the entire property of the pledgor or a certain part of his property or to the pledge of property of a specific type or kind.

3. A contract of pledge shall be concluded in simple written form, unless a notarial form is established by a law or an agreement of the parties.

A contract of pledge securing performance of obligations under a contract that requires notarial certification shall be subject to notarial certification.

Failure to observe the rules in this item shall cause the invalidity of a contract of pledge.

Article 339.1. Granting State Registration to, and Keeping Record of, a Pledge

1. A pledge is subject to state registration and it comes into being from the time of such registration in the following cases:

1) if according to law the rights formalising the belonging of property to a specific person are subject to state registration (**Article 8.1**);

2) if the subject of pledge is rights of a stakeholder (founder) of a limited-liability company (**Article 358.15**).

2. Entries on the pledge of securities shall be made in accordance with the rules of the present Code and other laws on securities.

3. Information on the pledge of rights under a bank account contract shall be recorded in accordance with the rules of **Article 358.11** of the present Code.

4. The pledge of property other than immovable things, apart from the property mentioned in **Items 1 - 3** of the present article, may be recorded by means of registering notices of pledge that have been received from a pledgor or a pledgee or in the cases established by the **legislation** on the notarial profession from another person in a register of notices of the pledge of such property (a register of notices of the pledge of movable property). A register of notices of the pledge of movable property shall be kept in the procedure established by the **legislation** on the notarial profession.

In the event of modification or termination of a pledge in respect of which a notice of pledge has been registered the pledgee shall send a notice in the procedure established by the legislation on the notarial profession concerning the modification of the pledge or the removal of information on the pledge within three working days after the time when he learned or should have learned on the modification or termination of the pledge. In the cases envisaged by the legislation on the notarial profession a notice of modification of a pledge or of removal of information on a pledge shall be sent by another person mentioned in law.

In relations with third parties the pledgee has the right of citing his right of pledge only from the time of the entry whereby the pledge is recorded, save cases when a third party knew or should have known of the existence of the pledge before that. The lack of a record-keeping entry shall not affect the relationship of the pledgor with the pledgee.

Article 340. Value of the Subject of Pledge

1. The value of the subject of pledge shall be defined by an agreement of the parties, except as otherwise envisaged by law.

2. Except as otherwise envisaged by law or the contract, a variation in the market value of the subject of pledge after the conclusion of the contract of pledge or the emergence of a pledge by virtue of law shall not be deemed grounds for modification or termination of the pledge.

Contractual terms envisaging the extension of the pledge to other property, early repayment of the loan or other consequences unfavourable for the pledgor in connection with a subsequent fall in the market value of the subject of pledge that secures a citizen's undertaking to repay a consumer or mortgage loan shall be deemed null and void.

3. Except as otherwise envisaged by law, an agreement of the parties or a court's decision on levy of execution on pledged property the value of the subject of pledge agreed upon by the parties shall be

deemed the price of sale (initial selling price) of the subject of pledge when it is subjected to levy of execution.

Article 341. The Emergence of a Pledge

1. The rights of a pledgee in relationships with a pledgor shall come into being as of the time when a contract of pledge is concluded, except as otherwise established by a contract, the present Code and other laws.

2. If the subject of pledge is a property that is going to be created or acquired by the pledgor in future a pledge shall come into being for the pledgee as of the time when the relevant property is created or acquired by the pledgor, save cases when a law or the contract provide that it comes into being at another time.

3. If the principal obligation secured with a pledge will emerge in the future after the conclusion of a contract of pledge then a pledge shall come into being as of the time defined by the contract but not before the occurrence of that obligation. From the time of conclusion of such contract of pledge the relationships of the parties are subject to the provisions of **Articles 343** and **346** of the present Code.

4. A law concerning the pledge of immovable property may include a provision according to which a pledge is deemed to have come into being, to exist and be terminated terminated irrespective of the emergence, existence and termination of the secured obligation.

Article 342. Correlation of Preceding and Subsequent Pledges (Seniority of Pledges)

1. If property that has been put in pledge becomes the subject of another pledge to secure other claims (subsequent pledge) the claims of the subsequent pledgee shall be satisfied with the value of that property after the claims of the preceding pledgees.

The seniority of pledges may be changed:

by agreement between the pledgees;

by agreement between one, several or all the pledgees and the pledgor.

In any case said agreements shall not affect the rights of third parties not being party to said agreements.

2. A subsequent pledge is admissible, except as otherwise established by law.

If a preceding contract of pledge envisaged terms on which a subsequent contract of pledge may be concluded such contract of pledge is to be concluded with said terms being observed. If said terms are not observed the preceding pledgee has the right to claim compensation from the pledgor for the losses caused by that.

3. A pledgor shall provide each subsequent pledgee with details concerning all existing pledges of the property which are envisaged by **Item 1 of Article 339** of the present Code and be accountable for the losses caused to subsequent pledgees due to default on that duty, unless he proves that the pledgee knew or should have known on the preceding pledges.

4. The pledgor that has concluded a subsequent contract of pledge shall immediately notify accordingly the pledgees of the preceding pledges and provide details, which are envisaged by **Item 1 of Article 339** of the present Code, on their demand concerning the subsequent pledge.

5. If a subsequent contract of pledge has been concluded in breach of the terms envisaged for it by a preceding contract of pledge, about which the pledgee of the subsequent contract knew or should have known, his claims to the pledgor shall be satisfied with account being taken of the terms of the preceding contract of pledge.

6. A modification of a preceding contract of pledge after the conclusion of a subsequent contract of pledge, if the subsequent contract of pledge is concluded in the observance of the terms envisaged for it by the preceding contract of pledge or such terms have not been envisaged by the preceding contract of pledge, shall not affect the rights of the subsequent pledgee on the condition that such modification causes a deterioration in security for its claim and is done without the consent of the subsequent pledgee.

Article 342.1. Priority Ranking for Meeting Pledgees' Claims

1. Except as otherwise envisaged by the present Code or another law the priority ranking for meeting claims of pledgees shall be established depending on the time of emergence of each pledge.

Irrespective of the time of emergence of a pledge, if it is proven that the pledgee at the time of conclusion of the contract or at the time of occurrence of the circumstances with which a law links the emergence of a pledge knew or should have known of the existence of the preceding pledgee the claims of such preceding pledgee shall be met preferentially.

2. In the event of levy of execution on a pledged property by a preceding pledgee the subsequent pledgee has the right to demand from the debtor early performance of the obligation secured with the subsequent pledge, and if it is defaulted on to collect the pledged property simultaneously with the preceding pledgee. The contract between the pledgor and the subsequent pledgee may restrict the right of such pledgee to demand early performance of the obligation secured with the subsequent pledge from the debtor.

3. A claim secured with a subsequent pledge is not subject to early satisfaction if the pledged property remaining after the collection by the preceding pledgee is sufficient for meeting the claims of the subsequent pledgee.

4. Unless the subsequent pledgee has used the right of demanding early performance of an obligation, or if such right has been restricted by an agreement in keeping with **Item 2** of this article, the subsequent pledge shall be terminated, save in the cases envisaged by **Item 3** of the present article.

5. If two or more contracts of pledge or other transactions causing the emergence of a pledge have been concluded in respect of a pledged property not deemed immovable, and it is impossible to find out which of the transactions was concluded first then the pledgees' claims in respect of such pledges shall be satisfied pro rata to the amounts of pledge-secured obligations.

6. In the event of levy of execution on a pledged property relating to claims secured with a subsequent pledge the preceding pledgee has the right simultaneously to demand early performance of the pledge-secured obligation and levy of execution on that property. Unless the pledgee under the preceding contract of pledge has used that right, the property subjected to levy of execution in respect of the claims secured with the subsequent pledge shall be transferred to its acquirer with the encumbrance of the preceding pledge.

7. Before levy of execution on the property the pledge of which has secured claims relating to the preceding and the subsequent pledges the pledgee intending to present his claims for collection shall notify accordingly all the pledgees of the same property he knows about in writing.

The pledgor to which a claim for levy of execution on the pledged property has been presented by one of the pledgees shall notify all other pledgees of the same property in writing accordingly.

8. After the distribution of the amounts of proceeds from the sale of a pledged property among all the pledgees of the sold-up pledged property who have announced their claims for collection the amounts of forfeit money, losses and other penalties due to the pledgee in accordance with the terms of a security-backed obligation shall be distributed according to the priority ranking. Another priority ranking may be established for the distribution of the amounts of forfeit money, losses and other penalties in accordance with laws on securities.

9. The rules established by the present article shall not be applicable if the pledgee in the preceding and the subsequent pledges is one and the same person. In this case the claims secured with each of the pledges shall be satisfied in order of precedence that corresponds to the due dates of pledge-secured obligations, except as otherwise envisaged by a law or an agreement of the parties.

10. In cases when a pledged property in respect of which a record of pledges is kept in accordance with **Item 4 of Article 339.1** of the present Code is the subject of several pledges a pledgee's claims secured with the pledge about which a record-keeping entry was made earlier shall be met preferentially over a pledgee's claims secured with the pledge of the same property about which a record-keeping entry was not made in the procedure established by law or was made later, no matter which of the pledges emerged first. Another procedure for meeting pledgees' claims may be envisaged in accordance with laws

on securities.

Article 343. The Maintenance and Preservation of Pledged Property

1. Except as otherwise envisaged by a law or a contract, the pledgor or the pledgee, depending on which of them has the pledged property (**Article 338**), shall:

1) insure the pledged property against the risks of loss and damage at the expense of the pledgor for an amount not below the sum of the pledge-secured claim;

2) use and dispose of the pledged property in accordance with the rules of **Article 346** of the present Code;

3) not commit actions that can entail the loss of the pledged property or a reduction in the value thereof and shall take the measures required for the safekeeping of the pledged property;

4) take the measures required for protection of the pledged property from infringements and demands of third parties;

5) immediately notify the other party of the occurrence of the threat of loss or damage of the pledged property, claims of third parties in respect of that property and a breach of the rights to that property by third parties.

2. The pledgee and the pledgor have the right to verify the documentarily-stated and actual availability, quantity, condition and storage conditions of the pledged property which is held by the other party, without creating unjustified hindrances for the lawful use of the pledged property.

3. In the event of a blunt non-observance by the pledgee or the pledgor of the duties specified in **Item 1** of this article creating the threat of loss or damage of the pledged property the pledgor has the right of demanding early termination of the pledge, and the pledgee to demand early performance of the pledge-secured obligation, and if it is defaulted on, levy of execution on the pledged property.

Article 344. The Consequences of Loss or Damage of Pledged Property

1. The pledgor shall bear the risk of accidental loss or accidental damage of the pledged property, except as otherwise envisaged by the contract of pledge.

2. The pledgee shall be liable to the pledgor for the full or partial loss or damage of the subject of pledge that has been transferred thereto, unless he proves that he may be held harmless in accordance with **Article 401** of the present Code.

The pledgee shall be liable for the loss of the subject of pledge in the amount of its market value, and for its damage in the amount whereby that value has been reduced, irrespective of the sum at which the subject of pledge was valued according to the contract of pledge.

If as a result of damage of the subject of pledge it has undergone such change that it cannot be used according to its direct intended purpose the pledgor has the right to reject it and demand compensation for the loss thereof from the pledgee.

Also the contract may envisage the pledgee's duty to provide the pledgor with compensation for other losses caused by the loss or damage of the subject of pledge.

3. The pledgor being a debtor in respect of a pledge-secured obligation has the right to accept a claim against the pledgee for compensation of losses caused by the loss or damage of the subject of pledge to set off an obligation secured with the pledge, for instance before the onset of the due date of that obligation and when early performance of the obligation is not admissible.

Article 345. Replacing and Restoring the Subject of Pledge

1. By agreement of the pledgor and the pledgee the subject of pledge may be replaced with other property.

2. Irrespective of the pledgor's or pledgee's consent the following shall be deemed to be in pledge:

1) the new property that belongs to the pledgor and has been created or has come into being as a result of processing or another modification of the pledged property;

2) the property that has been provided to the pledgor in place of the subject of pledge in the event

of the taking (purchasing) for state or municipal needs, requisition or nationalisation thereof on the grounds and in the procedure established by law, and also the right of claiming provision of property in place of the subject of pledge on said grounds;

3) the property, save amounts of money, that has been handed over to the pledgor who is a creditor by his debtor in the event of the pledge of a right (claim);

4) other property in the cases established by law.

3. If in the case envisaged by **Subitem 1 of Item 2** of the present article the replacement of the subject of pledge with other property took place as a result of the pledgor's actions committed in breach of the contract of pledge the pledgee has the right to claim early performance of the obligation secured with the pledge, and if it is defaulted on, levy of execution on the new subject of pledge.

4. If the subject of pledge has been lost or damaged due to circumstances for which the pledgee is not liable then within a reasonable period the pledgor has the right of restoring the subject of pledge or replacing it with other property of equal value, unless the contract envisages otherwise.

A pledgor who intends to use the right of restoration or replacement of the subject of pledge shall notify the pledgee in writing immediately about it. Within the period established by the contract of pledge, or if no such period is established, within a reasonable term after receiving the notice the pledgee has the right of refusing in writing the restoration or replacement of the subject of pledge, provided the previous and the new subjects of pledge are not of equal value.

5. In the cases specified in **Item 2** of the present article the property that replaces the subject of pledge, for instance a right (claim), shall be deemed being in pledge instead of the previous subject of pledge from the time when the pledgor starts to have rights to it or from the time of emergence of a right, save cases when according to law the emergence and transfer of, and putting encumbrances on, rights require state registration.

The terms of the contract of pledge and also of other agreements concluded by parties in respect of the previous subject of pledge shall be applicable to the rights and duties of the parties in respect of the new subject of pledge to the degree in which it does not contradict the nature (properties) of that subject of pledge.

In the event of replacement of the subject of pledge the seniority of rights of pledgees, for instance of those which had come into being before the provision of property as substitute for the previous subject of pledge shall not be changed.

6. Instead of replacing the subject of pledge the parties have the right of concluding a new contract of pledge. From the time of emergence of the pledgor's pledge in respect of a new subject of pledge the preceding contract of pledge is terminated.

7. A contract of pledge may have a provision for cases when the pledgor has the right to replace the subject of pledge without the pledgee's consent.

Article 346. Using and Disposing of the Subject of Pledge

1. The pledgor who retains the subject of pledge is entitled to use, except as otherwise envisaged by the contract and ensues from the essence of the pledge, the subject of pledge according to its intended purpose, including inter alia deriving fruits and income from it.

2. The pledgor has no right to alienate the subject of pledge without the consent of the pledgee, except as otherwise envisaged by law or the contract and ensues from the essence of the pledge.

If the pledgor alienates the pledged property without the consent of the pledgee the rules established by **Subitem 3 of Item 2 of Article 351**, **Subitem 2 of Item 1 of Article 352**, **Article 353** of the present Code shall be applied. Also the pledgor shall compensate for the losses caused to the pledgee as a result of the alienation of the pledged property.

3. Except as otherwise envisaged by a law or the contract of pledge the pledgor who retains the pledged property has the right of transferring the pledged property to other persons without the pledgee's consent for temporary possession or use. In this case the pledgor is not relieved from the execution of duties under the contract of pledge.

If the pledgee's consent is required for the transfer by the pledgor of the pledged property to other persons for temporary possession or use then if the pledgor is in breach of that condition the rules established by **Subitem 3 of Item 2 of Article 351** of the present Code shall be applied.

4. In the event of the pledgee's levy of execution on the pledged property the rights in rem, the right arising from a contract of lease and other rights arising from the transactions whereby property is provided for possession or use which have been granted by the pledgor to third parties without the consent of the pledgee shall be terminated from the time when a court's decision on levy of execution on the pledged property becomes final or if the pledgee's claim is met without referring to a court (in extrajudicial proceedings), from the time when the acquirer of the pledged property starts to have the right of ownership thereto, unless the acquirer agrees to the preservation of said rights.

5. The pledgee has the right to use the subject of pledge that has been handed over to him only in the cases envisaged by the contract, submitting a report on the use thereof to the pledgor on a regular basis. According to the contract the pledgee may have the duty of deriving fruits and incomes from the subject of pledge for the purpose of redeeming the principal obligation or in the interests of the pledgor.

Article 347. Remedies for Pledgee's Rights to the Subject of Pledge

1. From the time of emergence of a pledge the pledgee who has had or was to have the pledged property has the right of recovering it from another's unlawful possession, including inter alia from the possession of the pledgor.

2. If the pledgee has acquired the right to use the subject of pledge that has been handed over thereto he may demand from other persons, for instance from the pledgor, elimination of every infringements on his right, even though these infringements were not related to the deprivation of possession.

Also the pledgee has the right of demanding release of the pledged property from seizure (removal thereof from a distraint list) in connection with levy of execution on it in executory proceedings.

Article 348. Grounds for Levy of Execution on Pledged Property

1. For the purposes of meeting the claims of the pledgee levy of execution on the pledged property may take place if the debtor defaults on or improperly performs the pledge-secured obligation.

2. No levy of execution on the pledged property is admissible if the debtor's breach of the pledge-secured obligation is insignificant and accordingly the amount of the pledgee's claims is apparently incommensurate with the value of the pledged property. Except as proven to the contrary, it shall be assumed that a breach of the pledge-secured obligation is insignificant and the amount of the pledgee's claims is apparently incommensurate with the value of the pledged property, if the following conditions are simultaneously observed:

1) the sum of the obligation defaulted on makes up less than five per cent of the value of the pledged property;

2) the period of arrears on the performance of the pledge-secured obligation is less than three months.

3. Except as otherwise envisaged by the contract of pledge, levy of execution on the property pledged to secure an obligation which is performed in instalments shall be admissible if the due dates for instalment payments have not been observed systematically, i.e. if the due dates for the payments had not been honoured more than thrice during the 12 months preceding the date of application to the court or the date of dispatch of a notice of levy of execution on the pledged property in extrajudicial proceedings, even if each of the delays was insignificant.

4. The debtor and the pledgor who is a third party have the right of terminating levy of execution and the sale of the subject of pledge at any time before the sale by means of performing the pledge-secured obligation or the portion thereof whose performance was delayed. An agreement that limits this right is null and void.

Article 349. Procedure for Levy of Execution on Pledged Property

1. Levy of execution on pledged property shall take place under a court's decision, unless extrajudicial proceedings for levy of execution on the pledged property are envisaged by an agreement of the pledgor and the pledgee.

If a provision for extrajudicial proceedings for levy of execution on the pledged property is envisaged by an agreement of the parties the pledgee has the right of filing a claim with the court for levy of execution on the pledged property. In this case the additional expenses relating to levy of execution on the pledged property in judicial proceedings shall be borne by the pledgee, unless he proves that levy of execution on the subject of pledge or the sale of the subject of pledge in accordance with the agreement on extrajudicial proceedings for levy of execution have taken place in connection with actions of the pledgor or third parties.

In the event of levy of execution and sale of the pledged property the pledgee and other persons shall take the measures required to receive the largest proceeds from the sale of the subject of pledge. The person to whom losses have been caused by defaulting on said duty has the right of claiming compensation for them.

2. Satisfying claims of the pledgee with the pledged property without referring to the court (in extrajudicial proceedings) shall be admissible under an agreement of the pledgor with the pledgee, except as otherwise envisaged by law.

3. Levy of execution on the subject of pledge may taken place only by a court's decision in cases when:

the subject of pledge is the only premises belonging by the right of ownership to a citizen, save cases when an agreement on levy of execution in extrajudicial proceedings is concluded after the occurrence of grounds for levy of execution;

the subject of pledge is a piece of property of significant historical, artistic or other cultural value to society;

the pledgor who is a natural person has been declared missing in the established procedure;

the pledged property is the subject of preceding and subsequent pledges in which different procedures are used for levy of execution on the subject of pledge or different means of the sale of the pledged property, except as otherwise envisaged by an agreement between the preceding and the subsequent pledgees;

the property is pledged to secure the performance of different obligations to several pledgees, save cases when extrajudicial proceedings for levy of execution are envisaged by an agreement of all the co-pledgees with the pledgor.

A law may have a provision for other cases when levy of execution on pledged property in extrajudicial proceedings is prohibited.

Agreements concluded in breach of the provisions of the present item shall be deemed null and void.

4. The parties have the right of including a clause on extrajudicial proceedings for levy of execution in the contract of pledge.

5. An agreement on levy of execution on pledged property in extrajudicial proceedings shall be concluded in the same form as the contract of pledge of that property.

6. Levy of execution on the subject of pledge on the basis of an execution notation of a notary without referring to the court is admissible in the procedure established by the **legislation** on the notarial profession and the **legislation** of the Russian Federation on execution proceedings in cases when the debtor defaults or improperly performs the pledge-secured obligation, if the contract of pledge containing a clause on levy of execution on the pledged property in extrajudicial proceedings has been notarised.

7. The agreement on levy of execution on the pledged property in extrajudicial proceedings shall contain a reference to one method or several methods of sale o the pledged property which are envisaged by the present Code and also to the value (initial selling price) of the pledged property or a procedure for determining it.

If the agreement on levy of execution on the pledged property envisages several methods of sale of the pledged property the right of choosing the method of sale shall be held by the pledgee, except as otherwise envisaged by the agreement.

8. If levy of execution on the pledged property is done in extrajudicial proceedings the pledgee or the notary carrying out the levy of execution on the pledged property shall send a notice in the procedure established by the **legislation** on the notarial profession to the pledgor, the pledgees they know about, and also to the debtor about the commencement of levy of execution on the subject of pledge.

The sale of the pledged property is admissible only after ten days after the time when the pledgor and the debtor receive a notice of the pledgee or a notary, except if another period is envisaged by law, and also unless a longer period is envisaged by an agreement between the pledgee and the pledgor. In the cases envisaged by the **banking legislation** the sale of a pledged movable property may take place before the expiry of said period if there is the risk of a significant fall in the value of the subject of pledge as compared with the sale price (initial selling price) specified in the notice.

Article 350. The Disposal of Pledged Property in the Event of Levy of Execution on It in Judicial Proceedings

1. The disposal of the pledged property that is subjected to levy of execution under a court decision shall be carried out by means of public sale in the procedure established by the present Code and the procedural legislation, unless it is established by law or an agreement between the pledgee and the pledgor that the sale of the subject of pledge shall be done in the procedure established by **Paragraphs 2** and **3 of Item 2 of Article 350.1** of the present Code.

2. In the event of levy of execution on pledged property in judicial proceedings the court is entitled at the request of the pledgor being the debtor in respect of an obligation to defer the sale of the pledged property at public sale by up to one year, given the availability of good reason.

The deferment shall not relieve the debtor from provision of compensation for the creditor's losses, interest and forfeit money that have built up over the deferment period.

Article 350.1. The Disposal of Pledged Property in the Event of Levy of Execution on It in Extrajudicial Proceedings

1. If pledged property is subjected to levy of execution in extrajudicial proceedings the disposal thereof shall be carried out at public sale carried out in accordance with the rules envisaged by this Code or an agreement between the pledgor and the pledgee.

2. If the pledgor is a person who pursues entrepreneurial activities an agreement between the pledgor and the pledgee may also include a clause on the sale of the pledged property by means of:

the subject of pledge being retained by the pledgee, for instance the subject of pledge being put under the ownership of the pledgee, at the price and on other terms defined by said agreement, but not below the market value;

the subject of pledge being sold by the pledgee to another person at a price not below the market value, with the sum of the pledge-secured obligation being withheld from proceeds.

If the value of the property remaining with the pledgee or alienated to a third party exceeds the amount of the outstanding pledge-secured obligation the difference shall be paid out to the pledgor.

3. If in the event of levy of execution on pledged property in extrajudicial proceedings it is discovered that the pledgor's rights have been infringed upon or that a substantial risk of such breach exists the court may terminate the levy of execution on the subject of pledge in extrajudicial proceedings at the pledgor's demand and issue a decision on levy of execution on the subject of pledge by means of selling the pledged property at public sale (**Article 350**).

4. For the purpose of selling the pledged property the pledgee has the right of concluding the transactions required for this purpose and also to demand that the pledged property be transferred to it by the pledgor.

If a pledged piece of movable property that remained with the pledgor has been transferred by him

for possession or use to a third party the pledgee has the right of demanding that this person hand over the subject of pledge to the pledgee.

In the event of refusal to hand over the pledged property to the pledgee for the purpose of its being sold the subject of pledge may be taken and handed over to the pledgee under an execution notation of a notary in accordance with the **legislation** on the notarial profession.

5. If according to the terms of an agreement of the pledgor with the pledgee the sale of pledged property not deemed immovable is effectuated through the sale of that property by the pledgee to another person the pledgee shall send the contract of purchase/sale concluded with such person to the pledgor.

Article 350.2. Procedure for Conducting Public Sale for the Purpose of Disposing of Pledged Property Not Deemed Immovable

1. When pledged property not deemed immovable is sold at public sale (sale of pledged property at public sale) under a court decision a bailiff shall send a notice in writing of the date, time and place of the sale to the pledgee, pledgor and debtor for the principal obligation at least ten days before the date of the sale. When pledged property is sold at a sale conducted when execution is levied on the property in extrajudicial proceedings responsibility for informing the pledgor and debtor shall be borne by the pledgee.

2. When pledged property not deemed immovable is sold at public sale under a court decision or at a sale conducted when execution on that property is levied in extrajudicial proceedings the organiser of the sale shall announce it as unaccomplished if:

1) less than two buyers have attended it;

2) no mark-up has been offered at the sale for the initial selling price of the pledged property;

3) the person that was the winner at the sale has not delivered the purchase price when due. The sale shall be announced unaccomplished within the term ending on the day following the day on which any of the said circumstances occurred.

3. The pledgee and pledgor have the right of acting as participants in a sale conducted under a court decision or in the event of levy of execution on the pledged property in extrajudicial proceedings. If the pledgee has become the winning bidder at the sale the purchasing price payable by him shall be accepted as setting off the repayment of the pledge-secured obligation.

The rules envisaged by **Paragraph 1** of the present item shall be applicable if the pledgee retains the subject of pledge when execution is levied on the pledged property in extrajudicial proceedings.

4. Within ten days after the sale is announced unaccomplished the pledgee has the right of acquiring the pledged property not deemed immovable by agreement with the pledgor and to have its pledge-secured claims accepted to set off the purchase price. Such agreement shall be subject to the rules on a contract of purchase/sale.

Unless the agreement on acquisition of property by the pledgee envisaged by the present item has been concluded, a repeated sale shall be held within one month after the first sale. At the repeated sale the initial selling price of the pledged property shall be reduced by 15 per cent if the holding of the sale was for the reasons specified in **Subitems 1** and **2 of Item 2** of the present article. When pledged property not deemed immovable property is sold at sale conducted when execution is levied on that property in extrajudicial proceedings it may be envisaged by an agreement of the parties that if the sale was announced unaccomplished for the said reasons the repeated sale shall be conducted by means of step-by-step reduction of the price from the initial selling price at the first sale.

5. If the repeated sale is announced unaccomplished the pledgee has the right to retain the subject of pledge with its estimated value ten per cent below the initial selling price at the repeated sale, unless a higher estimate is established by agreement of the parties.

The pledgee shall be deemed to have used said right if within one month after the date of announcement of the repeated sale as unaccomplished he sends an application in writing about his retaining the property to the pledgor and the organiser of the sale or if levy of execution took place in judicial proceedings, to the pledgor, organiser of the sale and the bailiff.

From the time when the pledgee's application in writing about his retaining the property is received

by the pledgor the pledgee to whom a movable thing has been handed over under the contract of pledge shall acquire the right of ownership to the subject of pledge he has retained, unless another time is established by a law for the emergence of the right of ownership to movable of the relevant type.

The pledgee who has retained the pledged property shall have the right of claiming that that property be handed over thereto, if another person has it.

6. Unless the pledgee uses the right of retaining the subject of pledge within one month after the date on which the repeated sale is announced unaccomplished, the contract of pledge shall be terminated.

7. The provisions of the present Code on the conclusion of a contract at sale shall be applicable when pledged property is sold at sale, except as otherwise established by the present article.

Article 351. Early Performance of a Pledge-Secured Obligation and Levy of Execution on Pledged Property

1. The pledgee has the right of claiming early performance of the pledge-secured obligation:

1) in cases when the subject of pledge that remained with the pledgor has ceased to be in his possession otherwise than according to the terms of the pledge contract;

2) in cases when the subject of pledge has perished or been lost due to circumstances beyond the control of the pledgee, unless the pledgor used the right envisaged by **Item 2 of Article 345** of the present Code;

3) in other cases envisaged by law or the contract.

2. Except as otherwise envisaged by the contract the pledgee has the right of claiming early performance of the pledge-secured obligation, or if his claim is not met, levying execution on the subject of pledge:

1) in cases when the pledgor has violated the rules on a subsequent pledge (**Article 342**);

2) in cases when the pledgor has defaulted on the duties envisaged by **Subitems 1** and **3 of Item 1** and **Item 2 of Article 343** of the present Code;

3) in cases when the pledgor has violated the rules on alienation of pledged property or provision thereof for temporary possession or use to third parties (**Items 2** and **4 of Article 346**);

4) in other cases envisaged by law.

Article 352. Termination of a Pledge

1. A pledge shall be terminated:

1) with the termination of the obligation secured by the pledge;

2) if the pledged property has been acquired for a consideration by a person who did not know and could not have known that the property was the subject of pledge;

3) in the event of loss of the pledged item or termination of the pledged right, unless the pledgor used the right envisaged by **Item 2 of Article 345** of the present Code;

4) if the pledged property is sold for the purpose of meeting claims of the pledgee in the procedure established by law, for instance when the pledgee retains the pledged property, and in cases when he has not used that right (**Item 5 of Article 350.2**);

5) in cases when the contract of pledge is terminated in the procedure and on the grounds envisaged by law, and also if the contract of pledge is deemed invalid;

6) by a court's decision in the case envisaged by **Item 3 of Article 343** of the present Code;

7) in the event of seizure of the pledged property (**Articles 167** and **327**), save in the cases envisaged by **Item 1 of Article 353** of the present Code;

8) in the event of sale of the pledged property for the purpose of meeting claims of the preceding pledgee (**Item 3 of Article 342.1**);

9) in the cases mentioned in **Item 2 of Article 354** and **Article 355** of the present Code;

10) in other cases envisaged by a law or the contract.

2. Once the pledge is terminated the pledgee who has been holding the pledged property shall return it to the pledgor or another empowered person.

The pledgor has the right of demanding that the pledgee commit all the necessary actions aimed at making an entry on the termination of the pledge (**Article 339.1**).

Article 353. Preservation of a Pledge When the Rights to Pledged Property Are Transferred to Another Person

1. If the rights to pledged property are transferred from the pledgor to another person as a result of alienation, for a consideration or without it, of that property (save for the cases mentioned in **Subitem 2 of Item 1 of Article 352** and **Article 357** of the present Code) or in line of universal legal succession the pledge shall remain in force.

The legal successor of the pledgor shall acquire the rights and bear the duties of the pledgor, save the rights and duties which by virtue of law or the essence of relationships between the parties are linked with the initial pledgor.

2. If the pledgor' property serving as the subject of pledge has been transferred in line of legal succession to several persons each of the legal successors (acquirers of property) shall bear the consequences of default on performance of the pledge-secured obligation ensuing from the pledge commensurately to the portion of said property he has acquired. However, if the subject of pledge is indivisible or on other grounds remains in common ownership of the legal successors they shall become solidary pledgors.

Article 354. Transfer of Rights and Duties under a Contract of Pledge

1. Without the consent of the pledgor the pledgee has the right of transferring his rights and duties under the contract of pledge to another person, given the observance of the rules established by **Chapter 24** of the present Code.

2. The transfer by the pledgor of his rights and duties under the contract of pledge to another person is admissible on the condition of simultaneous assignment to the same person of the right of claim against the debtor in line of the principal obligation secured with the pledge. Except as otherwise envisaged by a law, if said condition is not observed the pledge shall be terminated.

Article 355. Transfer of Debt under a Pledge-Secured Obligation

With the transfer of a debt under an obligation secured by a pledge to another person the pledge is terminated, except as otherwise envisaged by an agreement between the creditor and the pledgor.

Article 356. Contract of Pledge Management

1. The creditor(s) related to the pledge-secured obligation(s) whose performance is connected with the pursuance of entrepreneurial activities by the parties thereto has/have the right of concluding a contract of pledge management with one of such creditors or a third party (pledge manager).

Under the contract of pledge management the pledge manager, acting on behalf and in the interests of all the creditors who have concluded the contract, shall undertake to conclude a contract of pledge with the pledgor and/or to exercise all the rights and duties of pledgee under the contract of pledge, and the creditor(s), to compensate the pledge manager for the expenses he incurs and pay a fee, except as otherwise envisaged by the contract.

If the pledge had come into being before the conclusion of the contract of pledge management the pledge manager under an agreement on transfer of a contract of pledge (**Article 392.3**) has the right of exercising all the rights and duties of the pledgee by virtue of the contract of pledge management.

Until the time of termination of the contract of pledge management the creditor(s) is/are not entitled to exercise his/their rights and duties of pledgee.

The transfer of the rights of the creditor under the obligation secured by the pledge to another person shall entail a change of the corresponding person in relations under the pledge management agreement, unless otherwise provided for by the law or agreement or follows from the nature of the obligation. The pledge management agreement may provide for the prior consent of the pledge manager to

replace the party in such agreement in case of assignment of rights under the obligation secured by the pledge.

2. An individual entrepreneur or a commercial organisation may be a pledge manager.

3. The pledge manager shall exercise all the rights and duties of a pledgee under the contract of pledge on the terms most gainful for the creditor(s). The powers of the pledge manager shall be defined by the contract of pledge management (**Item 4 of Article 185**) and they may be altered by agreement of the parties to the contract of pledge management.

The contract of pledge management may have a provision according to which specific areas of competence of the pledgee are realised by the pledge manager with the preliminary consent of the creditor(s).

4. The property received by the pledge manager in the interests of the creditors being party to the contract of pledge management, for instance as a result of levy of execution on the subject of pledge, shall be under the share ownership of said creditors pro rata to the amounts of their pledge-secured claims, except as otherwise established by an agreement between the creditors, and it is subject to sale on a demand of any of the creditors.

The pledge manager is obliged to keep a register of all creditors who are parties to the pledge management agreement, and the grounds under which their claims arise.

The monetary funds received by the pledge manager as a result of the execution of the pledge management agreement are to be credited to a nominal account that the pledge manager is obliged to open and the beneficiary (beneficiaries) of which is the creditor (creditors), unless otherwise provided for by the pledge management agreement.

In the event of the agreement of a syndicated credit (loan) secured by a pledge, the beneficiary (beneficiaries) under the nominal account agreement, specified in **Paragraph Three** of this Item, is the creditor (creditors), while the pledge manager is obliged to transfer the funds received to the nominal account of the pledge manager, or to the account of the credit manager within the period determined by the pledge management agreement. Another procedure for transferring funds to the creditor (creditors) due to him/her as a result of the execution of the pledge management agreement may be provided for by the pledge management agreement.

5. The contract of pledge management shall be terminated as a result of:

1) termination of the pledge-secured obligation;

2) rescission of the contract by a decision of a creditor (creditors) in unilateral procedure;

3) deeming the pledge manager as unable to pay (bankrupt).

5.1. Upon the termination of the rights of one of the pledgees, the pledge management agreement ceases to be valid in relation to this pledgee, unless otherwise provided for by the agreement or follows from its nature.

5.2. The credit manager under the agreement of a syndicated credit (loan) shall exercise the authorities to exercise the rights of the pledgees arising from a single claim, in the event that a bankruptcy case is initiated against the pledgor, if all creditors who are parties to the pledge management agreement are also parties to the agreement of syndicated credit (loan).

6. In as much as it concerns an area not regulated by the present article, except as otherwise ensues from the essence of obligations of the parties, the duties of the manager under the contract of pledge management who is not the pledgor are subject to the rules concerning an agency contract, and the rights of duties of pledgees in respect of each other are subject to the rules concerning a contract of simple partnership concluded for the purposes of pursuing entrepreneurial activities.

7. During the state registration or accounting of collateral (**Article 339.1**), the collateral manager or credit manager must be indicated as the mortgagee (in the event that the agreement of syndicated credit (loan) provides for the vesting of the credit manager with the rights and obligations of the collateral manager) with a notification that he/she acts in this capacity in the event of a pledge management agreement or agreement of syndicated credit (loan), including a pledge management clause.

2. Specific Types of Pledge

Article 357. Pledge of Goods in Circulation

1. The pledge of goods in circulation is a pledge of goods when they are retained by the pledgor and the pledgor acquires the right of altering the composition and the form in kind of the pledged property (stocks of goods, raw materials, materials, semi-finished products, finished products etc.), provided their total value does not fall below that specified in the contract of pledge.

The subject of pledge under a contract of pledge of goods in circulation may be defined by referring to the generic features of the relevant goods and to their location in specific buildings, on premises or land plots.

A reduction in the value of pledged goods in circulation is admissible commensurately with the discharged portion of the pledge-secured obligation, except as otherwise envisaged by the contract.

2. The goods in circulation which have been alienated by a pledgor shall cease to be the subject of pledge as of the time of their transfer under the ownership, economic jurisdiction or operative management of the acquirer, and the goods which have been acquired by the pledgor and are mentioned in the contract of pledge of goods in circulation shall become the subject of pledge as of the time when the pledgor starts to have the right of ownership, economic jurisdiction or operative management to them.

3. The pledgor of goods in circulation shall keep a book of pledges for entries to be made therein on the terms of pledge of goods and on all the transactions entailing a change in the composition or the form in kind of pledged goods, including inter alia their processing, as of the date of the last transaction, except as otherwise envisaged by the contract of pledge.

4. If the pledgor is in breach of the terms of the pledge of goods in circulation the pledgee has the right to suspend transactions involving the pledged goods until the breach is eliminated, by means of applying his marks and seals thereto. For the purposes of identifying said pledged goods and other items the fact that the pledged goods are located in a certain place at a certain time may be notarised.

Article 358. Pledge of Things in a Pawn Shop

1. Accepting movable items intended for personal consumption from citizens into pledge as security for short-term loans may be carried out as an entrepreneurial activity by specialised organisations, i.e. pawn shops.

2. A contract of loan shall be formalised by the issuance of a **pledge ticket** by the pawn shop.

3. Pledged items shall be handed over to the pawn shop.

The pawn shop shall insure at its own expense for the benefit of the pledgor the things accepted in pledge for their full value corresponding to the prices for such items of such quality normally established in trading at the time of their acceptance in pledge.

The pawn shop is not entitled to use and dispose of the pledged things.

4. The pawn shop shall be liable for the loss of the pledged things and for the damage thereof, unless it proves that the loss or damage was due to force majeure.

5. If the sum of the loan secured by the pledge of the things in the pawn shop is not repaid when due then upon the expiry of a one-month respite the pawn shop has the right to sell that property in the procedure established by the **law** on pawn shops. After that the pawn shop's claims to the pledgor (debtor) is redeemed, even if the sum of proceeds from the sale of the pledged property is insufficient for meeting them in full.

6. The rules for pawn shops to lend to citizens on the collateral of items belonging to the citizens shall be established by a **law** on pawn shops in accordance with the present Code.

7. The terms of a contract of loan which restrict the pledgor's rights as compared with the rights conferred thereon by the present Code and other laws are null and void. The relevant provisions of law shall be applicable in place of such terms.

Article 358.1. Pledge of Rights under the Law of Obligations

1. The subject of pledge may be the property rights (claims) ensuing from an obligation of the pledgor. The pledgor in respect of a right may be the person being a creditor under the obligation from which the pledged right ensues (right-holder).

Except as otherwise established by a law or the contract of pledge of the right, the subject of pledge is all the rights which belong to the pledgor ensuing from the relevant obligation and may be a subject of pledge.

2. The subject of pledge may be a right that is going to emerge in future from an existing or a future obligation.

3. Except as otherwise established by law or the contract or ensues from the essence of the obligation, the subject of pledge may be a portion of a claim, a separate claim or several claims ensuing from the contract or another obligation.

4. The subject of pledge under one contract of pledge may be a set of rights (claims), each of them ensuing from an independent obligation, for instance a set of future rights and also a set of existing and future rights.

5. If a pledged right had been terminated in connection with the expiry of its effective term before execution was levied on it by the pledgee then the pledgee is not entitled to claim early performance of the principal obligation whose performance was secured by the pledge of that right.

6. In the cases established by law or the contract when execution is levied on a pledged right and the pledged right is sold then that right is transferred to the acquirer as well as the duties relating thereto.

Article 358.2. Limitations on the Pledge of a Right

1. The pledge of a right does not require consent of the right-holder's debtor, save the cases envisaged by law or an agreement between the right-holder and his debtor.

2. In cases when an agreement between the right-holder and his debtor has prohibited assignment of the right or when the impossibility of assignment of the right ensues from the essence of the obligation the pledge of the right is prohibited, except as otherwise established by law.

3. The pledge of a right is admissible only with the consent of the right-holder's debtor if:

1) by virtue of law or an agreement between the right-holder and his debtor the consent of the debtor is required for the assignment of the right (claim);

2) in cases when execution is levied on the pledged right and it is sold the acquirer of the right is to acquire the duties relating to the pledged right (**Item 6 of Article 358.1**).

4. Except as otherwise envisaged by law, non-observance by the right-holder of the limitation on assignment or pledge of a right (claim) stated in the contract with the debtor that has to do with the pursuance of entrepreneurial activities by the parties thereto shall entail the consequences envisaged by **Item 3 of Article 388** of the present Code.

Article 358.3. The Content of a Contract of Pledge of a Right

1. Apart from the terms envisaged by **Article 339** of the present Code a contract of pledge of a right shall mention the obligation from which the pledged right ensues, provide information on the pledgor's debtor and the party to the contract of pledge which has the original documents certifying the pledged right.

If the subject of pledge is the pledgor's right of claiming payment of a sum of money indication may be made in the contract of pledge of the amount thereof or a procedure for determining it.

Unless the contract indicates that the original documents certifying the pledged right are retained by the pledgor or are handed over to a notary for safekeeping the pledgor shall hand over such original documents within the term specified in the contract of pledge, or unless the contract establishes said term, within a reasonable period to the pledgee at his request filed in writing. An agreement between the pledgor and the pledgee may envisage that the documents are transferred to a third party for safekeeping.

When a right is pledged, except as otherwise envisaged by law or the contract, the duties envisaged by **Article 343** of the present Code are vested in the party to the contract of pledge which has the original

documents certifying the pledged right.

2. In cases when the subject of pledge is a set of rights (claims) or a future right (**Items 2** and **4 of Article 358.1**) information on the obligation from which the pledged right ensues and on the pledgor's debtor may be provided in the contract generally, i.e., by means of data allowing one to individualise the pledged rights and define the persons which are or at the time of levy of execution on the subject of pledge are going to be debtors in respect of these rights.

Article 358.4. Notification of a Debtor

In the event of pledge of rights notification of the debtor for the obligation in respect of which rights are pledged shall be effectuated according to the rules of **Article 385** of this Code.

Article 358.5. Emergence of the Pledge of a Right

1. The pledge of a right comes into being as of the time when the contract of pledge is concluded, or in the event of pledge of a future right, as of the time of emergence of that right.

2. If the pledge of a right secures the performance of an obligation that is going to emerge in future the pledge of the right comes into being as of the time of emergence of that obligation.

Article 358.6. Performance of an Obligation by the Pledgor's Debtor

1. The pledgor's debtor the right of claim against whom has been pledged shall perform the relevant obligation to the pledgor, except as otherwise envisaged by the contract of pledge.

If the contract of pledge has a provision for the pledgee's right to receive performance from the debtor for the obligation in respect of which the right has been pledged, the debtor notified about it (**Article 358.4**) shall perform his obligation to the pledgee or the person designated by the pledgee.

2. Except as otherwise envisaged by the contract of pledge, having received sums of money from his debtor setting off the performance of the obligation, the pledgor, at the pledgee's request, shall pay to him the relevant amounts to set off the performance of the pledge-secured obligation.

Except as otherwise envisaged by the contract of pledge the amounts of money received by the pledgee from the pledgor's debtor according to the pledged right (claim) shall set off the obligation in the security for the performance of which the relevant right is included.

3. After the emergence of grounds for levy of execution on the pledged right of claim the pledgee has the right to receive performance on the given claim within the limits required to cover the pledgee's pledge-secured claims, for instance the right of filing claims for performance of on-call obligations if the subject of pledge is a claim relating to an on-call obligation.

4. A law or the contract of pledge of a right may have a provision according to which the amounts of money received by the pledgor from his debtor as setting off the performance of the obligation in respect of which the right (claim) has been pledged shall be credited to the pledgor's pledge account. Such account is subject to the rules concerning the contract of pledge of rights relating to a bank account contract.

Article 358.7. Remedies for the Pledgee of a Right

1. Except as otherwise envisaged by a contract in the event of breach of the duties envisaged by **Article 358.6** of this Code the pledgee has the right to claim early performance of the pledge-secured obligation from the pledgor, and in the event of default on it, of levying execution on the subject of pledge in the established procedure.

2. The pledgee has the right of taking the independent measures required for protecting the pledged right against infringements on the part of third parties.

Article 358.8. Procedure for Disposal of a Pledged Right

1. The disposal of a pledged right shall be effectuated in the procedure established by **Item 1 of Article 350** and **Item 1 of Article 350.1** of this Code.

2. In the event of levy of execution on the pledged right in judicial proceedings the parties may come to an agreement that, at the pledgee's demand, it will be disposed of by means of assignment of the pledged right to the pledgee under a court's decision.

3. If execution is levied on the pledged right in extrajudicial proceedings the parties may come to an agreement that the disposition of the pledged right shall be done by means of assignment of the pledged right by the pledgor to the pledgee or by said pledgee to a third party. If the pledgor refuses to assign the pledged right the pledgee or the third party have the right to claim assignment of that right to them under a court decision or under an execution notation of a notary and to compensation for the losses caused in connection with the refusal to assign that right.

4. From the time of transfer of the pledged right to the pledgee or the third party designated by him the obligation whose performance is secured with the pledge of that right shall be terminated in the amount equivalent to the value (initial selling price) of the pledged right (**Item 7 of Article 349**).

The rules of the present item shall be applicable, unless otherwise envisaged by an agreement of the pledgor with the pledgee and also with the debtor for the obligation secured with the pledge of the right when the pledgor is a third party.

Article 358.9. Basic Provisions on the Pledge of Rights under a Bank Account Contract

1. The subject of pledge may be rights under a bank account contract when a bank opens a pledge account for a client.

2. In the event of pledge of rights under a bank account contract the pledgee may be a bank that has concluded a pledge account contract with a client.

3. A pledge account may be opened by a bank for a client irrespective of the fact that a contract of pledge of rights under a bank account contract has been concluded as of the time of its opening.

4. Also a contract of pledge of rights under a bank account contract may be concluded if at the time of conclusion thereof the client has no funds on the pledge account.

5. A contract of pledge of property other than a right under a bank account contract may include a provision according to which the amounts of money due to the pledgor (insurance indemnity for the loss or damage of pledged property, incomes from the use of pledged property, amounts of money due to the pledgor setting off the performance of the obligation in respect of which the right (claim) is pledged etc.) shall be credited to a pledge account.

6. It is hereby prohibited to certify with a security issued by a bank the bank's obligation under a pledge account contract concluded with a client.

7. Except as otherwise envisaged by the present article and **Articles 358.10 - 358.14** of this Code, a pledge account contract is subject to the rules of **Chapter 45** of this Code.

8. The rules of the present Code concerning the pledge of rights under a bank account contract(this article and **Articles 358.10 - 358.14**) respectively shall be applicable to the pledge of rights under a bank account contract.

9. The rules for writing off monetary assets which are provided for by the provisions of **Chapter 45** of this Code on a bank account shall not apply to the monetary assets kept on an escrow account.

Article 358.10. The Content of a Contract of Pledge of Rights under a Bank Account Contract

1. A contract of pledge of rights under a bank account contract shall shall include reference to the bank details of a pledge account, the essence, amount and due date of the obligation secured with the pledge of rights under the bank account contract.

2. Except as otherwise envisaged by the contract of pledge of rights under a bank account contract, the contract shall be deemed concluded on the condition of pledge of rights in respect of the entire sum of money available in the pledge account at any time during the effective term of the contract.

3. The contract of pledge of rights under a bank account contract may include a provision according to which the subject of pledge is the pledgor's rights under a bank account contract in respect of a fixed amount of money specified in the contract of pledge. In this case, the amount of money in the

pledgor's account at any time during the effective term of the contract of pledge shall not be below the sum defined by the contract.

Except as otherwise envisaged by the contract of pledge it is hereby prohibited to reduce the fixed amount of money in respect of which the pledgor's rights under the bank account contract have been pledged, commensurately to the discharged portion of the pledge-secured obligation.

Article 358.11. The Emergence of a Pledge of Rights under a Bank Account Contract

On the basis of a contract of pledge of rights under a bank account contract a pledge shall come into being as of the time when the bank is notified of the pledge of the rights and a copy of the contract of pledge is provided thereto. If the pledgee is the bank that has concluded a pledge account contract with a client (pledgor) a pledge shall come into being as of the time of conclusion of the contract of pledge of rights under the bank account.

Article 358.12. Disposal of a Bank Account under Which Rights Have Been Pledged

1. The pledgor has the right of disposing freely of the amounts of money available in the pledge account, except as otherwise envisaged by the contract of pledge of rights under the relevant bank account contract or the rules of this article.

The bank shall carry out transactions on the pledge account according to the rules of the present paragraph and other rules of the present Code, other laws and banking rules, and in as much as it concerns an area not regulated by them, in accordance with an agreement concluded between the bank, pledgor and pledgee.

2. At a demand of the pledgee filed in writing the bank shall provide him with information on the balance of money in the pledge account, transactions on said account and the claims that have been presented in respect of the account as well as the bans and restrictions imposed on said account. The procedure and term for provision of such information by the bank are defined by banking rules, and in as much as it concerns an area not regulated by them, an agreement concluded between the bank, pledgor and pledgee.

3. If the contract of pledge of the pledgor's rights under a bank account contract is concluded in respect of a fixed amount of money the pledgor is not entitled to provide the bank with instructions which when performed are going to cause the sum of money in the pledge account fall below said fixed amount of money, and the bank is not entitled to implement such instructions, without the pledgee's consent in writing.

4. After the bank receives a notice in writing from the pledgee on the debtor's default on, or improper performance of, the pledge-secured obligation the bank shall not have the right of implementing the pledgor's instructions which when performed are going to cause a fall in the sum of money in the pledge account below the sum equivalent to the amount of secured obligation specified in the contract of pledge.

5. A bank that has violated the duties described in **Items 3** and **4** of the present article shall bear solidary liability to the pledgee within the amounts of money that have been written off the pledge account when implementing instructions of the client (pledgor).

Article 358.13. Amending and Terminating a Contract of Pledge of Rights under a Bank Account Contract

Without the consent of the pledgee the parties to a bank account contract under which rights have been pledged shall not have the right of amending it or committing actions entailing termination of such contract.

Article 358.14. Realisation of Pledged Rights under a Bank Account Contract

1. When execution is levied on pledged rights under a bank account contract in accordance with **Article 349** of the present Code in judicial or extrajudicial proceedings the pledgee's claims shall be

satisfied by the bank writing off amounts of money on the pledgee's instructions from the pledgor's pledge account and handing them to the pledgee or crediting them to the account designated by the pledgee (**Item 2 of Article 854**). In these cases the rules for sale of pledged property established by **Articles 350 - 350.2** of this Code are not applicable.

2. Invalid from June 1, 2018 - **Federal Law** No. 212-FZ of July 26, 2017

Article 358.15. Pledge of Rights of Stakeholders of Legal Entities

1. The pledge of rights of a shareholder shall be effectuated by means of pledging this shareholder's shares of that company, and the pledge of rights of a stakeholder of a limited liability company, by means of pledging his stake in the charter capital of the company in keeping with the rules established by the present Code and laws on business associations.

Pledging the rights of the stakeholders (founders) of other legal entities is hereby prohibited.

2. When shares are pledged the rights they certify shall be exercised by the pledgor (shareholder), except as otherwise envisaged by the contract of pledge of shares (**Article 358.17**).

Except as otherwise envisaged by the contract of pledge of a stake in the charter capital of a limited-liability company the rights of the stakeholder of the company shall be exercised by the pledgee until the time of termination of the pledge.

Article 358.16. Pledge of Securities

1. The pledge of a paper security shall come into being as of the time when it is handed over to the pledgee, except as otherwise established by a law or the contract.

The pledge of a paperless security shall come into being as of the time when an entry on the pledge is made in the account used to keep a record of the rights of the holder of the paperless securities or in the cases established by law in an account of another person, unless it has been established by law or the contract that the pledge emerges later.

2. If the pledge of an order security has been effectuated by means of a pledge endorsement the relationships among the pledgor, pledgee and debtor under the order security shall be regulated by laws on securities.

3. The relationships which are linked with the pledge of paper securities and not regulated by the present articles, **Article 358.17** of the present Code or other laws shall be subject to the rules for the pledge of items, except as otherwise established by laws on securities and ensues from the nature of the relevant securities.

4. Relationships which are linked with the pledge of paperless securities and not regulated by the present article, **Article 358.17** of the present Code or other laws shall be subject to the rules for the pledge of paper securities, except as otherwise ensues from the nature of the relevant paperless securities.

Article 358.17. Exercising the Rights Certified by a Pledged Security

1. A contract of pledge of a security may envisage that the pledgee exercises all or some rights belonging to the pledgor and certified by the pledged security.

2. The pledgee shall exercise pledged rights in its own name.

If the pledgee is restricted by the contract of pledge in exercising the rights certified by the security its breach of such restrictions will not affect the rights and duties of third parties that did not know and could not have known on such restrictions. However, the pledgee shall bear liability to the pledgor for a breach as envisaged by law and the contract, and the pledgor shall be entitled to claim termination of the right of pledge in judicial proceedings.

3. If according to the terms of the contract of pledge of a security the pledgor has the duty of seeking approval from the pledgee for his actions whereby the rights certified by the pledged security are realised, in cases when the pledgor fails to observe said duty it shall bear liability to the pledgee as envisaged by law and the contact, and the pledgee has the right of claiming early performance of the pledge-secured obligation.

4. In cases when by virtue of the contract of pledge of a security the pledgee exercises the right of

receiving income on the security the pledgee has the right of receiving incomes on the pledged security as well as the amounts of money received from the redemption of the pledged security, the amounts of money received from the person that has issued the security in connection with its being acquired by said person or the amounts of money received in connection with its acquisition by a third party against the will of the holder of the pledged security. The incomes and amounts of money received by the pledgee shall be accepted to set off the redemption of the obligation whose performance is secured with the pledge of the security.

5. Except as otherwise envisaged by the contract of pledge, in the event of conversion of pledged securities into other securities or another property such securities or such property shall be deemed to be pledged to the pledgee (**Item 3 of Article 345**).

If according to law the pledgor of securities receives other securities or another property without consideration in addition thereto by virtue of his being the holder thereof such securities or such property are pledged to the pledgee (**Item 3 of Article 336**).

Article 358.18. Pledge of Exclusive Rights

1. The exclusive rights to the results of intellectual activities and to individualisation means of legal entities, goods, works, services and enterprises equated to them (**Item 1 of Article 1225**) may be the subject of pledge, insofar as the rules of this Code permit their alienation.

2. The state registration of the pledge of exclusive rights shall be effected in compliance with the rules of **Section VII** of this Code.

3. The general provisions on pledge (**Articles 334-356**) shall apply to an agreement on the pledge of the exclusive right to a result of intellectual activities or to an individualisation means, while to an agreement on the pledge of rights under an agreement on alienation of exclusive rights and under a licence (sublicence) agreement shall apply the provisions on the pledge of contractual rights (**Articles 358.1-358.8**), unless otherwise established by this Code and does not result from the content or nature of corresponding rights.

4. Under an agreement on the pledge of the exclusive right to the result of intellectual activities or to an individualisation means the pledger within the validity term of this agreement is entitled without the pledgee's consent to use such result of intellectual activities or such individualisation means and to dispose of an exclusive right to such result or to such means, except for the instance when the exclusive right is alienated, unless otherwise provided for by an agreement. The pledger is not entitled to alienate an exclusive right without the pledgee's consent, unless otherwise provided for by an agreement.

§ 4. The Retention of an Item of Property

Article 359. The Grounds for the Retention

1. The creditor, in whose custody is the thing, subject to the transfer to the debtor or to the person, named by the debtor, shall have the right, in case the debtor fails to discharge in time the obligation on the payment for this thing or on the compensation to the creditor of the expenses and other losses he has borne in connection with it, to retain it until the corresponding obligation is discharged.

By way of the thing's retention may also be secured the claims, which, while not being connected with the payment for the thing or with the compensation of the expenses and other losses, have nevertheless arisen from the obligation, whose parties are acting as businessmen.

2. The creditor may retain the thing in his custody, despite the fact that after this thing has passed into the creditor's possession, the rights to it have been acquired by a third party.

3. The rules of the present Article shall be applied, unless otherwise stipulated by the contract.

Article 360. Satisfaction of Claims at the Expense of the Retained Property Item

The claims of the creditor, who is retaining the thing, shall be satisfied from its cost in the volume

and in the **order**, stipulated for the satisfaction of the claims, secured against by the pledge.

§ 5. The Surety

Article 361. Grounds for Origination of Suretyship

1. Under a contract of suretyship, the surety shall be obliged to the creditor or another person to be answerable for the latter's execution of an obligation thereof in full or in part. The contract of suretyship may be also concluded to provide security for both a pecuniary and non-pecuniary obligation, as well as for an obligation which will arise in the future.

2. Suretyship may originate on the basis of **law** upon the occurrence of the circumstances cited therein. The rules of this Code in respect of suretyship by virtue of an agreement shall apply to suretyship originating on the basis of law, if not otherwise provided for by law.

3. The terms of suretyship pertaining to the principal obligation shall be deemed coordinated, if in a contract of suretyship there is a reference to the agreement from which the securing obligation has originated or will originate in the future. The contract of suretyship under which the surety is a person engaged in business activities may state that the surety secures all the debtor's existing and/or future obligations with respect to the creditor within the limits of a definite amount.

Article 362. The Form of the Contract of Surety

The contract of surety shall be legalized in written form. The non-observance of the written form shall entail the invalidity of the contract of surety.

Article 363. Responsibility of the Surety

1. In case of the failure to discharge, or of an improper discharge by the debtor, of the obligation, secured by the surety, the surety and the debtor shall be jointly answerable to the creditor, unless the surety's subsidiary liability is stipulated by the law or by the contract of surety.

2. The surety shall be answerable to the creditor in the same volume as the debtor, including the payment of the interest, the compensation of the court expenses, involved in the exaction of the debt and other losses, borne by the creditor, which have been caused by the debtor's non-discharge or improper discharge of the obligation, unless otherwise stipulated by the contract of surety.

3. The persons who have provided joint surety (co-sureties) shall be jointly answerable to the creditor, unless otherwise stipulated by the contract of suretyship. Unless otherwise follows from the agreement made by co-sureties and the creditor, the co-sureties that have limited their liability with respect to the creditor shall be deemed as having secured the principal obligation, each of them in the part thereof. A co-surety that has executed an obligation is entitled to demand compensation of another person that has provided a security of the principal obligation jointly therewith for the amount paid in proportion to their participation in securing the principal obligation.

4. In the event of loss of security of the principal obligation existing as of the time of origination of suretyship or in the event of deterioration of the conditions of its security due to circumstances which are dependent on the creditor, the surety shall be relieved of liability insofar as it can demand compensation (**Article 365**) on account of the lost security, if it can prove that at the time of making the contract of suretyship it is entitled to reasonably rely on such compensation. An agreement made with the citizen being the surety that establishes other effects of the security's loss shall be deemed null and void.

Article 364. The Right of the Surety to Object to the Creditor's Claim

1. The surety shall have the right to put forward against the creditor's claim the objections, which could have been put forward by the debtor, unless otherwise following from the contract of surety. The surety shall not lose the right to these objections even in case the debtor has renounced them or has recognized his debt.

2. The surety is entitled not to discharge the obligation thereof until the creditor can satisfy the

claim thereof by way of setting it off against the debtor's claim.

3. In the event of the debtor's death, the surety under this obligation may not refer to the limited liability of the debtor's heirs with respect to the testator's debts (**Item 1 of Article 1175**).

4. The surety that has acquired the right of a co-pledgee or a right in respect of other security of the principal debt is not entitled to exercise them to the detriment of the creditor, in particular is not entitled to have the claim thereof against the debtor satisfied from the cost of pledged property pending satisfaction of the creditor's claims in respect of the principal obligation.

5. It is not allowed to restrict the surety's right to make objections that could be presented by the debtor. An agreement otherwise shall be null and void.

Article 365. The Rights of the Surety, Who Has Discharged the Obligation

1. To the surety, who has discharged the obligation, shall pass the creditor's rights by this obligation and also the rights, which have belonged to the creditor as the pledgee, in the volume, in which the surety has satisfied the creditor's claim. The surety shall also have the right to claim that the debtor pay the interest on the amount of money, paid up to the creditor, and recompense other losses, which he has borne in connection with the liability for the debtor.

2. After the surety has discharged the obligation, the creditor shall be obliged to pass to the surety the documents, certifying the claim against the debtor, and to transfer to him the rights, securing this claim.

3. The rules, established by the present Article, shall be applied, unless otherwise stipulated by the law, other legal acts or by the contract, concluded by the surety with the debtor, or unless otherwise following from the relationships between them.

Article 366. Notification When Providing Suretyship

1. The debtor notified by the surety about the claim raised against him by the creditor and involved by the surety in participation in the case is bound to notify the surety about all the objections that he has against this claim and to present the evidence that he has to prove these claims. Otherwise, the debtor shall be deprived of the right to make the objections that could be raised against the debtor's claims or against the surety's claim (**Item 1 of Article 365**), if not otherwise provided for by the agreement made by the surety and the debtor.

2. The debtor that has executed the obligation secured by the surety shall immediately notify the surety about this. Otherwise, the surety, that in his turn has executed the obligation, shall have the right to exact from the creditor what he has groundlessly obtained, or to file a claim of regress against the debtor. In the latter case the debtor shall have the right to only exact from the creditor what has been groundlessly obtained.

Article 367. The Termination of Suretyship

1. The suretyship shall be terminated simultaneously with termination of the obligation secured by it. The termination of a secured obligation in connection with the debtor's liquidation after the creditor has raised with a court or in some other way established by law a claim against the surety shall not terminate the suretyship.

If the principal obligation is only secured by suretyship in part, the partial execution of the principal debt shall be accounted against the unsecured part thereof.

Where there are several obligations between the debtor and the creditor, solely one of them being secured by suretyship, and the debtor has not specified which of them he is executing, it shall be deemed that he has executed the non-secured obligation.

2. If an obligation secured by suretyship has been changed without the surety's approbation, this entailing the enhancement of liability or other unfavourable effect for the surety, the surety shall be held liable under the previous terms.

A contract of surety may provide for the surety's approbation given in advance, should the circumstances be changed, to be answerable with respect to creditors under the changed terms. Such

approbation shall provide for the limits within which the surety agrees to be answerable in respect of the debtor's obligations.

3. The surety shall be terminated as a result of the transfer to another person of the debt under the obligation, secured by suretyship, unless the surety within a reasonable time period after forwarding a notice thereto of the debt's transfer has given consent to the creditor to being answerable for the new debtor.

The surety's consent to be answerable for the new debtor shall be explicitly expressed and shall allow the definition of the circle of persons the transfer of the debt to which allows the suretyship to remain valid.

4. The debtor's death or re-organisation of the legal entity being the debtor shall not terminate suretyship.

5. The suretyship shall be terminated if the creditor has refused to accept the proper execution, offered by the debtor or by the surety.

6. The suretyship shall be terminated after the expiry of the term, indicated in the contract of suretyship, for which it has been issued. If such term has not been stipulated the suretyship shall be terminated if the creditor does not file a claim against the surety in the course of a year from the date of maturity of the obligation secured by suretyship. If the term of execution of the principal obligation has not been stipulated and cannot be defined, or if it has been defined at the time of demand, the suretyship shall be terminated two years from the date when the contract of suretyship is concluded unless the creditor files a claim against the surety.

A claim for early execution of obligations raised by the creditor against the debtor shall not reduce the validity term of suretyship fixed on the basis of the initial terms of the principal obligation.

§ 6. Independent Guarantee

Article 368. The Concept and Form of an Independent Guarantee

1. Under an independent guarantee the guarantor assumes at the request of another person (the principal) an obligation to pay a definite amount of money to a third party (the beneficiary) specified by the prencipal in compliance with the terms of the obligation assumed by the guarantor, irrespective of the validity of the obligation secured by such guarantee. A claim about a definite amount of money shall be deemed satisfied if the terms of an independent guarantee enable one to establish the amount of money to be paid as of the time of execution of the obligation by the guarantor.

2. An independent guarantee shall be issued in writing (**Item 2 of Article 434**) enabling one to reliably define the terms of the guarantee and to make sure that it is really issued by a definite person in the procedure established by the legislation, customs or by the agreement made by the guarantor and the beneficiary.

3. Independent guarantees may be issued by banks or other credit organisations (banking guarantees), as well as by other profit-making organisations.

The rules concerning an agreement of suretyship shall apply to the obligations of persons that are not cited in Paragraph One of this item and that have issued an independent guarantee.

4. The following shall be cited in an independent guarantee:

date of issuance

principal;

beneficiary;

guarantor;

principal obligation whose execution is secured by the guarantee;

monetary sum to be paid or procedure for its calculation;

guarantee's duration;

circumstances upon whose occurrence the guarantee's amount has to be paid.

An independent guarantee may contain a condition on the reduction or increase of the amount of

the guarantee when a definite time comes or a definite event occurs.

5. The rules of this paragraph shall also apply when the obligation of the person that has granted a guarantee lies in the transfer of stocks, bonds and other items defined by generic features, unless otherwise results from the essence of relations.

Article 369. **Abrogated** from June 1, 2015.

Article 370. Independence of a Guarantee from Other Obligations

1. The guarantor's obligation with respect to the beneficiary provided for by an independent guarantee shall not depend in their relations on the principal obligation for whose execution's securing it has been issued, on the relations between the principal and the guarantor, as well as on any other circumstances, even if the independent guarantee contains a reference to them.

2. The guarantor is not entitled to make claims against the beneficiary resulting from the principal obligation for securing the execution of which the independent guarantee has been issued, as well as from another circumstance, in particular from an agreement on issuance of the independent guarantee, and in the objections thereof against the beneficiary's claim to execute the independent guarantee is not entitled to make reference to circumstances which are not cited in the guarantee.

3. The guarantor is not entitled to claim against the beneficiary for setting off the claim assigned by the principal to the guarantor, unless otherwise provided for by the independent guarantee or the agreement made by the guarantor and the beneficiary.

Article 371. The Withdrawal or Change of an Independent Guarantee

1. An independent guarantee may not be withdrawn or changed by the guarantor, unless otherwise provided for by it.

2. When the terms of an independent guarantee allow its withdrawal or change, such withdrawal or such change shall be effected in the form in which the guarantee is issued, if another form is not provided for by the guarantee.

3. If under the terms of an independent guarantee it may be withdrawn or changed by the guarantor by approbation of the beneficiary, the guarantor's obligation shall be deemed changed or terminated from the time of the guarantor receiving the beneficiary's approbation.

4. The modification of the guarantor's obligation after issuance of an independent guarantee to the principal shall not concern the rights and duties of the principal, if he afterwards does not give consent to an appropriate modification.

Article 372. The Transfer of Rights under an Independent Guarantee

1. The beneficiary under an independent guarantee is not entitled to transfer the rights of claim against the guarantor to another person, unless otherwise provided for by the guarantee.

The transfer by the beneficiary of the rights under an independent guarantee to another person shall only be allowed on condition of the simultaneous assignment of rights under the principal obligation to the same person.

2. If the terms of an independent guarantee allow the transfer by the beneficiary of the right of claim against the guarantor, such transfer shall only be possible with the guarantor's approbation, if not otherwise provided for by the guarantee.

Article 373. The Entry into Force of an Independent Guarantee

An independent guarantee shall enter into force from the time when it is forwarded (transferred) by the guarantor, if not otherwise provided for by the guarantee.

Article 374. The Presentation of a Claim under an Independent Guarantee

1. The beneficiary's claim for payment of the sum of money under an independent guarantee shall be presented to the guarantor in written form, with the documents cited in the guarantee to be enclosed with it. The beneficiary shall point out, either in the claim itself or in the enclosure with it, the

circumstances whose occurrence shall entail payment under the independent guarantee.

2. The beneficiary's claim shall be presented to the guarantor before the expiry of the validity term of an independent guarantee.

Article 375. The Guarantor's Obligations in Considering the Beneficiary's Claim

1. On receiving the beneficiary's claim, the guarantor shall without delay notify about it the principal and shall pass to him the copy of the claim with all the related documents.

2. The guarantor shall be obliged to examine the beneficiary's claim and the enclosed documents within five days from the date following the date when the claim with all the enclosed documents are received and, if the claim is recognized as proper, to make payment. The terms of an independent guarantee may provide for a different term for the claim's examination not exceeding 30 days.

3. The guarantor shall verify the compliance of the beneficiary's claim with the terms of an independent guarantee, and shall evaluate the documents attached thereto, by their external features.

Article 375.1. The Beneficiary's Liability

The beneficiary is bound to compensate the guarantor or principal for the losses caused by the fact that the documents filed are unreliable or the claim raised is ill-founded.

Article 376. The Guarantor's Refusal to Satisfy the Beneficiary's Claim

1. The guarantor shall refuse to satisfy the beneficiary's claim, if this claim or the documents enclosed with it do not correspond to the terms of the independent guarantee or if they are presented to the guarantor after the expiry of the guarantee's validity. The guarantor shall be obliged to notify the beneficiary about this at the time fixed by **Item 2 of Article 375** of this Code, with the reason for the refusal being specified.

2. The guarantor shall have the right to suspend payment for a term up to seven days if he has reasonable grounds to believe that:

1) any of the documents presented thereto is unreliable;

2) the circumstance in the event of whose occurrence the independent guarantee would secure the beneficiary's interests has not occurred;

3) the principal obligation of the principal secured by the independent guarantee is invalid;

4) execution under the principal obligation of the principal has been accepted by the beneficiary without any objections.

3. In the event of the payment's suspension, the guarantor is bound to immediately notify the beneficiary and the principal about the reasons for and time of the payment's suspension.

4. The guarantor shall be held liable with respect to the beneficiary and the principal for the payment's unfounded suspension.

5. Upon the expiry of the time period provided for by **Item 2** of this article in the absence of grounds for the refusal to satisfy the beneficiary' claim (**Item 1** of this article) the guarantor is bound to make payment under the guarantee.

Article 377. The Limits of the Guarantor's Obligation

1. The guarantor's obligation to the beneficiary, stipulated by the independent guarantee, shall be limited by the payment of the sum of money, for which the guarantee was issued.

2. The guarantor's responsibility to the beneficiary for his non-discharge or improper discharge of the obligation shall not be limited to the sum of money, for which the guarantee was issued, unless otherwise stipulated in the guarantee.

Article 378. Termination of an Independent Guarantee

1. The guarantor's obligation to the beneficiary under an independent guarantee shall be terminated:

1) by payment to the beneficiary of the sum of money for which the independent guarantee has

been issued;

2) after expiry of the term, fixed in the independent guarantee, for which it was issued;

3) as a result of the beneficiary's waiver of the rights thereof under the guarantee;

4) on the basis of the agreement between the guarantor and beneficiary on termination of this obligation.

2. An independent guarantee or the agreement between the guarantor and the beneficiary may provide that for termination of the guarantor's obligation with respect to the beneficiary it is necessary to return to the guarantor the guarantee issued by him.

The termination of the guarantor's obligation on the grounds pointed out in **Subitems 1** and **2 of Item 1** of the present articled shall not depend on whether or not the guarantee has been returned to him.

3. A guarantor who has learned about the termination of an independent guarantee shall be obliged to immediately notify the principal about it.

Article 379. The Repayment to the Guarantor of the Sums of Money Paid under an Independent Guarantee

1. The principal is bound to compensate the guarantor for the sums of money paid in compliance with the terms of an independent guarantee, if not otherwise provided for by an agreement on the guarantee's issuance.

2. The guarantor is not entitled to demand compensation from the principal for the sums of money paid to the beneficiary not in compliance with the terms of an independent guarantee or for failing to execute the guarantor's obligation with respect to the beneficiary, except unless otherwise provided for by the agreement between the guarantor and the principal or if the principal has given consent to payment under the guarantee.

§ 7. The Advance

Article 380. The Concept of the Advance. The Form of an Agreement on the Advance

1. The advance shall be recognized as the sum of money, issued by one of the contracting parties to offset the payments to the other party due from it, as a proof that the contract has been concluded and that its discharge has been secured against.

2. The agreement on the advance, regardless of the sum of money involved, shall be effected in written form.

3. In case of the doubt about whether the sum of money, paid to offset the payments, due from the party by the contract, is the advance, in particular, as a result of the non-abidance by the rule, laid down by **Item 2** of the present Article, this sum of money shall be regarded as paid up by way of an advance, unless proved otherwise.

4. If not otherwise established by law, execution of an obligation to conclude the principal agreement under the terms provided for by a preliminary agreement (**Article 429**) may be **secured** by earnest money as agreed by the parties.

Article 381. The Consequences of the Termination and of the Non-Discharge of the Obligation, Secured Against by the Advance

1. If the obligation is terminated before the start of its discharge by an agreement between the parties or as a result of its discharge being impossible (**Article 416**), the advance shall be returned.

2. If the responsibility for the non-performance of the contract lies with the party, which has given the advance, it shall be left with the other party. If the responsibility for the non-performance of the contract lies with the party, which has received the advance, it shall be obliged to pay to the other party the double amount of the advance.

In addition, the party, responsible for the non-execution of the contract, shall be obliged to

recompense to the other party the losses, offsetting the amount of the advance, unless otherwise stipulated by the contract.

§ 8. The Securing Payment

Article 381.1. The Securing Payment

1. A pecuniary obligation, including the duty to compensate for losses or to pay a forfeit in the event of violation of a contract, and an obligation that has originated on the grounds provided for by **Item 2 of Article 1062** of this Code may be secured as agreed by the parties by way of either party entering a definite sum of money (securing payment) for the benefit of the other party. The securing payment may secure an obligation that will originate in the future.

In the event of occurrence of the circumstances provided for by a contract, the sum of the securing payment shall be set off against execution of an appropriate obligation.

2. In the event of non-occurrence of the circumstances cited in **Paragraph Two of Item 1** of this article at the time provided for by a contract or in the event of termination of a secured obligation, the securing payment is subject to repayment, if not otherwise agreed by the parties.

3. An agreement may provide for the duty of an appropriate party to additionally make or partially repay the securing payment, should certain circumstances occur.

4. The interest established by **Article 317.1** of this Code shall not be charged on the securing payment, if not otherwise agreed.

Article 381.2. Application of the Rules Concerning the Securing Payment

The rules concerning the securing payment (Article 381.1) shall also apply, if stocks, bonds, other securities or articles defined by generic features which are subject to transfer under the obligation to be secured are entered as security. If securities are entered to secure the discharge of obligations, the specifics of a security payment may be established by laws on securities.

Chapter 24. The Substitution of Persons in an Obligation

§ 1. Transfer of the Rights of a Creditor to Another Person

1. General Provisions

Article 382. Grounds and Procedure for Transfer of Creditor's Rights to Another Person

1. A right (claim) belonging to a creditor on the grounds of an obligation may be transferred to another person under a transaction (assignment of claim) or may be transferred to another person on the basis of law.

2. Except as otherwise envisaged by law or the contract no consent of the debtor is required for the transfer of the creditor's rights to another person.

This paragraph is invalid from June 1, 2018 - **Federal Law** No. 212-FZ of July 26, 2017

The ban of transfer of the creditor's rights to another person envisaged by the contract shall not prevent the sale of such rights in the procedure established by the **legislation** on execution proceedings and the **legislation** on insolvency (bankruptcy).

3. Unless the debtor has been notified in writing of the transfer of the creditor's rights to another person that has taken place, the new creditor shall bear the risk of the consequences which have been caused and are unfavourable for it. The debtor's liability shall be terminated by its discharge to the initial creditor effectuated before the receipt of the notice of transfer of the right to another person.

4. The initial creditor and the new creditor are solidarily obligated to compensate the debtor who is

a natural person for the necessary expenses caused by the transfer of the right in cases when the assignment that has caused such expenses took place without the consent of the debtor. Other rules for compensating expenses may be envisaged in accordance with laws on securities.

Article 383. Rights Which May Not Pass to Another Person

The transfer to another person of the rights inseparable from the personality of the creditor, inter alia claims for alimony and compensation for harm caused to life or health is hereby prohibited.

Article 384. The Scope of Creditor's Rights Transferred to Another Person

1. Except as otherwise envisaged by law or the contract the creditor's right is transferred to the new creditor in the same scope and on the same terms which existed as of the time of transfer of the right. For instance, the new creditor acquires the rights that secure the performance of the obligation and also other rights relating to the claim, like the right to interest.

2. The right of claim under a monetary obligation may be transferred to another person partially, unless otherwise is envisaged by law.

3. Except as otherwise envisaged by law or the contract the right to receive performance other than the payment of an amount of money may be transferred to another person partially on the condition that the relevant obligation is divisible and partial assignment for the debtor does not make his obligation significantly more burdensome.

Article 385. Notifying a Debtor of Transfer of a Right

1. Notification of a debtor of the transfer of a right is effective for him, no matter if it has been sent by the initial or a new creditor.

The debtor has the right to abstain from performing the obligation to the new creditor until a proof of transfer of the right to that creditor is provided thereto, save cases when a notice of transfer of a right is received from the initial creditor.

2. If a debtor has received a notice concerning one or several subsequent transfers of a right the debtor shall be deemed to have performed the obligation to the proper creditor if the obligation is discharged in accordance with the notice concerning the last of these transfers of the right.

3. A creditor that has assigned a claim to another person shall hand over to him the documents confirming the right (claim) and provide the information of significance for the exercising of that right (claim).

Article 386. Debtor's Objections against a Claim of a New Creditor

A debtor has the right of raising the same objections against a claim of a new creditor as he had against the initial creditor, if the grounds for such objections had emerged by the time of receipt of the notice of transfer of rights under the obligation to the new creditor. The debtor, within a reasonable term after receiving the cited notification, is bound to inform the new creditor on origination of the grounds for objections which are known to him and to give him an opportunity to get familiar with them. Otherwise the debtor is not entitled to make reference to such grounds.

2. Transfer of Right on the Basis of Law

Article 387. Transfer of Creditor's Rights to Another Person on the Basis of Law

1. The rights of a creditor under an obligation shall be transferred to another person on the basis of law upon the onset of the circumstances specified therein:

1) as a result of universal succession of the rights of the creditor;

2) by a court decision on transfer of the creditor's rights to another person, if a law has envisaged the possibility of such transfer;

3) in consequence of the discharge of the obligation by the debtor's surety or by a pledgor who is not a debtor in respect of that obligation;

4) in the event of subrogation to an insurer of the creditor's rights in respect of a debtor who is responsible for the occurrence of the insured accident;

5) in other cases envisaged by a law.

2. The relationships relating to the transfer of rights on the basis of a law are subject to the rules of the present Code on assignment of a claim (**Articles 388 - 390**), except as otherwise established by the present Code, other laws or ensues from the essence of the relationships.

3. Assignment of a Claim (Cession)

Article 388. Conditions for the Assignment of a Claim

1. The assignment of a claim by a creditor (assignor) to another person (assignee) is admissible if it does not contravene a law.

2. Without the consent of a debtor the assignment of a claim in respect of an obligation in which the creditor's personality is of material significance for the debtor is prohibited.

3. An agreement between a debtor and a creditor on limitation or a ban on the assignment of a claim in respect of a monetary obligation shall not make such assignment ineffective and shall not serve as grounds for rescission of the contract from which that claim has arisen, but the creditor (assignor) shall not be relieved from liability to the debtor for the given breach of the agreement.

4. The right of receiving performance in non-monetary form may be assigned without the consent of the debtor, unless the assignment makes the performance of its obligation significantly more burdensome.

An agreement between the debtor and the assignor may prohibit or restrict the assignment of the right of receiving non-monetary performance.

If a contract has provided for a ban on assignment of the right to receive non-monetary performance, the agreement on assignment of the right may only be declared invalid on the basis of the debtor's claim, when it is proved that the other party to the agreement knew or had to know about the cited ban.

5. A solidary creditor has the right of assigning a claim to a third party without the consent of other creditors, except as otherwise envisaged by an agreement between them.

Article 388.1. Assignment of a Future Claim

1. A claim under an obligation that is going to arise in the future (a future claim), including a claim under an obligation resulting from a contract that will be made in the future, shall be defined in an agreement of assignment in a way enabling one to identify this claim at the time of its origination or transfer to the assignee.

2. Except as otherwise established by law a future claim shall be transferred to the assignee as of the time when it comes into being. An agreement of the parties may include a provision according to which a future claim is transferred later.

Article 389. The Form of Assignment of a Claim

1. The assignment of a claim based on a transaction that has been concluded in simple written or notarial form shall be effectuated in the relevant form in writing.

2. An agreement on assignment of a claim under a transaction that requires state registration shall be registered in the procedure established for the registration of that transaction, except as otherwise established by law.

Article 389.1. The Rights and Duties of Assignor and Assignee

1. The mutual rights and duties of the assignor and assignee are defined by this Code and the contract between them that serves as grounds for the assignment.

2. A claim shall be transferred to the assignee at the time of conclusion of the contract under which assignment takes place, except as otherwise envisaged by law or the contract.

3. Except as otherwise envisaged by the contract, the assignor shall transfer to the assignee everything that has been received from the debtor to set off the assigned claim.

Article 390. The Liability of the Assignor

1. The assignor shall be liable to the assignee for the invalidity of the claim that has been transferred thereto but shall not be liable for the debtor's default on the performance of that claim, save cases when the assignor has undertaken to provide surety for the debtor in respect of the assignee.

Unless otherwise provided for by law, the contract serving as the basis for the assignment may provide that the assignor is not liable with respect to the assignee for invalidity of the claim transferred thereto under the contract whose execution is connected with the exercise by the parties to it of business activities, provided that such invalidity is caused by the circumstances about which the assignor did not know or could not know or about which he has warned the assignee, in particular by the circumstances related to additional claims, including the claims in respect of the rights securing the discharge of obligations and the rights to interest.

2. The following conditions shall be observed in the event of assignment by the assignor:

the assigned claim is existing as of the time of assignment, unless the claim is a future claim;

the assignor has the capacity to effectuate the assignment;

the assigned claim has not been earlier assigned by the assignor to another person;

the assignor has not committed and will not commit any actions that can serve as ground for the debtor's objections against the assigned claim.

A law or the contract may also envisage other requirements applicable to the assignment.

3. If the assignor has violated the rules set out in **Items 1** and **2** of this article the assignee has the right to demand that the assignor return everything that has been transferred under the agreement on assignment and also compensate for the losses caused.

4. In relationships among several persons to whom one and the same claim has been transferred from one assignor the claim shall be deemed to have been transferred to the person for whose benefit the transfer took place earlier.

In the event of performance by a debtor to another assignee the risk of consequences of such performance shall be borne by the assignor or assignee who knew or should have known on the assignment of the claim that has taken place earlier.

§ 2. The Transfer of the Debt

Article 391. Conditions for, and the Form of, Transfer of a Debt

1. Transfer of a debt from a debtor to another person may be effectuated by agreement between the initial debtor and the new debtor.

In obligations relating to the pursuance of entrepreneurial activities by the parties to them a debt may be transferred by agreement between the creditor and a new debtor according to which the new debtor assumes the obligation of the initial debtor.

2. The transfer by a debtor of his debt to another person is admissible with the consent of the creditor, and if no such consent is available it shall be deemed null and void.

If the creditor gives preliminary consent to the transfer of the debt that transfer shall be deemed to take place as of the time when the creditor received a notice of transfer of the debt.

3. In the event of transfer of a debt under an obligation relating to the pursuance of entrepreneurial activities by the parties thereto in the case envisaged by **Paragraph 2 of Item 1** of the present article the initial debtor and the new debtor shall bear solidary liability to the creditor, unless the agreement on transfer of the debt envisaged the subsidiary liability of the initial debtor or the initial debtor has been relieved of the duty to perform the obligation.

The new debtor that has discharged the obligation relating to the pursuance of entrepreneurial activities by the parties thereto acquires the right of creditor in respect of that obligation, except as otherwise envisaged by an agreement between the initial debtor and the new debtor or ensues from the essence of their relationships.

4. Accordingly, the form of transfer of the debt shall be subject to the rules contained in **Article 389** of the present Code.

Article 392. Objections of the New Debtor Against the Creditor's Claim

The new debtor shall have the right to put forward objections against the creditor's claims, based on the relationships between the creditor and the primary debtor, but is not entitled to exercise the right of setting off the counterclaim belonging to the initial debtor in respect of the creditor.

Article 392.1. Creditor's Rights in Respect of a New Debtor

1. In respect of a new debtor the creditor may exercise all the rights under the obligation, except as otherwise envisaged by law, the contract or ensues from the essence of the obligation.

2. If in the event of transfer of a debt the initial debtor is relieved from the obligation then the security for performance of the obligation that has been provided by a third party is terminated, except for cases when such person has agreed to be liable for the new debtor.

3. Relieving the initial debtor from the obligation shall extend to any security that has been provided by him, unless the property being the subject of security has been transferred by him to the new debtor.

Article 392.2. Transfer of Debt by Virtue of Law

1. A debt may be transferred from the debtor to another person on the grounds envisaged by law.

2. No consent is required from the creditor for transfer of the debt by virtue of law, except as otherwise established by law or ensues from the essence of the obligation.

Article 392.3. Transfer of a Contract

In the event of simultaneous transfer by a party of all the rights and duties under a contract to another person (transfer of a contract) the transaction of transfer shall be subject to the rules for assignment of a claim and for transfer of a debt respectively.

Chapter 25. Responsibility for the Violation of Obligations

Article 393. The Debtor's Obligation to Recompense the Losses

1. The debtor shall be obliged to recompense to the creditor the losses, caused to him by the non-discharge or by an improper discharge of the obligations.

If not otherwise established by law, the use by the creditor of other ways of protecting violated rights which are provided by law or contract shall not disqualify him from demanding that the debtor compensate for the losses caused by failure to execute or improper execution of an obligation.

2. The losses shall be defined in conformity with the rules, stipulated by **Article 15** of the present Code.

Full compensation for losses means that as a result of compensation for them the creditor shall find

himself in the position he would have found himself, if an obligation had been property executed.

3. Unless otherwise stipulated by the law, other legal acts or by the agreement, when defining the losses, the prices shall be taken into account, which existed in the place, where the obligation should have been discharged, on the date of the debtor's voluntary satisfaction of the creditor's claims, and if the claim has not been voluntarily satisfied - on the date of its presentation. Proceeding from the circumstances, the court may satisfy the claim for the compensation of the losses, taking into account the prices, which existed on the day of its adopting the decision.

4. When defining the lost profit, the measures, taken by the creditor to derive it, and the preparations, made for the same purpose, shall be considered.

5. The amount of losses to be compensated shall be established with a reasonable degree of reliability. A court may not deny satisfaction of the creditor's claim to compensate for the losses caused by failure to execute or improper execution of an obligation solely on the grounds that the amount of losses cannot be estimated with a reasonable degree of reliability. On such occasion, the amount of the losses to be reimbursed shall be estimated by a court subject to all the facts in a case on the basis of the principles of fairness and proportionality of liability to the breach of an obligation made.

6. In the event of the debtor breaching the obligation to abstain from making a definite action (negative obligation), the creditor, regardless of compensation for losses, is entitled to demand the suppression of an appropriate action, if it is not contrary to the essence of the obligation.

Article 393.1. Compensation for Losses in the Event of Termination of a Contract

1. Where the debtor's failure to execute or improper execution of a contract has entailed its early termination and the creditor has made a similar contract instead of it, the creditor is entitled to demand compensation from the debtor for losses in the form of the difference between the price fixed in the terminated contract and the price of comparable goods, works or services under the terms of the contract made instead of the terminated contract.

2. If the creditor has not made a similar contract instead of the terminated one (**Item 1** of this article) but in respect of the execution provided for by the terminated contract there is the current price of comparable goods, works or services, the creditor is entitled to demand compensation from the debtor for losses in the form of the difference between the price fixed in the terminated contract and the current price.

As the current price shall be deemed the one fixed at the time of termination of a contract in respect of comparable goods, works and services at the place where the contract is to be executed or, in the absence of the current price at the cited place, the price that was applied at a different place and can serve as a reasonable replacement subject to transportation and other additional costs.

3. Satisfaction of the requirements provided for by **Items 1** and **2** of this article shall not relieve the party that has not executed an obligation or has improperly executed it of compensation for other losses caused to the other party.

Article 394. The Losses and the Forfeit

1. If for the non-discharge or an improper discharge of the obligation the forfeit has been ruled, the losses shall be recompensed in the part, which has not been covered by the forfeit.

The law or the agreement may stipulate the cases: when only the forfeit, but not the losses shall be exacted; when the losses may be exacted in full above the forfeit; when, according to the creditor's choice, either the forfeit or the losses may be exacted.

2. In the cases, when a limited responsibility for the non-discharge or an improper discharge of the obligation has been established (**Article 400**), the losses, liable to compensation in the part, not covered by the forfeit, or above it, or instead of it, may be exacted up to the limit, fixed by such a restriction.

Article 395. Responsibility for the Non-Discharge of the Pecuniary Obligation

1. In the event of unlawful deduction of monetary assets, avoidance of their repayment or other

delay in their payment, interest on the amount of debt is subject to payment. The rate of interest shall be determined by the **key rate** of the Bank of Russia that was in effect in appropriate periods. These rules shall apply, if other rate of interest is not established by law or contract.

2. If the losses, caused to the creditor by an illegal use of his money, exceed the amount of the interest, due to him on the ground of **Item 1** of the present Article, he shall have the right to claim that the debtor recompense him the losses in the part, exceeding this amount.

3. The interest for the use of another person's means shall be exacted by the date of payment of the amount of these means to the creditor, unless the law, other legal acts or the contract have fixed a shorter term for the calculation of the interest.

4. If the agreement made by the parties provides for a forfeit for failure to discharge or improper discharge of a pecuniary obligation, the interest provided for by this article is not subject to recovery, if not otherwise provided for by law or contract.

5. It is not allowed to charge interest on interest (compound interest), if not otherwise provided for by law. It is not allowed to apply compound interest in respect of the obligations executed while the parties conduct business activities, if not otherwise provided for by law or contract.

6. If the sum of interest to be paid is clearly disproportionate to the effects of violation of an obligation, a court, on the basis of the debtor's application, is entitled to reduce the interest provided for by a contract but at least down to the amount estimated on the basis of the rate cited in **Item 1** of this Article.

Article 396. Responsibility and the Discharge of Obligations in Kind

1. The payment of the forfeit and the compensation of the losses in case of an improper discharge of the obligation shall not absolve the debtor from the discharge of the obligations in kind, unless otherwise stipulated by the law or by the contract.

2. The compensation of the losses in case of the non-discharge of the obligation and the payment of the forfeit for its non-discharge shall absolve the debtor from the discharge of the obligation in kind, unless otherwise stipulated by the law or by the contract.

3. The creditor's refusal to accept the discharge, which as a consequence of the delay has lost all interest for him (**Item 2 of Article 405**), and also the payment of the forfeit, imposed by way of compensation (**Article 409**), shall absolve the debtor from the discharge of the obligation in kind.

Article 397. Discharge of the Obligation at the Debtor's Expense

In case of the non-discharge by the debtor of the obligation to manufacture and transfer the thing into the ownership, into the economic or into the operation management, or into the use of the creditor, or to perform for him a certain job, or to render him a service, the creditor shall have the right, within a reasonable term and for a reasonable pay, to commission third parties with the performance of the obligation, or to perform it through his own effort, unless otherwise following from the law, other legal acts or the contract, or from the substance of the obligation, and to claim that the debtor recompense the necessary expenses and other losses he has borne.

Article 398. The Consequences of the Non-discharge of the Obligation to Transfer an Individually-definite Thing

In case of the non-discharge of the obligation to transfer an individually-definite thing into the ownership, into the economic or the operation management, or into the gratuitous use of the creditor, the latter shall have the right to claim the forcible withdrawal of this thing from the debtor and its transfer to the creditor on the terms, stipulated by the obligation. This right shall cease to exist, if the thing has already been transferred to a third party, possessing the right of ownership, of economic or of operation management. If the thing has not yet been transferred, the right of priority shall belong to that creditor, with respect to whom the obligation has arisen at an earlier date, and if this is impossible to establish - to that creditor, who has filed the claim at an earlier date.

Instead of the claim for the transfer to him of the thing, which is the object of the obligation, the creditor shall have the right to claim the compensation of his losses.

Article 399. The Subsidiary Liability

1. Before presenting the claims against the person, who, in conformity with the law, other legal acts or with the terms of the obligation, is bearing liability in addition to the liability of another person, who is the principal debtor (the subsidiary liability), the creditor shall be obliged to present the claim against the principal debtor.

If the principal debtor has refused to satisfy the claim of the creditor, or if the creditor has not received from him, within a reasonable term, a response to the presented claim, this claim may be presented against the person, bearing the subsidiary liability.

2. The creditor shall have no right to claim the satisfaction of his claim against the principal debtor from the person, bearing the subsidiary liability, if this claim may be satisfied by offsetting the claim of regress to the principal debtor, or by an indisputable recovery of the means involved from the principal debtor.

3. The person, bearing the subsidiary liability, shall be obliged, before satisfying the claim, presented against him by the creditor, to warn about it the principal debtor, and if the claim has been filed against such a person - to draw the principal debtor into the court case. Otherwise, the principal debtor shall have the right to put forward against the claim of regress of the person, bearing the subsidiary liability, the objections, which he has had against the creditor.

4. The rules of this article shall apply, if this Code or other laws do not establish a different procedure for imposing subsidiary liability.

Article 400. Limitation of the Scope of Liability by Obligations

1. By the individual kinds of obligations and by those obligations, which are related to a definite type of activity, the right to the full compensation of the losses may be limited by the law (the limited responsibility).

2. The agreement on limiting the scope of the debtor's responsibility by the contract of affiliation or by another kind of contract, in which the creditor is the citizen, coming out in the capacity of the consumer, shall be insignificant, if the scope of responsibility for the given kind of obligations or for the given violation has been defined by the law and if the agreement has been concluded before the setting in of the circumstances, entailing the responsibility for the non-discharge or for an improper discharge of the obligation.

Article 401. The Grounds of Responsibility for the Violation of the Obligation

1. The person, who has not discharged the obligation or who has discharged it in an improper way, shall bear responsibility for this, if it has happened through his fault (an ill intention or carelessness on his part), with the exception of the cases, when other grounds of the responsibility have been stipulated by the law or by the contract.

The person shall be recognized as not guilty, if, taking into account the extent of the care and caution, which has been expected from him in the face of the nature and the terms of the circulation, he has taken all the necessary measures for properly discharging the obligation.

2. The absence of the guilt shall be proven by the person, who has violated the obligation.

3. Unless otherwise stipulated by the law or by the contract, the person, who has failed to discharge, or has discharged in an improper way, the obligation, while performing the business activity, shall bear responsibility, unless he proves that the proper discharge has been impossible because of a force-majeure, i.e., because of the **extraordinary** circumstances, which it was **impossible to avert** under the given conditions. To such kind of circumstances shall not be referred, in particular, the violations of obligations on the part of the debtor's counter-agents, or the absence on the market of commodities, indispensable for the discharge, or the absence of the necessary means at the debtor's disposal.

4. An agreement on eliminating or limiting the liability for an intentional violation of the obligation, concluded at an earlier date, shall be insignificant.

Article 402. The Debtor's Responsibility for His Employees

The actions of the debtor's employees, involved in the discharge of his obligation, shall be regarded as those of the debtor himself. The debtor shall be answerable for these actions, if they have caused the non-discharge or an improper discharge of the obligation.

Article 403. The Debtor's Responsibility for the Actions of Third Parties

The debtor shall be answerable for an improper discharge of the obligation by third parties, on whom the discharge of the obligation has been imposed, unless it has been laid down by the law that the responsibility shall be borne by third party, who has been an immediate discharger.

Article 404. The Creditor's Guilt

1. If the non-discharge or an improper discharge of the obligation has occurred through the fault of both parties, the court shall correspondingly reduce the scope of the debtor's responsibility. The court shall also have the right to reduce the scope of the debtor's responsibility, if the creditor has intentionally or through carelessness contributed to the increase of the losses, caused by the non-discharge or by an improper discharge, or if he has not taken reasonable measures to reduce them.

2. The rules of Item 1 of the present Article shall also be correspondingly applied in the cases, when the debtor, by force of the law or of the contract, bears responsibility for the non-discharge or for an improper discharge of the obligation regardless of whether he is, or is not, at fault.

Article 405. The Debtor's Delay

1. The debtor, who has failed to discharge the obligation on time, shall be answerable to the creditor for the losses, inflicted by the delay, and also for the consequences of the discharge having accidentally become impossible during the period of the delay.

2. If, because of the debtor's delay, the discharge has lost all interest for the creditor, he shall have the right to refuse to accept the discharge and to claim the compensation of the involved losses.

3. The debtor shall not be regarded as guilty of the delay during the period of time, when the obligation could not have been discharged because of the creditor's delay.

Article 406. The Creditor's Delay

1. The creditor shall be regarded as guilty of the delay, if he has refused to accept the proper discharge, offered to him by the debtor, or if he has not performed the actions, stipulated by the law, other legal acts, or by the contract, or those stemming from the customs or from the substance of the obligation, before the performance of which the debtor could not have discharged his obligation.

The creditor shall also be regarded as guilty of the delay in the cases, pointed out in **Item 2 of Article 408** of the present Code.

The creditor shall not be deemed guilty of the delay, if the debtor was not able to execute an obligation, regardless of the creditor's failure to make the actions provided for by **Paragraph One** of this item.

2. The creditor's delay shall give to the debtor the right to the compensation of losses, caused to him by the said delay, unless the creditor proves that the delay has occurred through the circumstances, for which neither he himself, nor the persons, to whom, by force of the law, other legal acts or of the creditor's commission, the acceptance of the discharge has been entrusted, are answerable.

3. The debtor shall not be obliged to pay the interest by the pecuniary obligation over the period of the creditor's delay.

Article 406.1. Compensation for the Losses Resulting from the Occurrence of the Circumstances Defined in a Contract

1. The parties to an obligation, while exercising business activities, may provide in the agreement

made by them the duty of either party to compensate for the property losses of the other party resulting from the occurrence of the circumstances determined in such agreement which are not connected with the violation of an obligation by a party thereto (the losses caused by the impossibility to execute the obligation, the claims raised by third parties or the state power bodies against a party or a third party cited in the contract etc.). The agreement made by the parties shall fix the rate of compensation for such loses or a procedure for its calculation.

2. A court may not reduce the rate of compensation for the losses provided for by this article, except if it is proved that a party has willfully assisted the reduction of the rate of losses.

3. The losses provided for by this article shall be reimbursed regardless of declaring a contract as not concluded or invalid, if not otherwise provided for by the agreement made by the parties.

4. If losses have resulted from wrongful actions of a third party, the creditor's claims against this third party for compensation for losses shall pass over to the party that has compensated for such losses.

5. The rules of this article shall also apply if the clause on compensation for losses is contained in a corporate agreement or in an agreement on alienation of stocks or shares in the authorized capital of a company to which a natural person is a party.

Chapter 26. The Termination of Obligations

Article 407. The Grounds for the Termination of Obligations

1. The obligation shall be terminated in full or in part on the grounds, stipulated by the present Code, other laws and other legal acts, or by the contract.

2. The termination of the obligation upon the claim of one of the parties shall be admitted only in the cases, stipulated by the law or by the contract.

3. The parties are entitled to terminate an obligation by their agreement and to define the effects of its termination, if not otherwise established by law or results from the essence of the obligation.

Article 408. The Termination of the Obligation by the Discharge

1. The proper discharge shall terminate the obligation.

2. While accepting the discharge, the creditor shall be obliged, upon the debtor's claim, to give him a receipt for accepting the discharge in full or in the corresponding part thereof.

If the debtor has issued to the creditor a promissory document to certify the obligation, the creditor, while accepting the discharge, shall be obliged to return it, and in case it is impossible to return the said document, he shall be obliged to indicate this in the receipt he issues. The receipt may be replaced by an inscription made on the returned document. The debtor's custody of the promissory document shall certify the termination of the obligation, unless otherwise proved.

If the creditor refuses to issue the receipt, to return to the debtor the promissory document, or to indicate in the receipt that it is impossible to return it, the debtor shall have the right to delay the discharge. In these cases, the creditor shall be regarded as having delayed it.

Article 409. Compensation for Release from an Obligation

As agreed by the parties, an obligation may be terminated by providing compensation for release from an obligation - by paying monetary assets or by transfer of other property.

Article 410. Termination of the Obligation by an Offset

The obligation shall be terminated in full or in part by offsetting a similar claim of regress, whose deadline has arrived or has not been fixed, or has been defined by the moment of the demand. Where it is provided for by law, it is allowed to set off a homogeneous counter-claim which is not mature. For the offset, the application from one of the parties shall be sufficient.

Article 411. The Instances of the Offset Being Inadmissible

Offset of the following claims shall be inadmissible:

for the compensation of the harm, inflicted on life or health;

for life-long support;
for exaction of alimony;
in respect of which the limitation period has expired;
in other cases stipulated by law or contract.

Article 412. The Offset in the Cession of the Claim

In case of the cession of the claim, the debtor shall have the right to offset against the claim of the new creditor his own claim of regress against the primary creditor.

The offset shall be effected, if the claim has arisen on the grounds, which have existed by the moment of the debtor's receipt of the notification about the cession of the claim, and if the deadline of the claim has set in before its receipt or if this deadline has not been indicated or defined by the moment of the demand.

Article 413. Termination of the Obligation by the Debtor and the Creditor Coinciding in One Person

The obligation shall be terminated in case the debtor and the creditor coincide in a single person, if not otherwise established by law or results from the essence of an obligation.

Article 414. Termination of an Obligation by Novation

1. An obligation shall be terminated by an agreement between the parties on replacing the initial obligation, which existed between them or by another obligation between the same persons (novation), if not otherwise established by **law** or results from the essence of relations.

2. Novation shall terminate the additional liabilities connected with the initial obligation unless otherwise stipulated by the agreement between the parties.

Article 415. Forgiving the Debt

1. The obligation shall be terminated by the creditor's absolving the debtor from the obligations, borne by him, if this does not violate the rights of other persons with respect to the creditor's property.

2. An obligation shall be deemed terminated from the time of the debtor receiving the creditor's notice of forgiving the debt, if the debtor does not forward objections against forgiving the debt to the creditor within a reasonable time period.

Article 416. Termination of the Obligation Because of the Impossibility to Discharge It

1. The obligation shall be terminated because of the impossibility to discharge it, caused by the circumstance occurring after the origination of the obligation, for which neither of the parties is answerable.

2. In case of the impossibility for the debtor to discharge the obligation because of the faulty actions of the creditor, the latter shall not have the right to claim the return of what he has discharged by the obligation.

Article 417. Termination of the Obligation on the Grounds of an Act Issued by a State Body

1. If as a result of an act issued by a state body or local authority, the execution of an obligation has become impossible in full or in part, the obligation shall be terminated in full or in the corresponding part. The parties that have suffered losses as a result of this, shall have the right to claim compensation in conformity with **Articles 13** and **16** of the present Code.

2. An obligation shall not be deemed terminated if the issuance of the act by a state power body or local authority that has entailed the impossibility of the obligation's execution has been caused by wrongful actions (omissions) of the debtor proper.

3. If the act issued by the state body or local authority (**Item 1** of this article) is recognized as invalid in conformity with the established procedure, the obligation shall be deemed terminated unless otherwise follows from the agreement between the parties or from the substance of the obligation and

unless the creditor has refused to execute the obligation within a reasonable time period.

Article 418. Termination of the Obligation with the Citizen's Death

1. The obligation shall be terminated with the death of the debtor, if it cannot be discharged without the debtor's personal participation, or if it is indissolubly linked with the debtor's personality in any other way.

2. The obligation shall be terminated with the death of the creditor, if its discharge is intended personally for the creditor, or if the obligation is indissolubly linked with the creditor's personality in any other way.

Article 419. Termination of the Obligation with the Liquidation of the Legal Entity

The obligation shall be terminated with the liquidation of the legal entity (the debtor or the creditor), with the exception of the cases, when the law or other legal acts impose the discharge of the obligation of the liquidated legal entity upon another person (by the claims for the compensation of the harm, caused to the life or to the health, etc.).

Subsection 2. The General Provisions on the Contract

Chapter 27. The Concept and the Terms of the Contract

Article 420. The Concept of the Contract

1. The contract shall be recognized as the agreement, concluded by two or by several persons on the institution, modification or termination of the civil rights and duties.

2. Toward the contracts shall be applied the rules on bilateral and multilateral deals, stipulated by **Chapter 9** of the present Code, if not otherwise established by this Code.

3. Toward the obligations, arising from the contract, shall be applied the general provisions on obligations (**Articles 307-419**), unless otherwise stipulated by the rules of the present Chapter and the rules on the individual kinds of contracts, contained in the present Code.

4. Toward the contracts, concluded by more than two parties, the general provisions on the contract shall be applied, unless this contradicts the multilateral nature of such contracts.

Article 421. The Freedom of the Contract

1. The citizens and the legal entities shall be free to conclude contracts.

Compulsion to conclude contracts shall be inadmissible, with the exception of the cases, when the duty to conclude the contract has been stipulated by the present Code, by the law or by a voluntarily assumed obligation.

2. The parties shall have the right to conclude a contract, both **stipulated** and unstipulated by the law or other legal acts. The rules in respect of individual kinds of contracts provided for by law or other legal acts shall not apply to a contract which is not stipulated by law or other legal acts in the absence of the features cited in **Item 3** of this article, this not excluding the possibility of applying the rules concerning analogy by law (**Item 1 of Article 6**) in respect of individual relations of the parties to a contract.

3. The parties shall have the right to conclude a contract, in which are contained the elements of different contracts, stipulated by the law or other legal acts (the mixed contract). Toward the relationships between the parties in the mixed contract shall be applied in the corresponding parts the rules on the contracts, whose elements are contained in the mixed contract, unless otherwise following from the agreement between the parties or from the substance of the mixed contract.

4. The contract terms (provisions) shall be defined at the discretion of the parties, with the

exception of the cases, when the content of the corresponding term (provision) has been stipulated by the law or other legal acts (**Article 422**).

In the cases, when the contract provision has been stipulated by the norm, applied so far as it has not been otherwise stipulated by the agreement between the parties (**the dispositive norm**), the parties may by their own agreement exclude its application, or may introduce the provision, distinct from that, which has been stipulated by it. In the absence of such an agreement, the contract provision shall be defined by the dispositive norm.

5. Unless the contract provision has been defined by the parties or by the dispositive norm, the corresponding provisions shall be defined by the **customs**, applicable to the relationships between the parties.

Article 422. The Contract and the Law

1. The contract shall be obliged to correspond to the rules, obligatory for the parties, which have been laid down by the law and other legal acts (**the imperative norms**), operating at the moment of its conclusion.

2. If after the conclusion of the contract the law has been passed, laying down the rules, obligatory for the parties, which differ from those in operation when the contract was concluded, the provisions of the concluded contract shall stay in force, with the exception of the cases, when the law decrees that its action shall be extended to the relationships that have arisen from the contracts, concluded at an earlier date.

Article 423. The Pecuniary and the Gratuitous Contracts

1. The contract, by which the party shall receive a pay or a different kind of the regress remuneration for the discharge of its duties, shall be a pecuniary one.

2. The contract shall be recognized as gratuitous, if by it one party assumes an obligation to provide something to the other party without receiving from it a pay or another kind of the regress remuneration.

3. The contract shall be supposed to be a pecuniary one, unless otherwise following from the law, other legal acts, or from the content or the substance of the contract.

Article 424. The Price

1. The performance of the contract shall be paid by the price, fixed by an agreement between the parties.

In the law-stipulated cases, the prices (the tariffs, estimates, rates, etc.) shall be applied, fixed or regulated by the specially authorized state bodies and/or bodies of local government.

2. Change in price after the conclusion of the contract shall be admitted in cases and on the terms, provided for by the contract, law, or in the procedure established by law.

3. In the cases, when the price in the pecuniary contract has not been stipulated and cannot be defined proceeding from the contract terms, the performance of the contract shall be remunerated by the price, which is usually paid under the comparable circumstances for the similar kind of commodities, works or services.

Article 425. The Operation of the Contract

1. The contract shall come in force and shall become obligatory for the parties from the moment of its conclusion.

2. The parties shall have the right to establish that the terms (provisions) of the contract, concluded by them, shall be applied to their relations, which have arisen before the conclusion of the contract, if not otherwise established by law or results from the essence of appropriate relations.

3. The law or the contract may stipulate that the end of the term of operation of the contract entails the termination of the parties' obligations by the contract.

The contract, in which such a term is absent, shall be recognized as operating until the moment, when the parties complete the performance of the obligation, defined in it.

4. The expiry of the term of operation of the contract shall not absolve the parties from the responsibility for its violation.

Article 426. The Public Contract

1. As a public contract shall be recognised as one concluded by a person engaged in business activities or other kind of profitable activities and establishing the duty thereof to sell commodities, carry out works and render services, which such person is bound to effect in conformity with the nature of the activities thereof with respect to anyone who applies thereto (in the sphere of retail trade, passenger carriage by public transport vehicles, communication services, electric energy supply, medical services, hotel accommodation, etc.).

A person exercising business or other profit-making activity shall have no right to show a preference to some persons as compared to others as concerns the conclusion of a public contract, except as stipulated by law or other legal acts.

2. In a public contract the price of goods, works and services shall be equal for **consumers** of an appropriate category. Other terms of a public contract may not be established on the basis of privileges of individual consumers or of giving preference thereto, except if law or some other legal acts allow the granting of privileges to individual categories of consumers.

3. Refusal on the part of the person engaged in business or other profitable activity to conclude a public contract, if it can provide to the consumer the corresponding commodities and services and to perform for him the corresponding works, shall not be admitted, except for the cases provided for by **Item 4 of Article 786** of this Code.

If the person engaged in business or other profitable activity ungroundlessly avoids the conclusion of a public contract, the provisions, stipulated by **Item 4 of Article 445** of the present Code, shall be applied.

4. In the law-stipulated cases, the Government of the Russian Federation, as well as the federal executive bodies authorised by the Government of the Russian Federation, may issue rules binding for the parties in concluding and performing public contracts (standard contracts, the provisions, etc.).

5. The terms of the public contract, not corresponding to the requirements, laid down in Items 2 and 4 of this Article, shall be insignificant.

Article 427. The Model Contract Rules

1. It may be stipulated in the contract that its individual terms are defined by the **model terms**, elaborated for the corresponding type of the contracts and published in the press.

2. In the case, when the contract contains no reference to the model terms, such model terms shall be applied toward the relationships between the parties as the customs, if they comply with the requirements, laid down by **Article 5** and by **Item 5, Article 421** of the present Code.

3. The model terms may be exposed in the form of a model contract or of another document, containing these terms.

Article 428. The Contract of Affiliation

1. The contract of affiliation shall be recognized as the contract, whose terms have been defined by one of the parties in the official lists or other standard forms and could have been accepted by the other party only by its joining the offered contract as a whole.

2. The party, which has joined the contract, shall have the right to demand that the contract be dissolved or amended, if the contract of affiliation, while not contradicting the law and other legal acts, deprives this party of the rights, which are usually granted by the contracts of the given kind, if it excludes or limits the responsibility of the other party for the violation of the obligations or contains other terms, clearly onerous for the affiliated party, which it would have rejected, proceeding from its own reasonably interpreted interests, could it have taken part in defining the contract terms.

If not otherwise established by law or results from the essence of an obligation, in the event of

modification or dissolution of a contract by a court at the demand of a party that has joined the contract, the contract shall be deemed valid in the amended wording or, accordingly, invalid from the time of its making.

3. The rules provided for by **Item 2** of this article are also subject to application if, when making a contract which is not a contract of adhesion, the terms of the contract are defined by either party, while the other party by virtue of the evident disparity of negotiating positions is in a position substantially complicating agreement of a different content of individual terms of a contract.

Article 429. The Preliminary Contract

1. By the preliminary contract, the parties shall assume an obligation to conclude in the future a contract on the transfer of the property, on the performance of works or on rendering services (the basic contract) on the terms, stipulated by the preliminary contract.

2. The preliminary contract shall be concluded in the form, established for the basic contract, and if the form of the basic contract has not been established, in written form. The non-observance of the rules on the form of the preliminary contract shall entail its insignificance.

3. The preliminary contract shall contain the terms, making it possible to identify the object, and also the terms of the basic contract in respect of which an agreement must be reached on the basis of an application of either party when making a preliminary contract.

4. In the preliminary contract shall be pointed out the term, within which the parties are obliged to conclude the basic contract.

If such term has not been defined in the preliminary contract, the basic contract shall be subject to conclusion in the course of one year from the moment of concluding the preliminary contract.

5. In the cases when a party that has concluded a preliminary contract is avoiding the conclusion of the basic contract, the provisions stipulated by **Item 4 of Article 445** of the present Code shall apply. The claim for coercion to make the basic contract may be raised within **six months** from the time when the obligation to make the contract was not fulfilled.

Where there are differences between the parties as to the terms of the basic contract, such terms shall be defined in compliance with a court decision. On such occasion, the basic contract shall be deemed made from the entry into legal force of the court decision or from the time cited in the court decision.

6. The obligations, stipulated by the preliminary contract, shall be terminated, if before the expiry of the term, within which the parties have been obliged to conclude the basic contract, it is not concluded, or if one of the parties does not forward to the other party an offer to conclude this contract.

Article 429.1. A Framework Contract

1. As a **framework contract** (a contract with open terms) shall be deemed a contract defining the general terms of obligations of the legal relationship of the parties that may be specified and made more detailed by the parties by way of making separate agreements, the filing of applications by either party or in some other way on the basis of or in pursuance of the framework contract.

2. The general terms contained in a framework agreement are subject to application to the parties' relations which are not regulated by separate contracts, if not otherwise cited in separate contracts or results from the essence of an obligation.

Article 429.2. An Option to Make a Contract

1. By virtue of an agreement on providing an option on making a contract (an option to conclude a contract) either party by way of an irrevocable offer shall grant to the other party the right to conclude one or several contracts under the terms provided for by the option. An option to conclude a contract shall be granted on a paid basis or for another counter provision, if not otherwise stipulated by the agreement, including one made by profit-making organisations. The other party is entitled to conclude a contract by way of acceptance of such offer in the procedure, at the time and under the terms provided for by an

option.

An option to conclude a contract may provide that the acceptance is only possible in the event of occurrence of the condition defined by such option, including one which is dependent on the will of one of the parties.

2. Where an option to conclude a contract does not fix the time period for acceptance of an irrevocable offer, this time period shall be deemed equal to a year, unless otherwise results from the essence of a contract or customs.

3. If not otherwise provided for by an option to conclude a contract, payment in respect of it shall be counted against payments under the contract made on the basis of an irrevocable offer and is not subject to repayment if there is no acceptance.

4. An option to conclude a contract shall contain the terms enabling one to determine the subject and other essential terms of the contract to be concluded.

The subject of the contract to be concluded may be described in any way enabling one to identify it as of the time of acceptance of an irrevocable offer.

5. An option to conclude a contract shall be made in the form established for the contract to be concluded.

6. An option to conclude a contract may be included into another agreement unless otherwise results from the essence of such agreement.

7. The rights under an option to conclude a contract may be assigned to another person if not otherwise provided for by this agreement or results from its essence.

8. The specifics of individual kinds of options to conclude a contract may be established by law.

Article 429.3. An Option Agreement

1. Under an option agreement either party under the terms provided for by this agreement is entitled to demand at the time fixed by the contract that the other party taking the actions provided for by the option contract (in particular to pay monetary assets, to transfer or accept property) and, in so doing, if the authorized party does not make a claim at the cited time, the option contract shall be terminated. An option contract may provide that the claim under the option contract shall be deemed made when the circumstances defined by such contract occur.

2. For the right to conclude a claim under an option contract a party shall pay the monetary sum provided for by such contract, except if an option contract, in particular one made between profit-making organisations, provides for its gratuitousness or if the conclusion of such contract is caused by a different circumstance or other interest protected by law, these resulting from the parties' relations.

3. In the event of termination of an option contract, the payment provided for by **Item 2** of this article is not subject to repayment, unless otherwise provided for by an option contract.

4. The specifics of individual kinds of option contracts may be established by law or in the procedure established by it.

Article 429.4. A Contract to Be Executed on Demand (Subscriber's Contract)

1. As a contract to be executed on demand (**a subscriber's contract**) shall be deemed one providing for conclusion by one of the parties (the subscriber) definite, in particular periodical, payments or some other provision for the right to demand that the other party (the executor) execute in the required number or extent or under other terms defined by the subscriber.

2. A subscriber is bound to make payments or to make other provision under a subscriber contract, regardless of whether the appropriate execution has been requested by him from the executor or not, unless otherwise provided for by law or contract.

Article 430. The Contract in Favour of a Third Party

1. The contract in favour of a third party shall be recognized as a contract, in which the parties have laid down that the debtor shall be obliged to discharge the obligation not to the creditor, but to a third

party, who is, or is not mentioned in the contract and who shall have the right to claim from the debtor that he discharge the obligation in his favour.

2. Unless otherwise stipulated by the law, other legal acts or by the contract, from the moment of a third party expressing to the debtor his intention to avail himself of his right by the contract, the parties shall not have the right to dissolve or to amend the contract, concluded by them, without the consent of a third party.

3. The debtor by the contract shall have the right to put forward the objections against the claims of a third party, which he could have put forward against the creditor.

4. In the case, when a third party has renounced the right, granted to him by the contract, the creditor may avail himself of this right, unless this contradicts the law, other legal acts or the contract.

Article 431. The Interpretation of the Contract

While **interpreting** the terms of the contract, the court shall take into account the literal meaning of the words and expressions, contained in it. The literal meaning of the terms of the contract in case of its being vague shall be identified by way of comparison with other terms and with the meaning of the contract as a whole.

If the rules, contained in the **first part** of the present Article, do not make it possible to identify the content of the contract, the actual common will of the parties shall be found out with account for the purpose of the contract. All the corresponding circumstances, including the negotiations and the correspondence, preceding the conclusion of the contract, the habitual practices in the relationships between the parties, the customs and the subsequent behaviour of the parties shall be taken into account.

Article 431.1. A Contract's Invalidity

1. The provisions of this Code as to the invalidity of transactions (**Paragraph 2 of Chapter 9**) shall apply to contracts, if not otherwise established by rules in respect of individual kinds of contracts and by this article.

2. The party that has accepted execution from a contractor under a contract connected with the exercise by the parties thereto of business activities and, in so doing, has not executed in full or in part the obligation thereof, is not entitled to demand that the contract be declared invalid, except for declaring a contract invalid on the grounds provided for by **Articles 173**, **178** and **179** of this Code, as well as if the provision granted by the other party is connected with wittingly unfair actions of this party.

3. In the event of declaring a contract that is a disputable deal and whose execution is connected with the exercise of business activities by the parties thereto invalid at the request of either party, the general effect of a transaction's invalidity (**Article 167**) shall apply, if other effects of the contract's invalidity are not provided for by the agreement made by the parties after declaring the contract invalid and doing so does not affect the interests of third parties or infringe upon public interests.

Article 431.2. Representations about Circumstances

1. The party, which in case of making a contract has given unreliable **representations** to the other party, either before or after its making, about the circumstances which are significant for concluding the contract, its execution or termination (including those which are related to the subject of the contract, the authority for making it, correspondence of the contract to the legislation applicable thereto, availability of required licences and permits, its own financial status and those related to a third party), is bound to compensate the other party at the request thereof for the **losses** caused by unreliability or to pay the forfeit provided for by the contract.

The recognition of a contract as not made or as invalid in itself shall not serve as an obstacle to occurrence of the circumstances provided for by Paragraph One of this item.

The liability provided for by this article shall ensue, if the party that has provided unreliable representations has proceeded from the assumption that the other party will rely on them or had reasonable grounds to proceed from such an assumption.

2. The party that has relied upon unreliable representations of the contractor which are of major importance for it, along with the claim for repair of damage or recovery of a forfeit, is also entitled to renounce the contract, if not otherwise agreed by the parties.

3. The party that has made a contract under the influence of deceit or being significantly misled caused by the unreliable presentations provided by the other party is entitled, instead of the contract's renouncement (**Item 2** of this article) to demand that the contract be declared invalid (**Article 179** and **178**).

4. The effects provided for by **Items 1** and **2** of this article shall apply to the party that has provided unreliable presentations while exercising business activities, as well as in connection with a corporate agreement or an agreement on alienation of stocks or shares in the authorized capital of a company, regardless of whether or not it knew about the unreliability of such presentations, if not otherwise agreed by the parties.

Where it is provided for by **Paragraph One** of this article, it shall be assumed that the party that has provided unreliable presentations knew that the other party would rely upon such presentations.

Chapter 28. The Conclusion of the Contract

Article 432. The Basic Provisions on the Conclusion of a Contract

1. The contract shall be regarded as concluded, if an agreement has been achieved between the parties on all its essential terms, in the form proper for the similar kind of contracts.

As essential shall be recognized the terms, dealing with the object of the contract, the terms, defined as essential or indispensable for the given kind of contracts in the law or other legal acts, and also all the terms, about which, by the statement of one of the parties, an accord shall be reached.

2. The contract shall be concluded by way of forwarding the offer (the proposal to conclude the contract) by one of the parties and of its acceptance (the acceptance of the offer) by the other party.

3. The party that has accepted the full or partial execution under a contract from the other party or in some other way has proved the validity of a contract is not entitled to demand that this contract be recognised as not having been made, if making such a claim, subject to the specific circumstances, contradicts the principle of fairness (**Item 3 of Article 1**).

Article 433. The Moment of the Conclusion of the Contract

1. The contract shall be recognized as concluded at the moment, when the person, who has forwarded the offer, has obtained its acceptance.

2. If in conformity with the law, the transfer of the property is also required for the conclusion of the contract, it shall be regarded as concluded from the moment of the transfer of the corresponding property (**Article 224**).

3. The contract, subject to the state registration, shall be regarded for third parties as concluded from the moment of its registration, unless otherwise stipulated by the law.

Article 434. The Form of the Contract

1. The contract may be concluded in any form, stipulated for making the deals, unless the law stipulates a definite form for the given kind of contracts.

If the parties have agreed to conclude the contract in a definite form, it shall be regarded as concluded after the agreed form has been rendered to it, even if the law does not require such form for the given kind of contracts.

2. An agreement in written form may be made by drawing up a single document (including an electronic one) signed by the parties thereto or by exchanging letters, telegrams, electronic documents or other data in compliance with the rules of **Paragraph Two of Item 1 of Article 160** of this Code.

3. The written form of the contract shall be regarded as observed, if the written offer to conclude the contract has been accepted in conformity with the order, stipulated by **Item 3, Article 438** of the

present Code.

4. Where it is provided for by law or agreed by the parties, a contract in writing may only be made by drawing up a single document signed by the parties to the contract.

Article 434.1. Talks Concerning the Conclusion of a Contract

1. If not otherwise provided for by law or contract, citizens and legal entities shall be free to hold talks on making a contract, shall independently bear the expenses connected with their holding and shall not be held liable if it has not been agreed.

2. When entering into the talks on making a contract, in the course of them and upon their completion the parties are bound to act in good faith, in particular not to enter into the talks about making the contract or to continue them, if it is clear that the other party has no intention of reaching an agreement. The following shall be deemed unfair actions in holding talks:

1) provision by either party of incomplete or unreliable information, in particular non-disclosure of the circumstances, which by virtue of the nature of a contract, must be brought to the knowledge of the other party;

2) abrupt and unjustified termination of talks on making a contract under the circumstances when the other party to the talks has no reasonable grounds to expect it.

3. The party that holds and unfairly interrupts talks on making a contract is bound to compensate for the losses caused by it to the other party.

The losses to be compensated by an unfair party shall be deemed borne by the other party in connection with holding talks about making a contract, as well as in connection with the loss of the possibility to make a contract with a third party.

4. If in the course of holding talks about making a contract either party receives information transferred by it to the other party as confidential, it is bound not to disclose this information and not to use it in an improper way for its own purposes, regardless of whether the contract will be made or not. In the event of failure to discharge this duty, it is bound to compensate the other party for the losses caused as a result of disclosing confidential information or its use for its own purposes.

5. The parties may conclude an agreement on the procedure for holding talks. Such an agreement may specify the requirements for fair holding of talks, establish a procedure for distributing the outlays on holding them and other similar rights and duties. An agreement on a procedure for holding talks may establish a forfeit for violation of the provisions contained therein.

The terms of an agreement on a procedure for holding talks restricting liability for unfair actions of the parties to the agreement shall be null and void.

6. The provisions on the duty of either party to compensate for the losses caused to the other party provided for by **Items 3** and **4** of this article shall not apply to the citizens recognized as consumers in compliance with the **legislation** on the protection of consumer rights.

7. The rules of this article shall apply, irrespective of whether a contract has been concluded on the basis of the results of the talks by the parties thereto or not.

8. The rules of this article do not exclude application of the rules of **Chapter 59** of this Code to the relations that have originated when establishing contractual obligations.

Article 435. The Offer

1. The offer shall be recognized as the proposal, addressed to one or to several concrete persons, which is sufficiently comprehensive and which expresses the **intention** of the person, who has made the proposal, to regard himself as having concluded the contract with the addressee, who will accept the proposal.

The offer shall contain the essential terms of the contract.

2. The offer shall commit the person, who has forwarded it, from the moment of its receipt by the addressee.

If the notification about the recall of the offer comes in before, or simultaneously with the offer, the

offer shall be regarded as not received.

Article 436. The Irrevocability of the Offer

The offer, received by the addressee, shall not be revoked in the course of the term, fixed for its acceptance, unless **otherwise** stipulated in the offer itself or follows from the substance of the proposal, or from the setting, in which it has been made.

Article 437. The Invitation to Make the Offers. The Public Offer

1. The advertisements and other proposals, addressed to an indefinite circle of persons, shall be regarded as an invitation to make the offers, unless directly pointed out otherwise in the proposal.

2. The proposal, containing all the essential terms of the contract, in which is seen the will of the person, who is making the proposal, to conclude the contract on the terms, indicated in the proposal, with any responding person, shall be recognized as an offer (the public offer).

Article 438. The Acceptance

1. The acceptance shall be recognized as the response of the **person**, to whom the offer has been addressed, about its being accepted.

The acceptance shall be full and unconditional.

2. The silence shall not be regarded as the acceptance, unless otherwise following from the law, the parties' agreement, from the custom, or from the former business relations between the parties.

3. The performance by the person, who has received an offer, of the **actions**, involved in complying with the terms of the contract, pointed out in the offer (the dispatch of commodities, the rendering of services, the performance of works, the payment of the corresponding amount of money, etc.), shall be regarded as the acceptance, unless otherwise stipulated by the law or other legal acts, or indicated in the offer.

Article 439. Recall of the Offer

If the notification about the recall of the offer has come to the person, who has forwarded the offer, before the acceptance or simultaneously with it, the acceptance shall be regarded as not obtained.

Article 440. Conclusion of the Contract on the Ground of the Offer, Fixing the Term of Acceptance

When the term of acceptance has been fixed in the offer, the contract shall be regarded as concluded, if the acceptance has been obtained by the person, who has forwarded the offer, within the term, stipulated in it.

Article 441. Conclusion of the Contract on the Ground of the Offer, Not Fixing the Term of Acceptance

1. When in the written offer no term of acceptance has been stipulated, the contract shall be regarded as concluded, if the acceptance has been obtained by the person, who has forwarded the offer, before the expiry of the term, fixed by the law or other legal acts, and if such term has not been fixed - in the course of the normally required time.

2. When the offer has been made orally and no term of acceptance has been indicated, the contract shall be regarded as concluded, if the other party immediately declared its acceptance.

Article 442. The Acceptance, Obtained with a Delay

In the cases, when the **duly** forwarded notification about the acceptance is received with a delay, the acceptance shall not be regarded as belated, unless the party, which has forwarded the offer, immediately notifies the other party about the arrival of the acceptance with a delay.

If the party, which has forwarded the offer, immediately notifies the other party about the obtaining

of its acceptance, which has come in with a delay, the contract shall be regarded as concluded.

Article 443. The Acceptance on Other Terms

The answer, indicating the consent to conclude the contract on the terms other than those indicated in the offer, shall not be regarded as the acceptance.

Such an answer shall be recognized as the refusal of the acceptance and at the same time as a **new** offer.

Article 444. The Place of the Conclusion of the Contract

If no place of its conclusion has been indicated in the contract, it shall be recognized as concluded at the place of residence of the citizen or at the location of the legal entity, who (which) has forwarded the offer.

Article 445. The Obligatory Conclusion of the Contract

1. In the cases, when in conformity with the present Code or other laws, the conclusion of the contract is obligatory for the party, to which the offer (the draft contract) has been forwarded, this party shall forward to the other party the notification about the acceptance, or about the refusal of the acceptance, or about the acceptance of the offer on different terms (the records on the differences by the draft contract) within **30 days** from the date, when the offer was received.

The party, which has forwarded the offer and which has received from the party, for which the conclusion of the contract is obligatory, the notification about its acceptance on different terms (the records on the differences by the draft contract), shall have the right to pass the differences, which have arisen during the conclusion of the contract, for consideration to the court within 30 days from the day of receiving such a notification or from the day of the expiry of the term of acceptance.

2. In the cases, when in conformity with the present Code or other legal acts, the conclusion of the contract is obligatory for the party, which has forwarded the offer (the draft contract), and when within 30 days the records on the differences by the draft contract are forwarded to it, this party shall be obliged to notify the other party, within 30 days from the receipt of the records on the differences, about the acceptance of the contract in its own version, or about the rejection of the records on the differences.

In the case of the records on the differences being rejected, or of the non-receipt of the notification about the results of their examination within the stipulated term, the party, which has forwarded the records of the differences, shall have the right to pass the differences that have arisen during the conclusion of the contract, for consideration to the court.

3. The rules on the term, stipulated by Items 1 and 2 of the present Article, shall be applied, unless another term has been stipulated by the law or other legal acts, or has been agreed upon between the parties.

4. If the party, for which, in conformity with the present Code or with the other laws, the conclusion of the contract is obligatory, avoids its conclusion, the other party shall have the right **to turn** to the court with a claim for compelling it to conclude the contract. On such occasion, a contract shall be deemed concluded under the terms cited in the court decision from the time of entry into legal force of an appropriate court decision.

The party, groundlessly avoiding the conclusion of the contract, shall be obliged to recompense to the other party the losses, thus inflicted upon it.

Article 446. The Pre-Contract Disputes

1. In the cases, when the differences, arising during the conclusion of the contract, are passed for consideration to the court on the ground of **Article 445** of the present Code or by an agreement between the parties, the terms of the contract, by which the parties have displayed differences, shall be defined in conformity with the court decision.

2. The differences that originated when making a contract and have not been transferred to a court

for consideration within **six months** from the time of their origination are not subject to judicial settlement.

Article 447. Conclusion of the Contract by a Tender

1. The contract, unless otherwise following from its substance, shall be concluded by holding a tender. In this case, the contract shall be concluded with the person, who has won it.

2. The following may act as a trade promoter: the owner of an article, the holder of another property right to it, another person interested in making a contract with the sales winner, as well as a person acting on the basis of the contract made with the cited persons and acting on their behalf or in the own name thereof, if not otherwise provided for by law (notary, specialised organisation etc.).

3. In the cases, indicated in the present Code or other laws, the contracts on the sale of the thing or of the right of ownership may be concluded only by holding a sale.

4. Sales (in particular electronic sales) shall be held in the form of an auction, tender or in some other form provided for by law.

The winner of the bidding at an auction shall be recognized as the person, who has offered the highest price, and at the tender - the person, who, as has been concluded by the tender commission, appointed in advance by the organiser of the tender, has offered the best terms.

The form of the bidding shall be defined by the owner of the thing on sale or by the possessor of the realized right of ownership, unless otherwise stipulated by the law.

5. The auction and the tender, in which only one customer has participated, shall be recognized as having failed. Other grounds for declaring sales frustrated shall be established by law.

6. The rules provided for by **Articles 448** and **449** of this Code shall also apply to the sales held for the purpose of making contracts for the acquisition of goods, carrying out works, rendering services or acquisition of property rights, if not otherwise established by law or results from the essence of relations.

The rules provided for by **Articles 448** and **449** of this Code shall not apply to organised trade, if not otherwise established by law.

Article 448. The Organisation and Procedure for of Holding Sales

1. Auctions and tenders shall be open and closed. In an open auction and in an open tender any person may take part. In a closed auction and in a closed tender only the persons specially invited for this purpose shall take part.

2. Unless otherwise stipulated by the law, a notice of holding sales shall be published by its organiser not later than 30 days before holding them. The notice shall contain information on the time, place and form of the sales, about its object, on the existing encumbrances on the property to be sold and about the procedure for holding sales, in particular on formalizing participation in the sales, on the way of determining the winner in the bidding, and shall also give the starting price.

3. The terms of the contract made on the basis of the sales' results shall be defined by the trade promoter and shall be cited in a notice of holding sales.

4. Unless otherwise stipulated by law or by a notice of holding sales, the organiser of open sales that has published a notice, shall have the right to refuse to hold the sales at any time, but not later than three days before the date set, and in case of a tender - not later than 30 days before the date set.

If the organiser of open sales has refused to hold them with a violation of the cited time, he shall be obliged to recompense the participants the actual losses they have suffered.

The organiser of a closed auction or of a closed tender shall be obliged to recompense the invited participants their actual losses, regardless of on what particular date after forwarding them a notice the refusal to hold it was sent.

5. The sales participants shall pay an advance in the amount, within the term and in conformity with the procedure that have been pointed out in the notice on holding the sales. If they have not taken place, the advance is subject to return. The advance shall also be returned to the persons that, while having

taken part in the bidding, have not won.

When concluding a contract with the person who has won the bidding, the amount of the advance paid by him shall be offset against the discharge of obligations under the concluded contract.

If not otherwise established by law, the obligations of the trade-promoter and of sales participants on making a contract on the basis of sales results may be secured by an independent guarantee.

6. If not otherwise established by law, the person who has won the sales and its organiser shall sign a record of the results of the sales on the date of holding an auction or tender, this having the force of a contract.

A person that has avoided signing a contract is bound to compensate for the losses caused by it insofar as they exceed the amount of the provided security.

If in compliance with law a contract may be only concluded by way of holding sales, the sales winner, in case of the trade-promoter's avoiding signing a record, is entitled to file a court claim to coerce it to make the contract, as well as for compensation for the losses caused by avoiding conclusion of the contract.

7. If in compliance with law a contract may only be made by way of holding sales, the sales winner is not entitled to assign rights (except for claims under a monetary obligation) and to transfer the debt on the obligations resulting from the contract made during the sales. Obligations under such contract shall be discharged by the sales winner in person, unless otherwise established by law.

8. The terms of a contract made on the basis of the sales' results, where under law it is only allowed to be made by holding sales, may be changed by the parties:

1) on the grounds established by law;

2) in connection with alteration of the rate of interest for the loan's use, should the **key rate** of the Bank of Russia be changed (in proportion to such alteration), if a contract of loan (credit) was made during the sales;

3) on other grounds, if the modification of a contract does not affect the terms thereof that were essential for fixing the price during the sales.".

Article 449. Grounds and Effects of Recognising Sales Invalid

1. Sales held in defiance of the Rules established by law may be declared invalid by a court on the basis of a claim of a person concerned within a year of the date of holding the sales.

Sales may be declared invalid, if:

someone has been unfoundedly excluded from participation in the sales;

the highest offered price has not been accepted at the sales without any ground for this;

the sales have been held earlier than the time cited in the notice;

other major violations of the procedure for holding sales have occurred, these entailing the wrongful fixing of the selling price;

other violations of the rules established by law have occurred.

2. The recognizing of the bidding to be invalid shall entail the invalidity of the contract, concluded with the person, who has won it, and application of the effects provided for by **Article 167** of this Code.

3. The outlays of the trade promoter connected with application of the effects of sales' invalidity and with the need for holding repeated sales shall be distributed among the persons that have made the violations entailing the recognition of the sales as invalid.

Article 449.1. Public Sales

1. Public sales mean sales held for the purpose of execution of a court decision or execution documents by way of **execution proceedings**, as well as in other cases established by the law. The rules provided for by **Articles 448** and **449** of this Code shall apply to public sales, if not otherwise established by this Code and the **procedural legislation**.

2. As the organiser of public sales shall act the person authorized in compliance with law or other legal act to alienate property by way of execution proceedings, as well as the state body or the local government body in the cases established by the law.

3. The debtor, recoverer and the persons having rights to the property to be sold through public sales are entitled to attend them.

4. A notice of holding public sales shall be published in the procedure provided for by **Item 2 of Article 446** of this Code, and shall be inserted in the site of the body engaged in execution proceedings, or if as the organiser of a public auction comes out the state power body or the local government body on the site of the corresponding body.

The notice shall contain, along with the data cited in **Item 2 of Article 448** of this Code, an indication of the property owner (right holder).

5. The following may not act as participants of public sales: the debtor, organisations entrusted with evaluation and sale of the debtor's property, as well as employees of the cited organisations, officials of the state power bodies and local government bodies whose participation in the sales may influence the sales terms and results, as well as family members of the appropriate natural persons.

6. A record of public sales' results shall cite the sales' participants, as well as the bids made by them.

7. In the event of the sales winner's failure to pay the selling price in due time, the contract made with him shall be deemed not made, while the sales shall be recognized as frustrated. The trade promoter is also entitled to claim for repair of the losses caused thereto.

Chapter 29. The Amendment and the Cancellation of the Contract

Article 450. The Grounds for the Amendment and the Cancellation of the Contract

1. The amendment and the cancellation of the contract shall be possible only by an agreement between the parties, unless otherwise stipulated by the present Code, other legal acts or by the contract.

A multisided contract whose execution is connected with the exercise of business activities by all the parties thereto may provide for the possibility of modification or dissolution of such contract as agreed by both all the persons and by the majority of the persons participating in the cited contract, if not otherwise established by law. The contract cited in this paragraph may provide the procedure for defining such majority.

2. Upon the demand of one of the parties, the contract may be amended or cancelled by the court decision only:

1) in case of an essential violation of the contract by the other party;

2) in other cases, stipulated by the present Code, other legal acts or the contract.

As an essential violation shall be recognized such violation of the contract by one of the parties, which entails for the other party the losses, to a considerable extent depriving it of what it could have counted upon when concluding the contract.

3. Abrogated on June 1, 2015.

4. The party which under this Code, other laws or contract is entitled to unilaterally modify the contract is bound while exercising this right to act in good faith and reasonably within the limits provided for by this Code, other laws and the contract.

Article 450.1. The Repudiation of a Contract (the Refusal to Execute a Contract) or the Refusal to Exercise the Rights under a Contract

1. The right to unilaterally repudiate a contract (the refusal to execute a contract) (**Article 310**) granted by this Code, other laws, other legal acts or contract may be exercised by the authorised party by way of notifying the other party about the repudiation of the contract (the refusal to execute the contract). The contract shall be terminated from the time of receiving the given notice, if not otherwise provided for

by this Code, other laws, other legal acts or the contract.

2. In the event of unilateral renunciation of a contract (the refusal to execute it) in full or in part, if such renunciation is allowed, the contract shall be deemed dissolved or amended.

3. If either party to a contract has no licence for exercising activities or is not a member of a self-regulated organisation which is required for execution of an obligation under the contract, the other party is entitled to renounce the contract (to refuse to execute the contract) and to claim for compensation for losses.

4. The party which under this Code, other laws, other legal acts or contract is entitled to renounce the contract (to refuse to execute a contract) is bound while exercising this right to act in good faith and reasonably within the limits provided for by this Code, other laws, other legal acts or contract.

5. If in the presence of grounds for the repudiation of a contract (for the refusal to execute a contract) the party entitled to such repudiation proves the validity of the contract, in particular by way of acceptance from the other party the execution of the obligation offered by the latter, subsequent renunciation on the same grounds is not allowed.

6. If not otherwise provided for by this Code, other laws, other legal acts or contract, when a party engaged in business activities, in the event of occurrence of the circumstances provided for by this Code, other laws, other legal acts or contract and serving as grounds for the exercise of a definite right under the contract, declares its waiver of this right, afterwards the exercise of this right on the same grounds is not allowed, except when similar circumstances occur again.

7. Where it is established by this Code, other laws, other legal acts or contract, the rules of **Item 6** of this article shall apply in the event of non-exercise of a definite right at the time provided for by this Code, other laws, other legal acts or contract.

Article 451. The Amendment and the Cancellation of the Contract Because of an Essential Change of Circumstances

1. An essential change of the circumstances, from which the parties have proceeded when concluding the contract, shall be the ground for its amendment or cancellation, unless otherwise stipulated by the contract or following from its substance.

The change of the circumstances shall be recognized as essential, if they have changed to such an extent that in case the parties could have wisely envisaged it, the contract would not have been concluded by them or would have been concluded on the essentially different terms.

2. If the parties have failed to reach an agreement on bringing the contract into correspondence with the essentially changed circumstances or on its cancellation, the contract may be cancelled, and on the grounds, stipulated by Item 4 of the present Article, it may be amended by the court upon the claim of the interested party in the face of the simultaneous existence of the following conditions:

1) at the moment of concluding the contract, the parties have proceeded from the fact that no such change of the circumstances will take place;

2) the change of the circumstances has been called forth by the causes, which the interested party could not overcome after they have arisen, while displaying the degree of care and circumspection, which have been expected from it by the nature of the contract and by the terms of the circulation;

3) the execution of the contract without amending its provisions would so much upset the balance of the property interests of the parties, corresponding to the contract, and would entail such a loss for the interested party that it would have been to a considerable extent deprived of what it could have counted upon when concluding the contract;

4) neither from the customs, or from the substance of the contract does it follow that the risk, involved in the change of the circumstances, shall be borne by the interested party.

3. In case of the cancellation of the contract because of the essentially changed circumstances, the court shall, upon the claim of any one of the parties, define the consequences of the cancellation of the contract, proceeding from the need to justly distribute the expenses, borne by them in connection with the

execution of this contract, between the parties.

4. The amendment of the contract in connection with an essential change of the circumstances shall be admitted by the court decision in extraordinary cases, when the cancellation of the contract contradicts the public interests, or if it entails the losses for the parties, considerably exceeding the expenses, necessary for the execution of the contract on the terms, amended by the court.

Article 452. The Procedure for the Amendment and the Cancellation of the Contract

1. The agreement on the amendment or on the cancellation of the contract shall be legalized in the same form as the contract itself, unless otherwise following from the law, other legal acts, the contract or from the customs.

2. The claim for the amendment or for the cancellation of the contract may be filed by the party with the court only after it has received the refusal from the other party in response to its proposal to amend or to cancel the contract, or in case of its non-receipt of any response within the term, indicated in the proposal or fixed by the law or by the contract, and in the absence thereof - within a 30-day term.

Article 453. The Consequences of the Amendment and of the Cancellation of the Contract

1. In case of the amendment of the contract, the parties' obligations shall be preserved in the amended form.

2. In case of the cancellation of the contract, the parties' obligations shall be terminated, if not otherwise provided for by law, contract or results from the essence of an obligation.

3. In case of change or termination of the contract, the obligations shall be considered to be changed or terminated from the moment the agreement between the parties on the change or termination of the contract is concluded, unless otherwise follows from the agreement.

In case of change or termination of the contract as a result of a judicial proceeding, obligations shall be considered changed or terminated from the moment the court decision on the change or termination of the contract enters into force, unless such decision provides for the date from which the obligations shall be considered to be changed or terminated, respectively. Such date shall be determined by the court based on the essence of the contract and (or) the nature of legal consequences of its change, but cannot be earlier than the date of occurrence of the circumstances that served as the basis for changing or terminating the contract.

4. The parties shall have no right to claim the return of what has been discharged by them by their obligations up to the moment of the amendment or the cancellation of the contract, unless otherwise stipulated by the **law** or by the agreement between the parties.

If before dissolution or modification of a contract either party, having received from the other party the execution of an obligation under a contract, has not executed its obligation or has provided to the other party an unequal execution, the rules in respect of the obligations resulting from unjust enrichment (**Chapter 60**) shall apply to the parties' relations, if not otherwise provided for by law or the contract or results from the essence of the obligation.

5. If an essential violation of the contract by one of the parties has served as the ground for the amendment or for the cancellation of the contract, the other party shall have the right to claim the compensation of the losses, inflicted upon it by the amendment or by the cancellation of the contract.

Part Two

Section IV. Particular Kinds of Obligations

Chapter 30. Purchase and Sale

§ 1. General Provisions on Purchase and Sale

Article 454. Contract of Sale

1. By contract of sale one party (the seller) shall undertake to convey a thing (commodity) to the ownership of the other party (buyer), while the buyer shall undertake to accept this commodity and pay a definite amount of money (price) therefor.

2. Provisions stipulated by this paragraph shall be applied to the purchase and sale of securities and currency values unless the law establishes special rules for their purchase and sale.

3. In cases provided for by this Code or any other law the specific aspects of purchase and sale of particular goods shall be determined by laws and other legal acts.

4. Provisions stipulated by this paragraph shall be applicable to the sale of property, in particular digital, rights, unless the contrary follows from the content or nature of these rights.

5. Provisions specified by this paragraph shall be applicable to particular kinds of the contract of sale (retail sale, delivery of goods, delivery of goods for state needs, contracting, power supply, sale of real estate, sale of an enterprise), unless the contrary is provided for by the rules of this Code for these kinds of contracts.

Article 455. The Condition of the Contract about Goods

1. Any things may be goods under the contract of sale due to the observance of the rules envisaged by **Article 129** of this Code.

2. A contract may be concluded for the sale of goods to be on hand by the seller at the time of its conclusion, and also of goods which will be created or acquired by the seller in the future, unless otherwise stipulated by law or follows from the nature of goods.

3. The condition of the contract of sale shall be deemed to be agreed upon, if the contract makes it possible to determine the name and quantity of goods.

Article 456. The Duties of the Seller for the Transfer of Goods

1. The seller shall be obliged to transfer to the buyer goods provided for by the contract of sale.

2. Unless otherwise stipulated by the contract of sale, the seller shall be obliged to transfer together with the thing its accessories, and also documents related to it (technical certificate, quality certificate, operations instructions, etc.), envisaged by law, other legal acts or contracts.

Article 457. The Term of the Execution of the Duty to Transfer Goods

1. The term of the execution of the seller's duty to turn over goods to the buyer shall be determined by the contract of sale, and if the contract does not allow to determine this term, the term of the execution of this duty of the seller shall be determined by the rules stipulated by **Article 314** of this Code.

2. The contract of sale shall be deemed to be concluded with the proviso of its performance by the strictly fixed date, if it follows succinctly from the contract that in case of breaking the term of its execution the buyer loses his interest in the contract.

The seller shall have the right to perform such contract before the onset or after the expiry of the term fixed by it only with the buyer's consent.

Article 458. The Time of the Discharge of the Seller's Duty to Hand over Goods

1. Unless otherwise stipulated by the contract of sale, the duty of the seller to hand over goods to the buyer shall be deemed to be exercised at the time of:

the delivery of goods to the buyer or the person indicated by him, if the contract provides for the seller's duty to deliver goods;

the placement of goods at the disposal of the buyer, if goods should be passed to the buyer or the person indicated by him/her in the location of goods. Goods shall be deemed to be placed at the buyer's disposal, when by the time specified by the contract goods are ready for the transfer in the proper place

and the buyer is aware of the readiness of goods for such transfer in accordance with the contract's conditions. Goods shall not be deemed to be ready for transfer, if they have not been identified for the contract's purposes by marking or in any other way.

2. In cases when the contract of sale does not imply the seller's duty to deliver goods or turn them over to the buyer at the place of their location, the duty of the seller to turn them over the buyer shall be deemed to be performed at the time of handing over goods to the carrier or the communication organisation for the delivery to the buyer, unless otherwise stipulated by the contract.

Article 459. The Transfer of the Risk of Accidental Destruction of Goods

1. Unless otherwise stipulated by the contract of sale, the risk of accidental destruction of goods or accidental damage of goods shall be transferred to the buyer since the time when in keeping with law or the contract the seller is deemed to have performed his duty of handing over goods to the buyer.

2. The risk of accidental destruction of, or accidental damage to, goods sold when they are in transit shall be transferred to the buyer since the time of concluding the contract of sale, unless otherwise stipulated by such contract or the customs of business turnover.

The condition of the contract to the effect that the risk of accidental destruction of, or accidental damage to, goods is transferred to the buyer since the time of the delivery of goods to the first carrier may be recognized by a court of law as invalid on the demand of the buyer, if at the time of concluding the contract the seller knew or should known that the goods had been lost or damaged and failed to inform the buyer about this.

Article 460. The Duty of the Seller to Hand Over Goods Free from the Rights of Third Parties

1. The seller shall be obliged to give to the buyer goods free from any rights of third parties with the exception of the case when the buyer has agreed to accept goods encumbered with the rights of third parties.

The seller's failure to discharge this duty shall entitle the buyer to demand a reduction of the price of goods or to cancel the contract of sale, if it is not proved that the buyer knew or should have known about the rights of third parties to these goods.

2. The rules, provided for by Item 1 of this Article, shall be applicable in that case as well when to the goods by the time of their transfer there had been claims from third parties, about which the seller had information if these claims were subsequently recognized as lawful in the established order.

Article 461. The Liability of the Seller in Case of the Withdrawal of Goods from the Buyer

1. If goods are withdrawal from the buyer by third parties on the grounds that arose before the execution of the contract of sale, the seller shall be obliged to compensate the buyer's losses, unless he proves that the buyer knew or should have known about these grounds.

2. The agreement of the parties thereto about the release of the buyer of the liability in case third parties reclaim the acquired goods from the buyer or about its restriction shall be null and void.

Article 462. The Duties of the Buyer and the Seller in Case of Bringing an Action About the Withdrawal of Goods

If a third party brings an action for the withdrawal of goods on the ground that arose before the execution of the contract of sale, the buyer shall be obliged to draw the seller to the participation in the case, whereas the seller shall be obliged to join this case on the side of the buyer.

The non-engagement by the buyer of the seller in the participation in the case shall absolve the seller from his liability to the buyer, if the seller proves that by taking part in the case he could prevent the withdrawal of sold goods from the buyer.

The seller who was involved by the buyer in the case but who failed to take part in it shall be deprived of the right to prove that the buyer conducted the case incorrectly.

Article 463. The Consequences of the Non-execution of the Duty to Hand Over Goods

1. If the seller refuses to give to the buyer the sold goods, the buyer shall **have the right** to waive the execution of the contract of sale.

2. If the seller refuses to give an individually definite thing, the buyer shall have the right to lay claims to the seller, provided for by **Article 398** of this Code.

Article 464. The Consequences of the Non-execution of the Duty to Pass Accessories and Documents Relating to Goods

If the seller fails to pass or refuses to pass to the buyer accessories or documents relating to goods, which he should give in keeping with law, other legal acts or with the contract of sale (**Item 2 of Article 456**), the buyer shall have the right to fix the reasonable period of time for their transfer.

In case when the accessories and documents relating to goods have not been given by the seller in the said period of time, the buyer shall have the right to waive goods, unless otherwise stipulated by the contract.

Article 465. The Quantity of Goods

1. The quantity if goods subject to the transfer to the buyer shall be provided for by the contract of sale in corresponding units of measurement or in money terms. The condition of the quantity of goods may be agreed upon by fixing in the contract the order of its estimation.

2. If the contract of sale does not make it possible to estimate the quantity of goods subject to transfer, the contract shall not be deemed to be concluded.

Article 466. The Consequences of the Breach of the Condition for the Quantity of Goods

1. If the seller has passed to the buyer in breach of the contract of sale the less or quantity of goods than that specified in the contract, the buyer shall have the right to demand the missing quantity of goods or to waive the given goods and the payment for them, but the goods have been paid for, to demand the return of the paid sum of money.

2. If the seller has passed to the buyer goods in the quantity exceeding that specified in the contract of sale, the buyer shall be obliged to inform the seller about this in the procedure, provided for by **Item 1 of Article 483** of this Code. If the seller has failed to dispose of the corresponding part of goods within the reasonable period of time, after the receipt of the buyer's information, the buyer shall have the right to accept all the goods, unless otherwise stipulated by the contract.

3. If the buyer accepts goods in the quantity exceeding that indicated in the contract of sale (Item 2 of this Article), the additionally accepted goods shall be paid for at the price specified for the goods accepted in conformity with the contract, unless the agreement between the parties thereto has fixed a different price.

Article 467. Assortment of Goods

1. If under the contract of sale goods are subject to transfer in a definite correlation according to kinds, models, size, colour and other properties (assortment), the seller shall be obliged to transfer goods in the assortment agreed upon by the parties thereto.

2. If assortment has not been determined in the contract of sale and the latter has not established the procedure for its definition, but it follows from the substance of the obligation that goods should be transferred to the buyer in assortment on the basis of the buyer's needs which were known to the seller at the time of concluding the contract or to refuse to execute this contract.

Article 468. The Consequences of Breaking the Condition of Goods Assortment

1. In case of the transfer of goods, stipulated by the contract of sale, in assortment inconsistent with the contract, the buyer shall have the right to refuse to accept them and pay for them, but if they have been paid for, to demand the return of the paid sum of money.

2. If alongside with goods whose assortment corresponds to the contract of sale the seller has given to the buyer goods with the breach of the assortment condition, the buyer shall have the right:

to accept goods fitting with the assortment condition and to refuse to accept the rest of them;

to waive all the given goods;

to demand that goods which are at variance with the assortment condition should be replaced by goods in the assortment stipulated by the contract;

to accept all the given goods.

3. In case of the refusal from the goods whose assortment differs from the condition of the contract of sale or in case of making a claim for the replacement of goods inconsistent with the assortment condition, the buyer shall have the right to refuse to pay for these goods, but if they have been paid for, to demand the refund of the paid sum of money.

4. Goods running at variance with the assortment condition of the contract of sale shall be deemed to be accepted, unless the buyer informs the seller about his refusal to take goods within the reasonable period after their receipt.

5. If the buyer has not refused to accept goods whose assortment runs counter to the contract of sale, he shall be obliged to pay for them at the price agreed upon with the seller. In case where the seller has not taken the necessary measures of adjusting the price within the reasonable period, the buyer shall pay for goods at the price which at the time of concluding a contract under comparable circumstances has been usually charged for similar goods.

6. The rules of this Article shall be applied, unless otherwise stipulated by the contract of sale.

Article 469. The Quality of Goods

1. The seller shall be obliged to transfer to the buyer goods whose quality corresponds to the contract of sale.

2. In the absence of quality terms in the contract of sale the seller shall be obliged to hand over to the customs goods suitable for the purposes for which goods of this sort are usually used.

If the seller was informed by the buyer about the concrete purposes of the acquisition of goods during the conclusion of the relevant contract, the seller shall be obliged to transfer to the buyer goods suitable for use in conformity with these purposes.

3. In case goods are sold according to sample and/or description the seller shall be obliged to hand over goods which correspond to the sample and/or their description.

4. If by a law or in a procedure established by a law for mandatory requirements for the quality of saleable goods, the seller engaged in business shall be obliged to transfer to the buyer goods which meet these mandatory requirements.

Under the agreement between the seller and the buyer the former may hand over to the latter goods meeting the higher requirements for quality as compared with the mandatory requirements stipulated by a law or in a procedure established by a law.

Article 470. The Guarantee of the Quality of Goods

1. Goods which the seller is obliged to hand over to the buyer shall correspond to the requirements, stipulated by **Article 469** of this Code, at the time of their transfer to the buyer, unless the contract of sale provides for a different time of defining the compliance of goods with these requirements and within the reasonable period goods shall be suitable for the purposes for which goods of this sort are usually used.

2. In case where the contract of sale provides for the submission by the seller of the guarantee of the quality of goods, the seller shall be obliged to transfer to the buyer goods which should meet the requirements, stipulated by **Article 469** of this Code, during the time fixed by the contract (guarantee period).

3. The guarantee of the quality of goods shall also extend to all the complementary parts, unless otherwise provided for by the contract of sale.

Article 471. The Reckoning of the Guarantee Period

1. The guarantee period shall start to run since the time of transfer of goods to the buyer (**Article 457**), unless otherwise stipulated by the contract of sale.

2. If the buyer is deprived of the possibility to use goods, for which the contract has provided the guarantee period, due to the circumstances under the control of the seller, the guarantee period shall not run until the removal of relevant circumstances by the seller.

Unless otherwise stipulated by the contract of sale, the guarantee period shall be prolonged for the time during which goods could not be used because of the discovered shortcomings, provide the seller is informed about the defects of goods in the order established by Article **483** of this Code.

3. Unless otherwise stipulated by the contract of sale, the warranty period for complementary parts shall be deemed to be equal to the guarantee period for the basic item and shall begin to run simultaneously with the guarantee period for the basic item.

4. A guarantee period shall be established for goods (complementary parts), in which defects (**Article 476**) have been discovered during the guarantee period. This guarantee period shall be of the same duration that applies to the replaced goods, unless otherwise stipulated by the contract of sale.

Article 472. The Serviceable Life of Goods

1. By a law or in a procedure established by a law there may be stipulated the obligation to determine the period of time at the expiration of which the goods are considered unsuitable for use for their regular purpose (period of suitability).

2. Goods for which the serviceable life has been fixed shall be transferred by the seller to the buyer with all allowance for their use by designation before the expiry of the serviceable life, unless otherwise stipulated by the agreement.

Article 473. The Reckoning of the Serviceable Life of Goods

The serviceable life of goods shall be determined by the period of time, calculated since the day of their manufacture, during which goods are fit for use, or by the date before which goods are fit for use.

Article 474. Quality Inspection

1. Quality inspection may be provided for by the law, other legal acts and the mandatory requirements established in compliance with the **legislation** of the Russian Federation on technical regulation, or by the contract of sale.

Procedure for quality inspection shall be introduced by the law, other legal acts, the mandatory requirements established in compliance with the **legislation** of the Russian Federation on technical regulation, or by the contract. In cases there inspection procedure is established by the law, other legal acts and the mandatory requirements of state standards, the procedure of quality inspection of goods, determined by the contract, shall comply with these requirements.

2. If procedure for quality inspection is not introduced in keeping with Item 1 of this Article, the inspection of the quality of goods shall be carried out in accordance with the customs of the volume of business or with other commonly used terms of the quality inspection of goods subject to transfer under the contract of sale.

3. If the law, other legal acts, the mandatory requirements established in compliance with the **legislation** of the Russian Federation on technical regulation, or the contract of sale provide for the duty of the seller to inspect the quality of goods to be transferred to the buyer (testing, analysis, inspection, etc.), the seller shall present to the buyer proof of quality inspection.

4. Procedure, and also other terms of the quality inspection of goods, carried out both by the seller and the buyer, shall be the same.

Article 475. The Consequences of the Transfer of Goods of Improper Quality

1. Unless defects of goods were specified by the seller, the buyer to whom substandard goods have been handed over shall **have the right** to demand from the seller at his option:

- a proportionate reduction in the purchase price;
- gratuitous removal of defects in goods within the reasonable period of time;
- compensation of his expenses incurred in the removal of the defects of goods.

2. If the requirements for the quality of goods have been breached substantially (discovery of irremovable defects, defects which cannot be removed without disproportionate costs or costs of time, recurrent defects or newly emerged defects after their removal, and of other similar shortcomings), the buyer shall have the right to act at his option:

to refuse to fulfil the contract of sale and to demand the sum of money paid for the goods;

to demand the substitution of proper goods corresponding to the contract for the goods of improper quality.

3. Claims for the removal of defects or for the substitution of goods, referred to in Items 1 and 2 of this Article, may be made by the buyer, unless the contrary follows from the nature of goods or the substance of the obligation.

4. In the event of the improper quality of some part of goods that make up the set (**Article 479**) the buyer shall have the right to exercise, in respect of this part of goods, the rights, envisaged by Items 1 and 2 of this Article.

5. The rules, provided for by this Article, shall be applicable, unless the present Code or any other law establishes the contrary.

Article 476. Defects of Goods for Which the Seller Is Responsible

1. The seller shall be responsible for the defects of goods, if the buyer proves that they had arisen before they were transferred to him or for the reasons that emerged before this occurrence.

2. The seller shall bear responsibility for the defects of the goods to which he accorded the guarantee of quality, unless he proves that these defects arose after the goods had been handed over the buyer in consequence of the breach by the buyer of the rules of using goods or of their storage, or in consequence of the actions of third parties or force majeure.

Article 477. Time-limits of Discovery of Defects in Transferred Goods

1. Unless otherwise stipulated by the law or the contract of sale, the buyer shall have the right to make claims associated with defects of goods, provided they have been discovered in the time-limits fixed by this Article.

2. If no guarantee period or serviceable life is established for goods claims for defects in goods may be made by the buyer, provided that the defects of goods sold have been discovered in the reasonable period of time, but within two years since the day of transfer of goods to the buyer or within the longer period of time, when it is fixed by the law or the contract of sale. The time-limit for the discovery of shortcomings in goods subject to carriage or dispatch by post shall be reckoned since the day of the delivery of goods to the place of their destination.

3. If a guarantee period has been fixed for goods, the buyer shall have the right to make claims associated with defects of goods upon the discovery of defects during the guarantee period.

If a warranty period has been fixed for complementary parts in the contract of sale of lesser duration than for the basic unit, the buyer shall have the right to make claims for the defects in a complementary part upon their discovery during the guarantee period for the basic unit.

If a guarantee period is fixed for a complementary part in the contract for longer duration than the guarantee period for the basic unit, the buyer shall have the right to make claims for defects of goods, if defects of the complementary part have been discovered during its guarantee period, regardless of the expiry of the guarantee period for the basic unit.

4. The buyer shall have the right to make claims for the defects of goods with serviceable life, if

they have been discovered during their serviceable life.

5. In cases where the guarantee period stipulated by the contract makes up less than two years and defects in goods were discovered by the buyer upon the expiry of the guarantee period, but within two years since the day of the transfer of goods to the buyer, the seller shall bear responsibility, if the buyer proves that the defects of goods arose before they had been handed over to the buyer or for the reasons that emerged before this occurrence.

Article 478. Complete Sets of Goods

1. The seller shall be obliged to hand over to the buyer goods corresponding to the terms of the contract of sale on completeness.

2. If the contract of sale has not defined the complete set of goods, the seller shall be obliged to hand over to the buyer goods whose completeness is determined by the customs of the volume of business or by other usually made claims.

Article 479. A Set of Goods

1. If the contract of sale provides for the duty of the seller to hand over to the buyer a definite set of goods, the obligation shall be deemed to be fulfilled since the time of the transfer of all goods included in the set.

2. Unless otherwise stipulated by the contract of sale and unless the contrary follows from the substance of the obligation concerned, the seller shall be obliged to transfer at once to the buyer all the goods included in the set.

Article 480. The Consequences of the Transfer of Incomplete Sets of Goods

1. If an incomplete set of goods is transferred (**Article 478**), the buyer shall have the right to demand from the seller at his option:

- a proportionate reduction of the purchase price;
- the completing of goods within the reasonable period of time.

2. If the seller has failed to fulfil the claims of the buyer for completing goods within the reasonable period of time, the buyer shall have the right at his option:

to demand the substitution of complete goods for incomplete goods;

to waive the execution of the contract of sale and demand the refund of the paid sum of money.

3. The consequences, envisaged by Items 1 and 2 of this Article, shall also be applied in case of the breach by the seller of his duty to hand over to the buyer a set of goods (**Article 479**), unless otherwise stipulated by the contract of sale and unless the contrary follows from the substance of the obligation.

Article 481. Tare and Packaging

1. Unless otherwise stipulated by the contract of sale and unless the contrary follows from the substance of the obligation, the seller shall be obliged to hand over goods in tare and/or in packaging, except for goods which do not require tare and/or packaging in view of their character.

2. If the contract of sale has not determined the requirements for tare and packaging, goods shall be bagged and/or packaged by the usual method, and in the absence of such method by the method that ensures the safety of goods of such kind under the usual conditions of storage and transportation.

3. If the statutory order provides for mandatory requirements for tare and/or packaging, the seller engaged in business shall be obliged to hand over goods to the buyer in tare and/or in packaging meeting these mandatory requirements.

Article 482. The Consequences of the Transfer of Goods Without Tare and/or Packaging or in Improper Tare and/or Packaging

1. In cases where goods subject to bagging and/or packaging are handed over to the buyer without tare and/or packaging, the buyer shall have the right to demand that the seller should bag and/or pack

goods or to replace improper tare and/or packaging, unless the contrary follows from the contract, the substance of the obligation or the nature of goods.

2. In cases, provided for by Item 1 of this Article, the buyer shall have the right to make to the seller claims following from the transfer of goods of improper quality (**Article 475**) instead of the claims, referred to in this Item.

Article 483. The Notification of the Seller about the Improper Execution of the Contract of Sale

1. The buyer shall be obliged to inform the seller about the breach of the term of the contract of sale on the quantity, assortment, quality, completeness, tare and/or package of goods within the period provided for by the law, other legal acts or the contract, and if such period has not been fixed, within the reasonable period after the breach of the corresponding term of the contract should have been discovered by proceeding from the character and designation of goods.

2. In case of non-fulfilment of the rule, envisaged by Item 1 of this Article, the seller shall have the right to refuse in full or in part from the satisfaction of the claims of the buyer on the transfer to him of the missing quantity of goods, on the replacement of goods that do not meet the terms of the contract of sale, on the quality and assortment of goods, on the removal of defects of goods, on completing goods or on the substitution of complete goods for incomplete goods, on the bagging and/or packing of goods or on the replacement of substandard tare and/or packaging of goods, if he proves that the non-fulfilment of his rule by the buyer has involved the impossibility of satisfying his claims or entails for the seller the incommensurable expenses as compared with those he would have incurred, has he been informed in due time about the breach of the contract.

3. If the seller knew or should known about the fact that the transferred goods did not correspond to the terms of the contract of sale, he shall not have the right to refer to the provisions, stipulated by Items 1 and 2 of this Article.

Article 484. The Duty of the Buyer to Accept Goods

1. The buyer shall be obliged to accept goods given to him with the exception of cases where he has the right to demand that goods be replaced or to refuse to fulfil the contract of sale.

2. Unless otherwise stipulated by the law, other legal acts or the contract of sale, the buyer shall be obliged to perform actions which in keeping with the usual claims are needed on his part to ensure the transfer and receipt of relevant goods.

3. In cases where the buyer in contravention of the law, other legal acts or the contract of sale does not accept goods or refuses to accept them, the seller shall have the right to demand that the buyer should accept goods or refuse to fulfil the contract.

Article 485. The Price of Goods

1. The buyer shall be obliged to pay for goods at the price, specified by the contract of sale at the price fixed in accordance with **Item 3 of Article 424** of this Code unless the contract provides for the price and unless it may be estimated by proceeding from its terms, and also perform actions at his own expense, which in conformity with the law, other legal acts, the contract or the usual requirements are necessary for making payments.

2. When price is set depending on the weight of goods, it shall be estimated according to the net weight, unless otherwise stipulated by the contract of sale.

3. If the contract of sale provides that the price of goods is subject to change depending on the indices stipulating the price of goods (cost price, expenses, etc.), but at the same time does not determine the method of revision of prices, the price shall be estimated by proceeding from the correlation of these indices at the time of concluding the contract and transferring goods. In case the seller delays the fulfilment of the duty of handing over goods, the price shall be estimated from the correlation of these indices at the time of concluding the contract, and the contract does not provide for this, at the time fixed in keeping with **Article 314** of this Code.

The rules envisaged by this Item shall be applicable, unless otherwise stipulated by this Code, other law, other legal acts or the contract and unless the contrary follows from the substance of the obligation concerned.

Article 486. The Payment for Goods

1. The buyer shall be obliged to pay for goods directly before or after the transfer of goods by the seller, unless otherwise stipulated by this Code, other laws, other legal acts or the contract of sale and unless the contrary follows from the substance of the obligation concerned.

2. If the contract of sale does not provide for payments for goods by instalment, the buyer shall be obliged to payment to the seller the full price for the transferred goods.

3. If the buyer does not pay for the goods transferred to him in keeping with the contract of sale, the seller shall have the right to demand the payment for goods and interest payment in accordance with **Article 395** of this Code.

4. If the buyer refuses to accept goods and pay for them in contravention of the contract of sale, the seller shall have the right at his option to demand either the payment for goods or to refuse to fulfil the contract.

5. In cases where in keeping with the contract of sale the seller shall be obliged to hand over to the buyer the goods which have not been paid by the buyer and other goods, the seller shall have the right to suspend the transfer of these goods until the time when all the goods handed over earlier are paid in full, unless otherwise stipulated by the law, other legal acts or the contract.

Article 487. The Tentative Payment for Goods

1. In cases where the contract of sale provides for the duty of the buyer to pay for goods in full or in part before the transfer by the seller of goods (tentative payment), the buyer shall make payment within the period provided for by the contract, and if such period is not envisaged by the contract, within the period, determined pursuant to **Article 314** of this Code.

2. In case of default on the duty by the buyer to pay for goods use shall be made of the rules, envisaged by **Article 328** of this Code.

3. If the seller who has received the sum of tentative payment fails to discharge the duty of transferring goods within the fixed period (**Article 457**), the buyer shall be obliged to demand the transfer of the paid goods or the refund of the sum of the tentative payment for goods which have not been handed over by the seller.

4. If the seller fails to perform the duty of transferring the tentatively paid goods and unless the contrary is stipulated by the law or contract of sale, interest shall be paid to the amount of the tentative payment pursuant to **Article 395** of this Code since the day when under the contract the goods should have been handed over till the day of the transfer of goods to the buyer or the refund to him of the tentatively paid sum of money. The contract may provide for the duty of the seller to pay interest to the amount of the tentative payment since the day of the receipt of this sum from the buyer.

Article 488. Payment for Goods Sold on Credit

1. If the contract of sale provides for the payment for goods over a definite period of time after they are handed over to the buyer (sale of goods on credit), the buyer shall effect the payment on due date envisaged by the contract, and if such date is not stipulated by the contract, on due date defined in keeping with **Article 314** of this Code.

2. In case of default on the duty by the seller to transfer goods, use shall be made of the rules, provided for by **Article 328** of this Code.

3. If the buyer who has received goods does not fulfil the duty of payment for them within the period fixed by contract of sale, the seller shall be obliged to demand payment for he transferred goods or the refund of the goods not paid for.

4. If the buyer fails to fulfil the duty of paying for the transferred goods in the period stipulated by the contract and unless the contrary is specified by this Code or the contract of sale, interest shall be paid to the amount of the overdue sum of money in keeping with **Article 395** of this Code from the day when the goods should have been paid for to the day of payment for goods by the buyer.

The contract may provide for the duty of the buyer to pay interest to the amount corresponding to the price of goods beginning with the day of the transfer of the goods by the seller.

5. Unless otherwise stipulated by the contract of sale, the goods sold on credit from the time of their transfer to the buyer and to their payment shall be recognized as held in pledge by the seller for the guaranteed execution by the buyer of his duty to make payment for the goods.

Article 489. Payment for Goods by Instalment

1. A contract for goods' sale on credit may provide for payment for the goods by installments.

The contract for sale of goods on credit with the provison on the instalment of date shall be deemed to be concluded, if it indicated the price of goods, the procedure, period and amount of payments alongside with other essential terms of the contract of sale.

2. When the buyer fails to make a regular payment for the goods sold by instalment and transferred to him within the period stipulated by the contract, the seller shall have the right, unless otherwise provided for by the contract, to refuse execute the contract and demand the refund of the sold goods with the exception of cases where the sum of payments received from the buyer exceeds half of the price of the goods.

3. The rules envisaged by **Items 2**, **4** and **5** of Article 488 of this Code shall be applicable to the contract for sale on credit.

Article 490. Insurance of Goods

The contract of sale may provide for the duty of the seller or the buyer to insure goods.

If the party duty-bound to ensure goods does not effect insurance in keeping with the contract terms, the other party shall have the right to ensure these goods and demand that the duty-bound party reimburse the expenses on insurance or refuse to execute the contract.

Article 491. The Preservation of the Right of Property for the Seller

In cases where the contract of sale provides that the right of property in the goods handed over to the buyer is preserved for the seller before the payment for the goods or the onset of other circumstances, the buyer shall not have the right to alienate the goods or dispose of them in any other way before the transfer of the right of ownership to him, unless otherwise stipulated by the law or the contract or unless the contrary follows from the designation and property of the goods.

In cases where the transferred goods are not paid for within the period specified by the contract or where other circumstances emerge under which the right of property passes to the buyer, the seller shall have the right to demand the return of the goods to him, unless otherwise stipulated by the contract.

§ 2. Retail Sale

Article 492. The Contract of Retail Sale

1. Under the contract of retail sale the seller engaged in the business of retail sales shall undertake to hand over to the buyer goods intended for personal, family, home and any other use unrelated with business activity.

2. The contract of retail sale shall be a public agreement (Article **426).**

3. The laws on the protection of the consumers' rights and other **legal acts**, adopted in accordance with them, shall be applicable to the relations covered by the contract of retail sale with the participation of the buyer-individual but not regulated by this Code.

Article 493. The Form of the Contract of Retail Sale

Unless otherwise stipulated by the law or the contract of retail sale, including by the terms of law blanks or other standard forms, to which the buyer joins (**Article 428**), the contract of retail sale shall be deemed to be concluded in the proper form since the time of the issue by the seller to the buyer of a cash-desk ticket or a sale receipt, electronic, or any other document confirming payment for goods. The lack of said documents shall not deprive the buyer of the possibility of referring to testimony by witnesses in corroboration of the conclusion of the contract and its terms and conditions.

Article 494. The Public Offer of Goods

1. The offer of goods in advertisement, merchandise catalogues and descriptions of goods, referred to people at large, shall be recognized as a public offer (**Item 2 of Article 437**), if it contain all the essential terms and conditions of the retail sale contract.

2. The putting up of goods in places of sales (on counters, in windows, etc.), the demonstration of other samples or the presentation of information about goods sold (descriptions, catalogues, photographs of goods, etc.) in places of sales or on the Internet shall be recognized as a public offer, regardless of the fact whether the price or other essential terms and conditions of the retail sale contract, except for the case when the seller has clearly determined that relevant goods are not intended for sale.

Article 495. The Presentation of Information about Goods to the Buyer

1. The seller shall be obliged to present to the buyer the requisite and trustworthy information about goods offered for sale, which corresponds to the requirements, established by the law, other legal acts and usually made in retail sale, for the substance and methods of presenting such information.

2. The buyer shall have the right, before the conclusion of a contract of retail sale, to inspect goods, demand the check-up of their properties or their demonstration, unless this is excluded due to the nature of goods and contradict the rules accepted in retail sale.

3. Unless the buyer is given the possibility of receiving forthwith in the place of sale information about goods, referred to in Items 1 and 2 of this Article, he shall be entitled to demand from the seller the compensation for the losses caused by the unwarranted evasion from the conclusion of the contract of retail sale (**Item 4 of Article 445**), and if the contract has been concluded, to refuse within the reasonable period of time from the execution of the contract, to demand the refund of the paid sum of money and the compensation for other losses.

4. The seller who has not offered to the buyer the possibility of receiving relevant information about goods shall also bear liability for the defects of goods which arose after their transfer to the buyer, if the proves that they had arisen in the absence of such information.

Article 496. The Sale of Goods with the Proviso That the Buyer Accepts Them Within the Fixed Period of Time

The contract of retail sale may be concluded with the proviso that the buyer accepts goods within the fixed period of time, fixed by the contract, during which these goods may not be sold to another buyer.

Unless otherwise stipulated by the contract, the failure of the buyer to appear or the non-commission of other necessary actions for the acceptance of goods in the period of time fixed by the contract may be regarded by the seller as a ground for the refusal of the buyer to fulfil the contract.

The seller's additional expenses on the secured transfer of goods to the buyer in the period of time fixed by the contract shall be included in the price of goods, unless otherwise stipulated by the law, other legal acts or the contract.

Article 497. Sale of Goods by Samples and the Remote Method of the Sale of Goods

1. An agreement of retail sale-purchase may be concluded on the basis of familiarising the purchaser with a sample of the goods proposed by the seller and displayed at the place of sale of the goods (sale of goods by samples).

2. An agreement of retail sale-purchase may be concluded on the basis of familiarising the purchaser with a description, proposed by the seller, of the goods by means of catalogues, folders, booklets, photographs, communication media (television postal, radio, etc.) or by other methods ruling out the possibility of direct familiarisation of the consumer with the goods or a sample of the goods when concluding such agreement (remote method of the sale of goods).

3. Unless provided otherwise by a law, other legal acts, or the agreement, an agreement of a retail sale-purchase of goods by samples or an agreement of a retail sale-purchase concluded by the remote method of the sale of goods shall be considered to be performed from the moment of delivery of the goods to the place specified in the agreement, and if the place of transfer of the goods is not determined by the agreement, from the moment of delivery of the goods to the place of residence of the purchaser-citizen or to the location of the purchaser - legal entity.

4. Unless provided otherwise by a law, before the transfer of the goods the purchaser may refuse performance of any retail sale-purchase agreement mentioned in Item 3 of this Article on condition of compensation to the seller for necessary expenses incurred in connection with the performance of actions relating to fulfilment of the agreement.

Article 498. The Sale of Goods with the Use of Vending Machines

1. In cases where goods are sold with the use of vending machines, the owner of these machines shall be obliged to bring to the notice of buyers information about the seller by putting up on the machine the data on the name (firm's name) of the seller, the place of his location, the conditions of his work, and also on the actions to be committed by the buyer for the receipt of goods or by presenting to the buyer such data by any other method.

2. The contract of retail sale with the use of vending machines shall be deemed to be concluded since the time of the commission by the buyer of the actions necessary for the receipt of goods.

3. If paid goods are not handed over to the buyer, the seller shall be obliged, on the demand of the buyer, forthwith to hand over goods to him or to return the sum of money paid by him.

4. In cases where the vending machine is used for change, the acquisition of currency notes, the rules for retail sale shall be applied, unless the contrary follows from the substance of the obligation concerned.

Article 499. The Sale of Goods with the Proviso of Their Delivery to the Buyer

1. If the contract of retail sale has been concluded with the proviso of the delivery of goods to the buyer, the seller shall be obliged to deliver goods to the place indicated by the buyer within the period of time, fixed by the contract, and if the place of delivery of goods has not been indicated by the buyer, goods shall be delivered to the place of residence of the buying individual or the location of the buying legal entity.

2. The contract of retail sale shall be deemed to be executed since the time goods have been handed over to the buyer, and in the absence of the latter, to any other person who has produced the receipt or any other document testifying to the conclusion of the contract or to the completion of the delivery of goods, unless otherwise stipulated by the law, other legal acts or the contract and unless the contrary follows from the substance of the obligation concerned.

3. If the contract fails to fix the time of delivery of goods for handing over to the buyer, goods shall be delivered within the reasonable period of time after the receipt of the buyer's claim.

Article 500. The Price and Payment for Goods

1. The buyer shall be obliged to pay for goods at the price quoted by the seller at the time of concluding the retail sale contract, unless otherwise stipulated by the law or other legal acts or unless follow from the substance of the obligation concerned.

2. If the retail sale contract provides for the tentative payment for goods (**Article 487**), the non-payment by the buyer of goods in the period of time foxed by the contract shall be deemed to be the buyer's refusal to fulfil the contract, unless otherwise stipulated by the agreement of the parties thereto.

3. The rule envisaged by the **first paragraph of Item 4 of Article 488** of this Code shall not be applied to the contracts of retail sale on credit, including to those with the proviso of payment by the buyer for goods by instalment.

The buyer shall have the right to pay for goods at any time within the contractual period of instalment of date.

Article 501. The Contract of Hire and Sale

Under the contract the buyer shall be a hirer (leaseholder) of goods given to him (contract of hire and sale) prior to the transfer of ownership of goods to the buyer (**Article 491**).

Unless otherwise stipulated by the contract, the buyer shall become the owner of goods since the time of payment for goods.

Article 502. Exchange of Goods

1. The buyer shall have the right, during 14 days since the time of the transfer of non-food products to him, if no longer period is declared by the seller, to exchange the bought products in the place of purchase and in other places, announced by the seller, for similar products of a different size, form, clearance, style, colour or complete set by making the necessary resettlement with the seller if there is a difference in price.

If the seller has no goods at his disposal needed for exchange, the buyer shall have the right to return to the seller the acquired goods and receive the sum of money paid for them.

The demand of the buyer for exchange or the return of goods shall be subject to satisfaction, unless goods have been in use, retained their consumer properties and there is evidence that they have been bought from the given seller.

2. The list of goods which are not subject to exchange or return according to the grounds, referred to in this Article, shall be determined in the order prescribed by the law or other legal acts.

Article 503. Rights of Purchaser in the Event of Sale to Him of Goods of Improper Quality

1. A purchaser to whom goods of improper quality have been sold, unless its defects were stipulated by the seller, may choose to demand:

replacement of poor-quality goods with goods of proper quality;

commensurate reduction of the purchase price;

immediate gratuitous elimination of the defects of the goods;

compensation for expenses of the defects of the goods.

2. In the event of the discovery of defects of goods whose properties do not enable them to be eliminated (foodstuffs, domestic sundries, and so forth) the purchaser may choose to demand the replacement of such goods with goods of proper quality or a commensurate reduction of the purchase price.

3. With respect to sophisticated goods the purchaser may demand their replacement or refuse to fulfil the agreement of retail sale-purchase and demand the return of the amount paid for the goods in the event of an essential violation of the requirements to their quality (**Item 2 of Article 475**).

4. Instead of presenting the demands provided for in **Items 1** and **2** of this Article, the purchaser may refuse to fulfil the agreement and demand the return of the amount paid for the goods.

5. In case of a refusal to fulfil the agreement of retail sale-purchase with the demand for the return of the amount paid for the goods, the purchaser, upon the request of the seller and at his expense, must return the goods received of improper quality.

In the event of the return to the purchaser of the amount paid for the goods, the seller cannot withhold from it the amount by which the value of the goods was lowered because of the full or partial use of the goods, loss of their form as goods, or other similar circumstances.

6. The rules stipulated by this Article shall be applicable unless otherwise established by laws on the protection of consumers' rights.

Article 504. Compensation for the Difference in Price When Goods Are Replaced, the Purchase Price Is Reduced and Goods of Improper Quality Are Returned

1. When substandard goods are replaced by goods of proper quality that correspond to the retail sale contract, the seller shall have no right to demand compensation for the difference between the price of goods specified by the contract and the price of goods existing at the time of the substitution of goods or of the delivery by the court of its decision on the replacement of goods.

2. In case of replacement of substandard goods by similar goods of proper quality but with different size, style, sort or other distinctive features, the difference between the price of the replaceable goods at the time of substitution and the price of goods handed over in place of substandard goods shall be subject to compensation.

If the demand of the buyer has not been satisfied by the seller, the price of replaceable goods and the price of goods handed over in place of them shall be fixed at the time of the delivery by the court of its decision on the substitution of goods.

3. If a demand is made on an adequate reduction in the purchase price of goods, it is necessary to take into account the price of goods at the time of making a demand on their price reduction, and if the buyer's demand has not been satisfied of one's own accord, at the time of the delivery by the court of its decision on the proportionate reduction of the price.

4. If substandard goods are returned to the seller, the buyer shall have the right to demand compensation for the difference between the price of goods fixed by the retail sale contract and the price of appropriate goods at the time of the voluntary satisfaction of his demand, and if this demand has not been satisfied of his own accord, at the time of the delivery by the court of its decision.

Article 505. The Liability of the Seller and the Fulfillment of the Obligation in Kind

In case of default on the seller's obligation under the contract of retail sale, the compensation of losses and the payment of a penalty shall not absolve the seller from the obligation in kind.

§ 3. Delivery of Goods

Article 506. Contract for Delivery

Under the contract for delivery the supplier-seller engaged in business shall undertake to transfer to the buyer goods produced or purchased by him within the fixed period or periods of time for use in business or for other purposes unrelated to personal, family, home or any other use.

Article 507. Settlement of Disagreements During the Conclusion of the Contract for Delivery

1. When during the conclusion of a contract for delivery disagreements arose between the parties over particular terms and conditions of the contract, the party which has offered to conclude the contract and received from the other party the proposal on the adjustment of these terms and conditions shall, during 30 days since the day of receipt of this proposal, unless a different date is fixed by law and agreed upon between the parties, take measures on the coordination of the relevant terms and conditions of the contract or notify in writing the other party about the refusal to conclude it.

2. The party which has received the proposal under the corresponding terms and conditions of the contract but has not taken measures to coordinate the terms and conditions of the contract for delivery and has not notified the other party about the refusal to conclude the contract on due date, provided for by Item 1 of this Article, shall be obliged to compensate the losses caused by the evasion from the coordination of the terms and conditions of the contract.

Article 508. Periods of Delivery of Goods

1. In case where the parties provide for the delivery of goods during the validity term of the contract for delivery by individual consignments and where the periods of delivery of individual batches

(periods of delivery) have not be defined, goods shall be delivered by even shipments monthly, unless the contrary follows from the law, other legal acts, the substance of obligations and the customs of business turnover.

2. The contract for delivery may establish a schedule of shipments of goods (by decade, day, hour, etc.) in addition to the definition of periods of delivery of goods.

3. Prior delivery of goods may be made with the consent of the buyer.

Goods supplied short of the term and accepted by the buyer shall be counted towards the quantity of goods subject to delivery in the next period.

Article 509. The Procedure for Delivery of Goods

1. Goods shall be delivered by the supplier by means of shipment (transfer) of goods to the buyer who is a party to the contract for delivery or to the person indicated in the contract as a consignee.

2. In case where the contract for delivery provides for the right of the buyer to give to the supplier directions on the shipment (transfer) of goods to consignees (shipment warrants), goods shall be shipped (transferred) by the supplier to the consignees, referred to in the shipment warrant.

The consent of the shipment warrant and the date of its sending by the buyer to the supplier shall be determined by the contract. If the contract does not provide the time of sending a shipment warrant, the latter shall be sent to the supplier within 30 days before the onset of the period of delivery.

3. The non-submission of a shipment warrant by the buyer within the fixed period of time shall entitle the supplier either to renounce the execution of the contract for delivery or to demand that the buyer pay for goods. Moreover, the supplier shall have the right to claim damages caused in connection with the non-submission of the shipment warrant.

Article 510. Delivery of Goods

1. Delivery of goods shall be made by the supplier by means of their shipment by transport vehicles, provided for by the contract for delivery and on the contractual terms and conditions.

In cases where the contract fails to determine which type of transportation facility and on which conditions goods are to be delivered, the right of choosing the type of transportation facility or of defining the conditions of the delivery of goods shall belong to the supplier, unless the contrary follows from the law, other legal acts and the substance of the obligation concerned or the customs of business turnover.

2. The contract for delivery may provide for the receipt of goods by the buyer (consignee) in the location of the supplier (sampling of goods).

If the term of sample is not provided by the contract, the sampling of goods shall be carried out by the buyer (consignee) within the reasonable period of time after the receipt of the supplier's notification about the readiness of goods.

Article 511. The Replenishment of Short Delivery of Goods

1. The supplier who has a shortage of delivery of goods in a particular period of delivery shall be obliged to replenish the short delivered goods in the next period (periods) within the validity term of the contract for delivery, unless otherwise provided for by the contract.

2. In case where goods are shipped by the supplier to several consignees, referred to in the contract for delivery or the shipment warrant of the buyer, goods delivered to one consignee over and the quantity envisaged by the contract or the shipment warrant shall not be counted towards the short delivery of goods to other consignees, unless otherwise stipulated by the contract.

3. By notifying the supplier the buyer shall have the right to accept goods whose delivery has been overdue, unless otherwise stipulated by the contract for delivery. Goods delivered before the supplier receives the notification concerned, the buyer shall be obliged to accept and pay for them.

Article 512. Assortment of Goods in Case of Replenishing Short Deliveries

1. Assortment of the short delivered goods subject to replenishment shall be determined by the

agreement of the parties. In the absence of such agreement the supplier shall be obliged to replenish the short delivered quantity of goods in the assortment established for the period in which the goods were short delivered.

2. The delivery of goods of one name in the greater quantity than the contract for delivery provides shall not be counted towards the cover of the short delivered goods of another name which form the same assortment and shall be subject to replenishment, except for the cases where such delivery was made with the preliminary written consent of the buyer.

Article 513. The Acceptance of Goods by the Buyer

1. The buyer (consignee) shall be obliged to perform all the necessary actions which ensure the acceptance of goods delivered in keeping with the contract for delivery.

2. Goods received by the buyer (consignee) shall be examined by him within the period of time, stipulated by the law, other legal acts, the contract for delivery or the customs of the business turnover.

The buyer (consignee) shall be obliged to check the quantity and quality of accepted goods within the same period of time in the order, prescribed by the law, other legal acts, the contract or the customs of business turnover, and to inform the supplier forthwith in writing about the discovered discrepancies or defects of goods.

3. If the buyer (consignee) receives the delivered goods from a transport organisation, he shall be obliged to check the compliance of these goods with information referred to in transport and accompanying documents, and also to accept these goods from the transport organisation with the observance of the rules stipulated by the laws and other legal acts regulating the activity of transportation facilities.

Article 514. Safekeeping of Goods Which Have Not Been Accepted by the Buyer

1. When in keeping with the law, other legal acts or the contract for delivery the buyer (consignee) refuses to accept the goods delivered by the supplier, he shall be obliged to ensure the safety of these goods (safekeeping) and inform the supplier immediately.

2. The supplier shall be obliged to take away the goods accepted by the customs for safekeeping or to dispose of them within the reasonable period of time.

If the supplier fails to dispose of these goods within this period, the buyer shall have the right to sell goods or return them to the supplier.

3. The requisite expenses incurred by buyer in connection with the acceptance of goods for safekeeping, the sale of goods or their return to the seller shall be liable to compensation by the supplier.

In this case, the proceeds from the sale of goods shall be transferred to the supplier minus the amount due to the buyer.

4. In cases where the buyer does not accept goods from the supplier without the grounds, established by the law, other legal acts or the contract, or refuses to accept them, the supplier shall have the right to demand from the buyer the payment for the goods.

Article 515. The Sampling of Goods

1. When the contract for delivery provides for the sampling of goods by the buyer (consignee) in the location of the supplier (**Item 2 of Article 510**), the buyer shall be obliged to inspect the transferred goods in the place of their transfer, unless otherwise stipulated by the law, other legal acts or unless the contrary follows from the substance of the obligation concerned.

2. The non-sampling of goods by the buyer (consignee) within the period of time specified by the contract for delivery, and in the absence of the contract within the reasonable period of time after the receipt of the supplier's notification about the readiness of goods shall entitle the supplier to refuse to fulfil the contract or to demand that the buyer pay for goods.

Article 516. Payment for Delivered Goods

1. The buyer shall pay for delivered goods with the observance of the procedure and form of payments stipulated by the contract for delivery. If the agreement between the parties thereto fails to determine the procedure and form of payments, payments shall be effected by means of payment orders.

2. If the contract for delivery provides for the payment for goods to be made by the recipient (payer) and the latter has refused without any foundation to pay for goods or failed to pay for them within the period of time stipulated by the contract, the supplier shall have the right to demand that the buyer pay for the delivered goods.

3. In case where the contract for delivery provides for the shipment of goods in parts forming the set, the payment for goods by the buyer shall be effected after the shipment (sampling) of the last part forming the set, unless otherwise stipulated by the contract.

Article 517. Tare and Packaging

Unless the contrary is stipulated by the contract for delivery, the buyer (consignee) shall be obliged to return to the supplier reusable tare and means of packaging of the delivered goods in the order and in the terms stipulated by the law, other legal acts and by the obligatory rules adopted in accordance with or by the contract.

Other tare, and also the packaging of goods shall be returned to the supplier only in cases provided for by the contract.

Article 518. The Consequences of the Delivery of Goods of Improper Quality

1. The buyer (consignee) to whom goods of improper quality have been supplied shall have the right to make claims to the supplier as stipulated by **Article 475** of this Code, except for the case when the supplier who has received the notification of the buyer about the defects of the delivered goods shall without delay substitute goods of proper quality for the delivered goods.

2. The buyer (consignee) who sells the delivered goods by retail shall have the right to demand within the reasonable period of time the substitution for the goods of improper quality, unless otherwise stipulated by the contract for delivery.

Article 519. The Consequences of the Delivery of Incomplete Goods

1. The buyer (consignee) to whom goods have been supplied with the breach of the terms and conditions of the contract for delivery, of the requirements of the law and other legal acts or of the usual requirements for completeness shall have the right to make to the supplier claims stipulated by **Article 480** of this Code, except for the case when the supplier who has received the buyer's notification about the incomplete set of the delivered goods shall make goods complete without delay or replace these by complete goods.

2. The buyer (consignee) who sells goods by retail shall have the right to demand the replacement within the reasonable period of time of incomplete goods returned by the consumer by complete goods, unless otherwise stipulated by the contract of delivery.

Article 520. The Rights of the Buyer in Case of Short Delivery of Goods, the Non-fulfilment of the Requirements for the Removal of Defects of Goods or of Completing Goods

1. If the supplier has failed to deliver the quantity of goods, stipulated by the contract for delivery, or has not fulfilled the buyer's claim for the replacement of substandard goods or for completing goods within the fixed period of time, the buyer shall have the right to acquire short delivered goods from other persons and to charge all the necessary and reasonable expenses to the supplier for their acquisition.

The expenses of the buyer on the acquisition of goods from other persons in cases of their short delivery by the supplier or of the non-fulfillment of the buyer's claims for the removal of defects of goods or for completing goods shall be reckoned according to the rules, provided for by **Item 1 of Article 524** of this Code.

2. The buyer (consignee) shall have the right to refuse to pay for substandard and incomplete

goods, and if such goods have been paid for, to demand to refund of the paid sums of money pending the removal of defects and the completion of goods or of their replacement.

Article 521. Penalty for Short Delivery or Delay in Delivery of Goods

The penalty established by the law or the contract for delivery for short delivery or delay in delivery of goods shall be recovered from the supplier until the actual execution of the obligation within the limits of his duty to replenish the short delivered quantity of goods in subsequent periods of delivery, unless a different procedure for the payment of penalty is established by the law or the contract.

Article 522. Cancellation of Similar Liabilities under Several Contracts for Delivery

1. In cases where goods of the same name are delivered by the supplier to the buyer at once under several contracts for delivery and the quantity of delivered goods is insufficient for the cancellation of the supplier's liabilities under all contracts, the delivered goods shall be counted towards the execution of the contract to be indicated by the supplier when he delivers goods or immediately after this delivery.

2. If the buyer has paid to the supplier for the goods of the same name, received under several contracts for delivery and the sum of payment is insufficient for the cancellation of the buyer's liabilities under all contracts, the paid sum of money shall be counted towards the execution of the contract, indicated by the buyer when goods are paid for or without delay after payment.

3. If the supplier or the buyer have not availed of the rights granted to them by Items 1 and 2 of this Article, the execution of the liability shall be counted towards the cancellation of the liabilities under the contract, where period of execution commenced earlier. If the period of the execution of the liabilities under several contracts has commenced simultaneously, the granted execution shall be counted in proportion towards the cancellation of the liabilities under all contracts.

Article 523. Unilateral Waiver of the Execution of the Contract for Delivery

1. Unilateral waiver of the execution of the contract for delivery (in full or in part) or unilateral change of this contract shall be allowed in case of the substantial infringement of the contract by one of the parties thereto (the **fourth paragraph of Item 2 of Article 450**).

2. The infringement of the contract for delivery by the supplier may be substantial in cases of:

the delivery of goods of improper quality with defects which cannot be removed in the period acceptable for the buyer;

the repeated breach of the terms of delivery of goods.

3. The infringement of the contract for delivery by the buyer may be substantial in cases of:

repeated breach of the terms of payment for goods;

repeated non-sampling of goods.

4. The contract for delivery shall be deemed to be altered or dissolved since the time of receipt by one party of the notification of the other party about the unilateral waiver to execute the contract in full or in part, unless a different term of cancelling or modifying the contract is provided by the notification or defined by the agreement of the parties.

Article 524. The Reckoning of Losses in Case of the Cancellation of the Contract

1. If within the reasonable period of time after the cancellation of the contract due to the infringement of the obligation by the seller the buyer bought goods from another person at higher but reasonable price instead of goods specified by the contract, the buyer may make to the seller his claim for the compensation of losses in the form of the difference between the contractual price and the price under the deal made instead.

2. If within the reasonable period of time after the cancellation of the contract owing to the infringement of the obligation by the buyer the seller has sold goods to another person under the reasonable but lower price than that stipulated by the contract, the seller may make to the buyer his claim for the compensation of losses in the form of the difference between the contractual price and the price

under the dial made instead.

3. If after the cancellation of the contract on the grounds, provided for by Items 1 and 2 of this Article, no transaction has been made instead of the dissolved contract, and the current price is available for these goods, the party may make his claim for the compensation of losses in the form of the difference between the price specified by the contract and the current price existing at the time of the dissolution of the contract.

The price that is usually charged under the comparable circumstances for similar goods in the place where goods should be transferred shall be recognized as a current price. If there is no current price in this place, use may be made of the current price that was used in another place, which may serve as a reasonable replacement, with due account of the difference in the expenses on the transportation of goods.

4. The satisfaction of the requirements, provided for by **Items 1**, 2 and 3 of this Article, shall not release the party, which has not fulfilled or fulfilled the obligation in improper way from the compensation of other losses caused by the other party, on the basis of **Article 15** of this Code.

§ 4. Delivery of Goods for State or Municipal Needs

Article 525. The Grounds for the Delivery of Goods for State or Municipal Needs

1. Goods shall be delivered to meet state or municipal needs on the basis of a state contract for the delivery of goods for state or municipal needs, and also in keeping with the contracts for delivery of goods, concluded in accordance with the state or municipal contract (**Item 2 of Article 530**).

2. The rules for the contract for delivery (**Articles 506-522**) shall be applicable to the relations involved in the delivery of goods for state or municipal needs, unless otherwise stipulated by the rules of this Code.

Other **laws** shall be applicable to the relations involved in the delivery of goods for state or municipal needs in the part that is not regulated by this paragraph.

Article 526. The State or Municipal Contract for the Delivery of Goods to Meet State or Municipal Needs

Under the state or municipal contract for the delivery of goods for state or municipal needs (hereinafter referred to as the state or municipal contract) the supplier (executor) shall undertake to transfer goods to the state or municipal customer or to another person according to his direction, whereas the state or municipal customer shall undertake to pay for the delivered goods.

Article 527. The Grounds for the Conclusion of State or Municipal Contracts

1. A state or municipal contract shall be concluded on the basis of an order of delivering goods to meet state or municipal needs placed in the procedure provided for by the **legislation** on placement of orders to supply goods, carry out works ands render services to meet state or municipal needs.

The conclusion of a state or municipal contract shall be mandatory for the state or municipal customer who has placed the order, if not otherwise established by laws.

2. The conclusion of a state or municipal contract shall be compulsory for the supplier (executor) only in cases established by law and provided that the state or municipal customer should compensate all the losses which can be caused to supplier (executor) in connection with the fulfilment of the state or municipal contract.

3. The condition of compensation of losses, envisaged by Item 2 of this Article, shall not be applied to the governmental enterprises not subject to privatization.

4. The term concerning compensation for damages provided for by **Item 2** of this Article shall not apply in respect of the winner of an auction or the winner of bidding for goods or in respect of the person with whom under the laws a state or municipal contract is concluded in the event of evading the conclusion of the state or municipal contract by the auction winner or the winner of bidding for goods, provided that the offered price of the state or municipal contract is wittingly understated.

Article 528. Procedure for the Conclusion of State or Municipal Contracts

1. A state or municipal contract shall be drafted by a state or municipal customer and sent to the supplier (executor), unless otherwise stipulated by the agreement between them.

2. The party which has received the draft of a state or municipal contract shall sign it within 30 days and return one copy of the state or municipal contract to the other party, while in the presence of disagreements on the terms and conditions of the state or municipal contract shall draw up minutes of disagreements during this period and send it together with the signed state or municipal contract to the other contract party or shall notify it about the refusal to conclude the state or municipal contract.

3. The party which has received the state or municipal contract with the minutes of disagreements shall be obliged within 30 days to consider disagreements, take measures to adjust them with the other party and inform this party about the acceptance of the state or municipal contract in its wording or about the rejection of the minutes of disagreements.

In case of rejection of the minutes of disagreements or upon the expiry of this period of time, the non-adjusted disagreements under the state or municipal contract, the conclusion of which is mandatory for one of the parties, may be transferred by the other party for the consideration by a court of law within 30 days.

4. In case where a state or municipal contract is concluded according to the results of the auction for placing an order for the delivery of goods for state or municipal needs, the state or municipal contract shall be concluded within 30 days since the day of the bidding.

5. If the party for which the conclusion of a state or municipal contract is obligatory evades from its conclusion, the other party shall have the right to apply to a court of law with the demand of compelling this party to conclude the state or municipal contract.

Article 529. The Conclusion of a Contract for Delivery of Goods for State or Municipal Needs

1. If a state or municipal contract provides for the delivery of goods by the supplier (executor) to the buyer, defined by the state or municipal customer, under the contracts for the delivery of goods for state or municipal needs, the state or municipal customer shall notify within 30 days since the day of signing the state or municipal contract the supplier (executor) and the buyer about the attachment of the buyer to the supplier (executor).

The notification about the attachment of the buyer to the supplier (executor), issued by the state or municipal customer in keeping with the state or municipal contract, shall be a ground for the conclusion of a contract for the delivery of goods for state or municipal needs.

2. The supplier (executor) shall be obliged to send the draft of the contract for the delivery of goods for state or municipal needs to the buyer, indicated in the notification about the attachment, within 30 days since the day of the receipt of the notification from the state or municipal customer, unless a different procedure for drafting a contract is stipulated by the state or municipal contract or unless the draft of the contract is submitted by the buyer.

3. The party which has received the draft contract for the delivery of goods for state or municipal needs shall sign it and return one copy to the other party within 30 days from the day of the receipt of the draft and in the presence of disagreements over the contract terms shall draw up during this time minutes of the disagreements and send them to the other party together with the signed contract.

4. The party which has received the signed draft contract for the delivery of goods for state or municipal needs with the minutes of disagreements shall, during 30 days, consider the disagreements, take measures to coordinate the terms and conditions of the contract with the other part and inform the other party about the acceptance of the contract in its wording or about the rejection of the minutes of the disagreements. non-adjusted disagreements may be transferred by the interested party for the consideration by the court within 30 days.

5. If the supplier (executor) evades from the conclusion of the contract for the delivery of goods for state or municipal needs, the buyer shall have the right to apply to a court of law with the demand for

compelling the supplier (executor) to conclude a contract on the terms of the contract drafted by the buyer.

Article 530. The Buyer's Refusal to Conclude a Contract for the Delivery of Goods for State or Municipal Needs

1. The buyer shall have the right to refuse wholly or partially from goods, indicated in the notification about attachment, and from the conclusion of a contract for their delivery.

In this case, the supplier (executor) shall forthwith notify the state or municipal customer and demand that he notify about the attachment to another buyer.

2. Within 30 days since the day of the receipt of the notification of the supplier (executor), the state or municipal customer shall issue a notification about the attachment of another buyer to him or send to the supplier (executor) a shipment warrant with an indication of the consignee of goods, or state its consent to accept and pay for goods.

3. In case of default on the state or municipal customer's duties, provided for by Item 2 of this Article, the supplier (executor) shall have the right either to demand that the state or municipal customer should accept and pay for goods or to sell goods at its discretion with the charge of reasonable expenses incurred in their sale to the state or municipal customer.

Article 531. The Execution of the State or Municipal Contract

1. In cases where in keeping with terms and conditions of the state or municipal contract goods are delivered directly to the state or municipal customer or according to its direction (shipment warrant) to another person (consignee), the relations between the parties in the performance of the state or municipal contract shall be regulated by the rules stipulated by **Articles 506-522** of this Code.

2. In cases where goods are delivered for state or municipal needs by the consignee, indicated in the shipment warrant, the goods shall be paid for by the state or municipal customer, unless a different procedure for payments is envisaged by the state or municipal contract.

Article 532. Payment for Goods Under the Contract for the Delivery of Goods for State or Municipal Needs

In case of the delivery of goods to the buyers under the contracts for the delivery of goods for state or municipal needs payment for goods shall be made by the buyers at the prices estimated in accordance with the state or municipal contract, unless a different procedure determining prices and payments is stipulated by the state or municipal contract.

When the buyer pays for goods under the contract for the delivery of goods for state or municipal needs, the state or municipal customer shall be recognized as a guarantor of this obligation of the buyer (**Articles 361-367**).

Article 533. Compensation for Losses Caused in Connection with the Execution or Dissolution of a State or Municipal Contract

1. Unless otherwise stipulated by a law or a state or municipal contract, the losses caused to the supplier (executor) in connection with the execution of the state or municipal contract (**Item 2** of Article 527) shall be liable to compensation by the state or municipal customer within 30 days since the day of the transfer of goods in conformity with the state or municipal contract.

2. In case where the losses caused to the supplier (executor) in connection with the performance of a state or municipal contract are not compensated in accordance with the state or municipal contract, the supplier (executor) shall have the right to refuse to perform the state or municipal contract and demand the compensation of the losses caused by the dissolution of the state or municipal contract.

3. When a state or municipal contract is dissolved on the grounds referred to in Item 2 of this Article, the supplier shall have the right to refuse to execute the contract for the delivery of goods for state

or municipal needs.

The losses caused to the buyer by such refusal of the supplier shall be compensated by the state or municipal customer.

Article 534. The Rejection by the State Customer of Goods Delivered Under the State or Municipal Contract

In cases provided for by law the state or municipal customer shall have the right to reject wholly or partially the goods whose delivery is stipulated by the state or municipal contract, provided that the losses caused by such rejection are compensated to the supplier.

If the rejection by the state or municipal customer of the goods whose delivery is provided for by the state or municipal contract has involved the cancellation or charge of the contract for the delivery of goods for state or municipal needs, the losses caused to the buyer by such cancellation or change shall be compensated by the state or municipal customer.

§ 5. Sale of Agricultural Produce

Article 535. Contract of Sale of Agricultural Produce

1. Under the contract of sale of agricultural produce the agricultural producer shall undertakes to transfer the farm products he has grown or produced to the purveyor, the person who purchases such products for processing or sale.

2. The rules for the contract for delivery (**Articles 506-524**) shall be applicable to the relations covered by the contract of and not regulated by the rules of this paragraph, while in cases of the delivery of goods for state needs the rules for the contract sale of agricultural produce for delivery (**Articles 525-534**) shall be applicable.

Article 536. The Duties of the Purveyor

1. Unless otherwise stipulated by the contract of contracting, the purveyor shall be obliged to accept farm products from the producer in the place of their location and to ensure their delivery.

2. In case where farm products are accepted in the location of the purveyor or in any other place indicated by it, the purveyor shall have no right to refuse to accept farm products which correspond to the terms and conditions of the contract of contracting and which have been transferred to the purveyor in the period of time, specified by the contract.

3. The contract of contracting may provide for the duty of the purveyor processing farm products to return to the producer the waste of this processing on its demand with payment at the price fixed by the contract.

Article 537. The Duty of the Producer of Farm Products

The producer of farm products shall be obliged to transfer to the purveyor the grown or produced farm products in the quantity and assortment, envisaged by the contract of contracting.

Article 538. The Liability of the Producer of Farm Products

The producer of farm products which has failed to fulfil its obligation or has fulfilled it improperly shall bear liability in the presence of its fault.

§ 6. Power Supply

Article 539. The Contract of Power Supply

1. Under the contract of power supply the energy supplying organisation shall undertake to transmit power to the user (consumer) through the connected up network, while the user shall undertake to pay for

accepted power, and also to observe the conditions of its consumption, provided for by the contract, and to ensure the safety of the operation of its electrical networks and the working order of the devices and equipment use by it and related to the consumption of power.

2. A contract of power supply shall be concluded with the user, if the latter has at its disposal a power receiving device meeting the technical requirements and connected up to the networks of the energy supplying organisation and other requisite equipment, and also if the user guarantees the accounting of the consumption of power.

3. The laws ad other legal acts on power supply, and also the mandatory rules adopted in conformity with them, shall be applicable to the relations covered by the contract of power supply and regulated by this Code.

4. The rules of this paragraph shall be applicable to the relations under an agreement for supply with electric power unless otherwise established by a law or other legal acts.

Article 540. The Conclusion and Prolongation of the Contract of Power Supply

1. In cases where the individual acts as a user of power for domestic consumption under the contract of power supply, this contract shall be deemed to be concluded since the time of the fixed actual linking up of the user to the attached network in the statutory order.

Unless otherwise stipulated by the agreement of the parties, such contract shall be deemed to be concluded for an indefinite period of time and may be altered or dissolved on the grounds, stipulated by **Article 546** of this Code.

2. The contract of power supply, concluded for an indefinite period of time, shall be deemed to be prolonged for the same period and on the same conditions, if before the expiry of its validity term neither party states about its termination or alteration or the conclusion of a new contract.

3. If one of the parties to the contract has tabled the proposal on the conclusion of a new contract before the expiry of its validity term, the relations between the parties shall be regulated by the contract concluded earlier before a new contract is to be concluded.

Article 541. The Quantity of Power

1. The energy supplying organisation shall be obliged to transmit power to the user through the attached network in the quantity provided for by the contract of power supply and with the observance of the conditions of transmission to be agreed upon by the parties. The quantity of power transmitted to the subscriber and the used up by him shall be estimated in accordance with the data of accounting of its actual consumption.

2. The contract of power supply may provide for the right of the user to change the quantity of received power, fixed by the contract, provided the compensation of the expenses incurred by the energy supplying organisation in connection with the transmission of power in the quantity which is not stipulated by the contract

3. In case where the individual using power for domestic consumption acts as a user under the contract of power supply, he shall have the right to use power in the quantity needed by him.

Article 542. The Quality of Power

1. The quality of power transmitted shall correspond to the requirements established in compliance with the legislation of the Russian Federation, in particular with compulsory rules, or envisaged by the contract of power supply.

2. If the energy supplying organisation breaks the requirements for the quality of power, the user shall have the right to refuse to pay for such power. In this case, the energy supplying organisation shall have the right to demand that the user should compensate the cost of the power which the user has saved groundlessly in consequence of the use of this power (**Item 2 of Article 1105**).

Article 543. The Duties of the Buyer to Maintain and Operate Networks, Instruments and Equipment

1. The user shall be obliged to ensure proper technical condition and safety of the operated electric power networks, instruments and equipment, to observe the conditions of power consumption, and also immediately inform the energy supplying organisation about accidents, fires and troubles in energy recording instruments and about other infringements arising during the use of energy.

2. In case where the individual using power for domestic consumption acts as a user under the contract of power supply, the duty of ensuring proper technical condition and safety of electric power networks, and also of energy recording instruments shall be discharged by the energy supplying organisation, unless otherwise stipulated by the law and other legal acts.

3. Requirements for the technical condition and operation of electric power networks, instruments and equipment, and also the procedure for control over their work shall be defined by the law, other legal acts or the agreement between the parties.

Article 544. Payment for Power

1. The user shall pay for the quantity of power, actually accepted by him, in line with the data of power recording, unless otherwise stipulated by the law, other legal acts or the **agreement** of the parties.

2. Procedure for payments for energy shall be determined by the law, other legal acts or by the agreement between the parties.

Article 545. The Subuser

The user may transmit power, accepted by it from the energy supplying organisation through the attached network, to another person (subuser) only with the consent of the energy supplying organisation.

Article 546. The Modification and Cancellation of the Contract of Power Supply

1. In case where the individual using power for domestic consumption acts as a user under the contract of power supply, he shall have the right to cancel the contract unilaterally, provided he informs the energy supplying organisation about this and pays in full for the used power.

In case where the legal entity acts as a user under the contract of power supply, the energy supplying organisation shall have the right to refuse to fulfil the contract unilaterally on the grounds provided for by **Article 523** of this Code, except for the cases established by the law or other legal acts.

2. An interval in the supply of power, the termination or restriction of the supply of power shall be allowed by agreement between the parties, except for the cases where the unsatisfactory condition of the user's power plant, certified by the state power supervision body, endangers the levels and safety of individuals. The energy supplying organisation shall warn the user about the interruption, termination or restriction of the supply of power.

The termination or restriction of the supply of power without the consent of a subscriber that is a juridical person but with the relevant notification thereof shall be permissible in a procedure established by a law or other legal acts in the case of violation by the said subscriber of the obligations in the payment for the power.

3. An interval in the supply of power, the termination or restriction of the supply of power without agreement with the user and without its appropriate warning shall be allowed whenever it is necessary to take urgent measures of preventing or abolishing the accidents provided the latter immediately informs the user about this.

Article 547. Liability Under the Contract of Power Supply

1. In cases of default on the obligations or of improper execution of the obligations under the contract of power supply, the defaulting party shall be obliged to compensate the real damage caused by this (**Item 2 of Article 15**).

2. If a result of the regulation of the conditions of power consumption on the basis of the law or other legal acts an interval has been made in the supply of the user with power, the energy supplying

organisation shall bear liability for default on the contractual obligations or for their improper fulfilment in the presence of its fault.

Article 548. The Application of the Rules for Power Supply to Other Contracts

1. The rules envisaged by **Articles 539-547** of this Code shall be applicable to the relations connected with the supply of thermal power through the attached network, unless otherwise stipulated by the law or other legal acts.

2. The rules for the contract of power supply (**Article 539-547**) shall be applied to the relations involved in the supply of gas, oil and oil products, water and other goods, unless otherwise stipulated by the law, other legal acts or unless the contrary follows from the substance of the obligation concerned.

§ 7. The Sale of Real Estate

Article 549. The Contract of Sale of Real Estate

1. Under the contract of sale of real estate the seller shall undertake to transfer into the buyer's ownership a land plot, a building or structure, an apartment or other real estate (**Article 130**).

2. The rules, provided for by this paragraph, shall be applied to the sale of enterprises inasmuch as the contrary is stipulated by the rules for the contract of sale of the enterprise (**Articles 559-566**).

Article 550. The Form of the Contract of Sale of Real Estate

The contract of sale of real estate shall be concluded in writing by drawing up one document to be signed by the parties thereto (**Item 2 of Article 434**).

The non-observance of the form of a contract of sale of real estate shall invalidate it.

Article 551. State Registration of the Transfer the Title to Real Estate

1. The transfer of the title to real estate under the contract of sale of real estate to the buyer shall be subject to state registration.

2. Before the state registration of the transfer of the title to property the execution of the contract of sale of real estate by the parties shall not be a ground for the change of their relations with third parties.

3. When one party evades the state registration of the transfer of the title to real estate, the court shall have the right on the demand of the other party, and in cases provided for by the legislation of the Russian Federation on court enforcement action also on the demand of a bailiff take a decision on the state registration of the transfer of the right of ownership. The party which groundlessly evades the state registration of the transfer of the title to property shall be obliged to compensate the losses of the other party, caused by the delayed registration.

Article 552. The Rights to the Land Plot in Case of Sale of the Building, Structure or Other Immovables Located on It

1. Under the contract of sale of the building, structure or other real estate the buyer shall receive together with the transferred right to such real estate the right to the land plot occupied by the immovable property and required for its use.

2. In case where the seller is the owner of the land plot on which the sold real estate is to be found, the buyer shall receive the right of property to the land plot occupied by the immovable property and required for using it, except as otherwise envisaged by a law.

Paragraph 2 was **abrogated**.

3. The sale of real estate located on the land plot which does not belong to the seller by right of ownership shall be allowed without the consent of the owner of this land plot, unless this contradicts the terms of the use of such land plot, established by the law or the contract.

In case of sale of such real estate the buyer shall acquire the right to the use of the corresponding land plot on the same conditions as the seller of the real estate does.

Article 553. Abrogated.

Article 554. The Definition of the Subject-matter in the Contract of Sale of Real Estate

The contract of sale of real estate shall indicate the data that make it possible to ascertain real estate subject to the transfer to the buyer under the contract, including the data which determine the location of real estate on the corresponding land plot or within other real estate.

In the absence of these data in the contract the condition on the real estate subject to transfer shall be deemed not to be agreed upon by the parties thereto and the corresponding contract shall be deemed not to be concluded.

Article 555. Price in the Contract of Sale of Real Estate

1. The contract of sale of real estate provide for the price of this estate.

In the absence in the contract of the price clause, agreed upon by the parties thereto in written form, the contract of sale of real estate shall be deemed not to be concluded. In this case, the rules for fixing price, envisaged by **Item 3 of Article 424** of this Code shall not be applied.

2. Unless otherwise stipulated by the law or the contract of sale of real estate, the price fixed in it for the building, structure or other real estate to be found on the land plot shall include the price of the corresponding part of the land plot, transferred with this real estate or the right to it.

3. In cases where the price of real estate in the contract of sale of real estate is fixed per unit of its square or per other indicator of its size, the total price of such real estate subject to payment shall be estimated by proceeding from the actual size of the real estate transferred to the buyer.

Article 556. The Transfer of Real Estate

1. Real estate shall be transferred by the seller and accepted by the buyer on the basis of the deed of conveyance or other document on its transfer.

Unless otherwise stipulated by the law or the contract, the obligation of the seller to transfer real estate to the buyer shall be deemed to be executed after this real estate is handed in to the buyer and after the parties sign the respective document on the transfer.

The evasion by one of the parties from the signing of the document on the transfer of real estate on the terms and conditions of the contract shall be deemed to imply the refusal of the seller to discharge the duty of transferring real estate and that of the buyer to fulfil the duty of accepting such estate.

2. The acceptance by the buyer of real estate which does not comply with the terms and conditions of the contract of sale of real estate, including in case when such non-conformity is specified in the document on the transfer of real estate, shall not be a ground for the release of the seller from the liability for improper performance of the contract.

Article 557. The Consequences of the Transfer of Real Estate of Inadequate Quality

In case of the transfer by the seller to the buyer of real estate of inadequate quality, which does not comply with the terms and conditions of the contract of sale of real estate on its quality, the rules of **Article 475** of this Code shall be applied, exception being made for the provisions dealing with the right of the buyer to demand the substitution of goods conforming to the contract for goods of improper quality.

Article 558. Specific Aspects of the Sale of Living Accommodation

1. The list of the persons who retain the statutory right to use the living accommodation after it was acquired by the buyer with an indication of their right to use the dwelling being sold shall be a substantial condition of the contract of sale of a dwelling house or apartment, part of the dwelling house or the apartment.

~~**2. The contract of sale of a dwelling house or apartment, part of the dwelling house or the apartment shall be subject to state registration and shall be deemed to be concluded since the time of such registration.**~~

3. Invalid from April 29, 2018 - Federal Law No. 67-FZ of April 18, 2018

§ 8. The Sale of Enterprises

Article 559. The Contract of Sale of the Enterprise

1. Under the contract of sale of the enterprise the seller shall undertake to transfer into the buyer's ownership the enterprise as a whole as a property complex (**Article 132**) with the exception of the rights and duties which the seller has no right to hand over to other persons.

2. Exclusive rights to the means of individualization of an enterprise, of the products, works or services of the seller (commercial designation, trademark or servicing mark), as well as the rights to the use of such means of individualization, belonging to him on the basis of licence agreements, shall pass to the buyer, unless otherwise stipulated in the contract.

3. The rights of the seller, received by it on the basis of the permit (license) for the engagement in the respective activity, shall not belong to the transfer to the buyer, unless otherwise stipulated by the law or other legal acts. The transfer to the buyer of the enterprise's obligations which it is impossible to execute in the absence of such permit (license) for it shall not absolve the seller from the corresponding obligations to the creditors. For default on such obligations the seller and the buyer shall bear joint and several liability to the creditors.

Article 560. The Form and the State Registration of the Contract of Sale of the Enterprise

1. The contract of sale of the enterprise shall be concluded in writing by drawing up one document to be signed by the parties thereto (**Item 2 of Article 434**) with the obligatory addendum to it of the documents, referred to in **Item 2 of Article 561** of this Code.

2. The non-observance of the form of the contract of sale of the enterprise shall involve its invalidity.

~~**3. The contract of sale of the enterprise shall be subject to state registration and shall be deemed to be concluded since the time of such registration.**~~

Article 561. Certification of the Structure of the Enterprise to Be Sold

1. The structure and cost of the enterprise to be sold shall be determined by the contract of sale of the enterprise on the basis of its full inventory making, which is carried out in accordance with the rules of such inventorying.

2. Prior to the signing of a contract of sale of the enterprise, the parties thereto shall consider the inventorying certificate, the balance-sheet, the opinion of an independent auditor on the structure and cost of the enterprise, and also the list of all debts (liabilities), included in the structure of the enterprise with an indication of creditors and of the character, amount and terms of their claims.

The property, rights and duties, referred to in said documents, shall be subjects to the transfer by the seller to the buyer, unless the contrary follows from the rules of **Article 559** of this Code and unless established by the agreement of the parties.

Article 562. The Rights of Creditors in the Sale of the Enterprise

1. For liabilities, included in the composition of the enterprise to be sold, the creditors shall be notified before it is transferred to the buyer about its sale by one of the parties to the contract of sale of the enterprise.

2. The creditor who has not informed the seller or the buyer about his consent with the transfer of the debt shall have the right to demand, during three months since the day of the receipt of the notice about the sale of the enterprise, either the termination or the prior execution of the obligation and compensation by the seller of the losses caused by this, or the recognition of the contract of sale of the enterprise as invalid in full or in the respective part.

3. The creditor who has not been notified about the ale of the enterprise in the order, prescribed by Item 1 of this Article, may bring an action to satisfy the claims, provided for by Item 2 of this Article, during the year since the day when he learnt or should have learnt about the transfer of the enterprise by the seller to the buyer.

4. After the transfer of the enterprise to the buyer the seller and the buyer shall bear joint and several liability for the debts included in the composition of the transferred enterprise and converted to the buyer without the consent of the creditor.

Article 563. The Transfer of the Enterprise

1. The enterprise shall be transferred by the seller to the buyer under the deed of conveyance, which contains the data on the structure of the enterprise and on the notification of the creditors about the sale of the enterprise, and also information about the revealed shortcomings of the transferred property and the list of assets, the duty of whose transfer have not been discharged by the seller in view of their loss.

The preparation of the enterprise for conveyance, including the drawing up of a deed of conveyance and the presentation of this act for signing shall the duty of the seller and shall be effected at his expense, unless otherwise stipulated by the contract.

2. The enterprise shall be deemed to be transferred to the buyer since the day of signing the deed of conveyance by both parties.

Since this time the risk of accidental destruction or damage of property within the enterprise shall pass to the buyer.

Article 564. The Transfer of the Title to the Enterprise

1. The title to the enterprise shall pass to the buyer since the time of state registration of this title.

2. Unless otherwise stipulated by the contract of sale of the enterprise, the title to the enterprise shall pass to the buyer and shall be subject to state registration immediately after the conveyance of the enterprise to the buyer (**Article 563**).

3. In cases where the contract provides for the preservation of the seller's title to the enterprise, transferred to the buyer, until the payment for the enterprise or the onset of other circumstances, the buyer shall have the right to dispose, before the transfer of the title to it, of the assets and rights forming the composition of the transferred enterprise to the extent this is necessary for the purposes for which the enterprise has been acquired.

Article 565. The Consequences of the Transfer and Acceptance of the Enterprise with Shortcomings

1. Consequences of the transfer by the seller and of the acceptance by the buyer under the deed of conveyance of the enterprise whose structure does not conform, in particular, to the quality of the transferred assets, specified by the contract of sale of the enterprise, shall be determined on the basis of the rules in **Articles 460-462**, **466**, **469**, **475** and **479** of this Code, unless otherwise stipulated by the contract and Items 2-4 of this Article.

2. In case where the enterprise has been transferred and accepted under the deed of conveyance, which contains information about the disclosed shortcomings of the enterprise and the lost assets (**Item 1** of Article 563), the buyer shall have the right to demand a corresponding reduction of the purchase price of the enterprise, unless the right to make other claims in such cases is provided for by the contract of sale of the enterprise.

3. The buyer shall have the right to demand the reduction of the purchase price in case of the transfer of the debts (liabilities) of the seller within the composition of the enterprise, which have not been indicated in the contract of sale of the enterprise or in the deed of conveyance, unless the seller proves that the buyer has known about such debts (liabilities) during the conclusion of the contract and the transfer of the enterprise.

4. In case of receipt of the buyer's notice about the defects of the property transferred within the composition of the enterprise or in the absence in this composition of particular types of property subject to the transfer may replace without delay the property of improper quality or present to the buyer the missing property.

5. The buyer shall have the right to demand in due course of law the dissolution or change of the

contract of sale of the enterprise and the return of what has been executed under the contract, if it is found out that the enterprise because of its shortcomings, for which the seller is accountable, does not fit for the purposes named in the contract of sale, and these shortcomings have not been removed by the seller on the conditions and in the order and terms fixed in keeping with this Code, other laws, other legal acts or the contract or its is impossible to eliminate such shortcomings.

Article 566. The Application to the Contract of Sale of the Enterprise of the Rules for the Consequences of the Invalidation of Transactions and for the Change or Dissolution of the Contract

The rules of this Code for the consequences of the invalidation of transactions and for the change or the dissolution of the contract of sale, providing for the return or the recovery of the received in kind under the contract from one party or from both parties, shall be applied to the contract of sale of the enterprise, id such consequences do not violate the rights and law-protected interests of the creditors of the seller and the buyer and other persons and do not contradict public interests.

Chapter 31. Barter

Article 567. Barter Contract

1. Under the barter contract each party thereto shall undertake to transfer into the ownership of the other party one commodity in exchange for another commodity.

2. The rules for purchase and sale (**Chapter 30**) shall be applied to the barter contract, unless this contradicts the rules of this Chapter and the essence of barter. In this case each party shall be recognized respectively as the seller of goods which it undertakes to hand over and as the buyer of goods which it undertakes to accept in exchange.

Article 568. Prices and Expenses Under the Barter Contract

1. Unless the contrary follows from the barter contract, goods subject to exchange shall be assumed to be of equal value, while the expenses on their transfer and acceptance shall be incurred in each case by the party which bears the respective duties.

2. In case where in keeping with the barter contract the exchanged goods are recognized as those of equal value, the party which is duty-bound to hand over goods whose price is below the price of goods offered in exchange shall pay the difference in the prices immediately before or after the execution of its duty of transferring goods, unless a different procedure of payment is provided for by the contract.

Article 569. The Reciprocal Fulfilment of the Obligation of Turning Over Goods Under the Barter Contract

In case where in keeping with the barter contract the periods of the transfer of exchanged goods do not coincide, the rules for the reciprocal fulfilment of obligations (**Article 328**) shall be applied to the execution of the obligation of handing over goods by the party which should pass the goods after the transfer of the goods by the other party.

Article 570. The Transfer of the Title to Exchanged Goods

Unless the law or the barter contract provides otherwise, the title to exchanged goods shall pass to the parties acting under the barter contract as buyers simultaneously after the execution of the obligation of turning over goods by both parties.

Article 571. Liability for the Withdrawal of Goods Acquired Under the Barter Contract

The party from which the third party has withdrawn the goods acquired under the barter contract shall have the right, in the presence of the grounds, provided for by **Article 461** of this Code, to demand

that the other party should return goods received by the latter in exchange and/or in compensation for damages.

Chapter 32. Donation

Article 572. Donation Contract

1. Under the donation contract one party (donor) shall transfer or undertake to transfer free of charge to the other party (donee) a thing into ownership or property right (claim) to himself or to a third party and release or undertake to release this party from the property obligation to himself or to the third party.

In the presence of a reciprocal transfer of a thing or right or of a reciprocal obligation the contract shall not be recognized as donation. The rules provided for by **Item 2 of Article 170** of this Code shall be applied to such contract.

2. The promise of handing over any thing or property right free of charge or of releasing anybody from property obligation (promise of donation) shall be recognized as a donation contract and shall bind the person who has given the promise, if the latter was made in proper form (**Item 2 of Article 574**) and contains the clearly expressed intention to transfer in future to a specific person a thing or a right free of charge or to release him from property obligation.

The promise to donate all belongings or part of all these belongings without reference to a specific object of donation in the form of a thing, right or the release from obligation shall be null and void.

3. The contract stipulating the transfer of a gift to the donee after the death of the donor shall be null and void.

The rules of civil legislation on inheritance shall be applied to this kind of donation.

Article 573. The Donee's Refusal to Accept the Gift

1. The donee shall have the right to abandon the gift at any time before it is handed over to him. In this case, the donation contract shall be deemed to be dissolved.

2. If a donation contract has been concluded in writing, the rejection of the gift shall also be made in writing. In case where the donation contract has been registered (**Item 3 of Article 574**), the rejection of the gift shall also be subject to state registration.

3. If a donation contract has been concluded in writing, the donor shall have the right to demand that the donee should compensate for the real damage inflicted by the refusal to accept the gift.

Article 574. The Form of the Donation Contract

1. Donation, accompanied by the transfer of the gift to the donee, may be accomplished orally, except for the cases, provided for by Items 2 and 3 of this Article.

The gift shall be presented by handing order, symbolic transfer (delivery of keys, etc.) or delivery of law-making documents.

2. The contract of donation of movables shall be made in writing in cases when:

the donor is represented by a legal entity and the value of the gift exceeds three thousand roubles;

the contract contains the promise of donation in the future.

In cases provided for by this Item the donation contract made orally shall be null and void.

3. The donation contract of real estate, concluded between citizens, shall be subject to notarial certification.

Article 575. Ban of Donation

1. It shall be impermissible to donate gifts, except for common gifts, whose value does not exceed three thousand roubles:

1) on behalf of minors and legally unfit individuals and by their legal representatives;

2) to the workers of educational organisations, medical organisations, social-services organisations

and similar organisations, including organisations for orphan children and children without parental custody, by individuals who are treated, maintained or educated by them, and by spouses and relatives of these persons;

3) to the persons holding state offices of the Russian Federation, state offices of constituent entities of the Russian Federation, municipal offices, to state civil servants, municipal employees, employees of the Bank of Russia in connection with their official capacity or in connection with the discharge by them of their official duties;

4) in relations between profit-making organisations.

2. The ban on donating gifts to persons holding state offices of the Russian Federation, state offices of constituent entities of the Russian Federation or municipal offices, to municipal employees and to employees of the Bank of Russia, established by Item 1 of this article shall not extend to the cases when gifts are donated in connection with protocol events, business missions and other official activities. The gifts received by persons holding state offices of the Russian Federation, state offices of constituent entities of the Russian Federation or municipal offices, by municipal employees and by employees of the Bank of Russia whose value exceeds three thousand roubles shall be deemed accordingly federal property, property of a constituent entity of the Russian Federation or municipal property and shall be passed over by an employee to the body where the said person holds office, this to be legalised by a certificate.

Article 576. The Restriction of Donation

1. The legal entity owning a thing by right of economic or operative management shall have the right to donate it with the consent of the owner, unless otherwise stipulated by law. This restriction shall not extend to usual gifts of small value.

2. Property held in common joint ownership may be donated by agreement of all those who have a stake in joint ownership with the observance of the rules, specified by **Article 253** of this Code.

3. The donor's right to make claims to a third party shall be donated with the observance of the rules, stipulated by Articles **382-386**, **388** and **389** of this Code.

4. Donation by means of the execution of the donee's duty to a third party shall be effected with the observance of the rules, provided for by **Item 1 of Article 313** of this Code.

Donation by means of the transfer by the donor of the donee's debt to a third party shall be effected with the observance of the rules, specified by **Articles 391** and **392** of this Code.

5. A power of attorney for the execution of donation by the representative, in which a donee is not named and an object of donation is not indicated, shall be null and void.

Article 577. The Refusal to Execute the Donation Contract

1. The donor shall have the right to refuse to execute the contract containing the promise of handing over a thing or a right to the donee in the future or to release the donee from property obligation; if after the conclusion of the contract the property or family status or the state of health of the donor has changed so much that the execution of the contract will lead under new conditions to a substantial reduction of his standard of life.

2. The donor shall have the right to refuse to execute the contract containing the promise of giving a thing or a right to the donee in the future or to release the donee from property obligation on the grounds that entitle him to revoke donation (**Item 1 of Article 578**).

3. The refusal of the donor to execute the donation contract on the grounds, stipulated by Items 1 and 2 of this Article, shall not entitle the donee to claim damages.

Article 578. The Revocation of Donation

1. The donor shall have the right to revoke donation, if the donee has committed an attempt on his life, the life of any of his family members or close relatives or has committed deliberately a bodily injury to the donor.

In case of the intentional homicide of the donor by the donee the right to claim in court the

revocation of donation shall belong to the donor's heirs.

2. The donor shall have the right to demand judicially the revocation of donation, if the donee's treatment of the gift which has a great intangible value for the donor creates a threat of its irrevocable loss.

3. At the request of the interested person the court of law may revoke the donation of the individual businessman or the legal entity in violation of the provisions of the law on insolvency (bankruptcy) from the pecuniary means, associated with his business, during six months that preceded the declaration of this person as insolvent (bankrupt).

4. The donation contract may specify the donor's right to revoke donation, if he outlives the donee.

5. In case of revocation of donation the donee shall be obliged to return the gift, if the latter had been preserved in kind by the time of the revocation of donation.

Article 579. Cases in Which the Refusal to Execute the Donation Contract and the Revocation of Donation Are Impossible

The rules for the refusal to execute the donation contract (Article **577)** and for the revocation of donation (**Article 578**) shall not be applied to common gifts of small value.

Article 580. The Consequences of the Infliction of Damage Owing to the Defects of the Gift

The injury inflicted on the donee's life or health and property tort owing to the defects of the gift shall be subject to indemnity by the donor in keeping with the rules, provided for by **Chapter 59** of this Code, if it is proved that these defects had arisen before the transfer of the donated thing to the donee, that they do not relate to obvious shortcomings and the donor did not warn the donee about them, though he had known about them.

Article 581. Legal Succession in Case of a Promise of Donation

1. The rights of the donee to whom a gift has been promised under the donation contract shall not be passed to his heirs (successors), unless otherwise stipulated by the donation contract.

2. The duties of the donor who has promised donation shall pass to his heirs (successors), unless otherwise stipulated by the donation contract.

Article 582. Endowment

1. As an endowment shall be deemed gifting a thing or a right for generally useful purposes. Endowments may be made to citizens, medical and educational organisations, social service organisations and other similar organisations, charitable and scientific organisations, funds, museums and other institutions of culture, social and religious organisations, other nonprofit organisations in accordance with the law, and also to the state and other subjects of civil law cited in **Article 124** of this Code.

2. No permission or consent shall be required for the acceptance of an endowment.

3. The endowment of property to an individual shall be conditioned by the donor, while the endowment of property to a legal entity may be conditioned by him by the use of this property according to a definite purpose. In the absence of such condition the endowment of property to an individual shall be regarded as donation, while in other cases the endowed property shall be used by the donee in keeping with the designation of property.

The legal entity which accepts the endowment to be used for a definite purpose shall keep a separate record of all transactions involved in the use of the endowed property.

4. If the **law** has not established another procedure, in the cases when it is impossible to use the endowed property in accordance with the purpose indicated by the donor due to the changed circumstances, it may be used according to another purpose only with the consent of the donor, while in cases of the death of the donor-individual or of the liquidation of the legal entity only with the consent of the donor and by a court decision.

5. The use of endowed property out of accordance with the purpose indicated by the donor or the change of this purpose with the contravention of the rules, provided for by Item 4 of this Article, shall

entitle the donor, his heirs or any other successor to demand the revocation of the endowment.

6. Articles 578 and 581 of this Code shall not be applied to endowment.

Chapter 33. Rent and Life Maintenance with Dependence

§ 1. General Provisions on Rent and Life Maintenance with Dependence

Article 583. The Rent Contract

1. Under the rent contract one party (rent recipient) shall transfer property to the other party (rent payer) into his ownership, whereas the rent payer shall undertake to pay periodically rent to the recipient in the form of a definite sum of money or to provide money on his maintenance in a different form in exchange for the received property.

2. Under the rent contract it is possible to provide for the duty of paying rent on a permanent basis (permanent rent) or for the entire period of life of the rent recipient (life annuity). Life annuity may be established on the terms of the life maintenance of an individual with dependence.

Article 584. The Form of the Rent Contract

The rent contract shall be subject to notarization~~, whereas the contract providing for the alienation of real estate on the disbursement of rent shall also be subject to state registration~~.

Article 585. Alienation of Property on Rent Disbursement

1. Property to be alienated on rent disbursement may be turned over by the rent recipient for the ownership of the rent payer for charge or free of charge.

2. In case where the rent contract provides for the transfer of property for charge, the rules for purchase and sale (Chapter 30) shall be applied to the relations of the parties involved in transfer and payment, and in case where such property is transferred free of charge, the rules for the donation contract (Chapter 32) shall be applied inasmuch as the rules of this Chapter stipulate otherwise and do not contradict the substance of the rent contract.

Article 586. Encumbrance of Real Estate with Rent

1. The rent shall encumber the land plot, enterprise, building, structure or any other real estate, transferred on its payments. In case of alienation of such property by the rent payer, his obligations under the rent contract shall pass on the acquirer of property.

2. The person who transferred real estate encumbered with rent for the ownership of another person shall bear together with him subsidiary liability (Article 399) on the demands of the rent recipient which have arisen in connection with the violation of the rent contract unless the present Code, other law or contract provide joint and several responsibility under this liability.

Article 587. Security for Rent Payment

1. In case of transfer of a land plot or any other immovable property on rent payment the rent recipient shall acquire the right of pledge to this property as security for the rent payer's obligation.

2. The clause establishing the duty of the rent payer to present security for the discharge of his obligations (Article 329) or to ensure the risk of liability in favour of the rent recipient for default on these obligations or for their improper discharge shall be the essential condition of the contract stipulating the transfer of a pecuniary sum or other movable assets.

3. In case of default by the rent payer on the obligations, provided for by Item 2 of this Article, and also in case of loss of security or the deterioration of its conditions due to the circumstances for which the

rent recipient is not answerable, the rent recipient shall have the right to dissolve the rent contract and claim damages caused by the dissolution of the contract.

Article 588. Liability for Delayed Rent Payment

For delayed rent payment the rent payer shall pay to the recipient interest, stipulated by **Article 395** of this Code, unless a different amount of interest is specified by the rent contract.

§ 2. Permanent Rent

Article 589. Permanent Rent Recipient

1. Only individuals, and also non-profit organisations may be the permanent rent recipient, unless this contradicts the law and if this corresponds to the aims of their activity.

2. The rights of the rent recipient may be transferred under the permanent rent contract to the persons, referred to in Item 1 of this Article, by means of assignment of a claim and descend by inheritance or by way of legal succession in case of the reorganisation of legal entities, unless otherwise stipulated by the law or the contract.

Article 590. The Form and Amount of Permanent Rent

1. Permanent rent shall be paid out in money terms in the amount fixed by the contract.

The permanent rent contract may provide for the payment of rent by presenting things, performing works or rendering services that correspond to the pecuniary sum of the rent in value terms.

2. The size of the paid out permanent rent, fixed in a permanent rent contract, as calculated for a month, shall be not less than the size of the per capita subsistence minimum, fixed in conformity with the **law** in the corresponding subject of the Russian Federation at the location of the property, which is the object of the permanent rent contract, and if in the corresponding subject of the Russian Federation this size is absent - not less than the size of the per capita subsistence level, fixed for the population in conformity with the law across the Russian Federation as a whole.

The size of the permanent rent, fixed in a permanent rent contract on the level of the per capita subsistence level, pointed out in the first paragraph of the present Item, shall be increased, taking into account the relevant size of the subsistence level per capita of the population.

Article 591. The Dates of Permanent Rent Payment

Unless otherwise stipulated by the permanent rent contract, permanent rent shall be paid out upon the end of each calendar quarter.

Article 592. The Payer's Right to Permanent Rent Redemption

1. The payer of permanent rent shall have the right to refuse to make the further disbursement of rent by means of its redemption.

2. Such refusal shall be valid, provided that it has been made by the rent payer in written form within three months before the cessation of the payment of rent or for longer periods fixed by the permanent rent contract. In this case, the obligation of rent payment shall not terminate until the receipt of the entire sum of redemption by the rent recipient, unless a different redemption procedure is stipulated by the contract.

3. The condition of the permanent rent contract concerning the rent payer's refusal to use the right of redemption shall be null and void.

The contract may stipulate that the right to the permanent rent redemption may not be exercised during the lifetime of the rent recipient or during different periods that do not exceed 30 years since the conclusion of the contract.

Article 593. The Redemption of Permanent Rent on the Demand of the Rent Recipient

The permanent rent recipient shall have the right to demand the redemption of rent by the payer in the cases when:

the rent payer has delayed its payment for more than one year, unless otherwise stipulated by the permanent rent contract;

the rent payer has breaches his obligations of security rent payment (**Article 587**);

the rent payer has been recognized as insolvent or other circumstances have appeared to testify patently to the fact that rent will not be paid out by him in the amount and in the period of time fixed by the contract;

real estate, transferred against the rent payment, has replenished common property or has been divided among several persons;

in other cases specified by the contract.

Article 594. Redemption Price of Permanent Rent

1. Redemption of permanent price in cases, provided for by Articles **592** and **593** of this Code, shall be effected at the price fixed by the permanent rent contract.

2. In the absence of a clause on redemption price in the permanent rent contract, under which property has been transferred for charge on payment of permanent rent, redemption shall be made at the price that corresponds to the annual sum of rent subject to payment.

3. In the absence of a clause on redemption price in the permanent rent contract, under which property has been transferred for rent payment free of charge, redemption price shall include in addition to the annual sum of rental payments the price of the transferred property to be determined according to the rules, provided for by **Item 3 of Article 424** of this Code.

Article 595. Risk of Accidental Destruction of Property Transferred on Payment of Permanent Rent

1. The risk of accidental destruction or accidental damage of the property, transferred free of charge on payment of permanent rent, shall be borne by the rent payer.

2. In case of accidental destruction or accidental damage of the property, transferred for charge on payment of permanent rent, the payer shall have the right to demand accordingly the cessation of the obligation of rent payment or the charge of the conditions of its payment.

§ 3. Life Annuity

Article 596. Life Annuity Recipient

1. Life annuity may be established for the period of life of the individual who conveys property on rent payment or for the period of life of another individual indicated by the former individual.

2. It shall be permissible to introduce life annuity in favour of some individuals whose shares in the right to receive rent are regarded as equal, unless otherwise stipulated by the life annuity contract.

In case of death of one of the rent recipients his share in the right to rent shall pass to the rent recipients who outlived him, unless the life annuity contract provides otherwise, and in case of death of the last recipient the rent payment obligation shall cease.

3. The contract establishing a life annuity in favour of the individual who had died by the time of concluding the contract shall be null and void.

Article 597. The Amount of Life Annuity

1. Life annuity shall be defined by the contract as a sum of money periodically paid out to the rent recipient during his life.

2. The size of the life rent, fixed in a life rent contract, envisaging a free of charge alienation of the

property, shall not be less as calculated for a month than the size of the subsistence minimum per capita of the population, fixed in conformity with the **law** in the corresponding subject of the Russian Federation at the location of the property, which is the object of the life rent contract, and if in the corresponding subject of the Russian Federation this size is absent - shall not be less than the size of the per capita subsistence minimum across the Russian Federation as a whole.

The size of the life rent, fixed in a life rent contract on the level of the size of the subsistence minimum per capita of the population, pointed out in the first paragraph of the present Item, shall be increased taking into account the growth of the relevant size of the subsistence level per capita of the population.

Article 598. Dates of Payment of Life Annuity

Unless otherwise stipulated by the life annuity contract, life annuity shall be paid out at the end of each calendar month.

Article 599. The Cancellation of the Life Annuity Contract on the Demand of the Rent Recipient

1. In case of essential violation of the life annuity contract by the rent payer, the rent recipient shall have the right to demand that the rent payer redeem rent on the terms, provided for by **Article 594** of this Code, or cancel the contract and claim for compensation.

2. If an apartment, dwelling house or any other property has been alienated free of charge on payment of life annuity, the rent recipient shall have the right to demand this property in case of the substantial violation of the contract by the rent payer with the offset against its value on account of the redemption price of rent.

Article 600. Risk of Accidental Destruction of Property Transferred in Payment for Life Annuity

The accidental destruction or the accidental damage of the property transferred in payment for life annuity shall not absolve the rent payer from the obligation to pay it on the terms, provided for by the life annuity contract.

§ 4. Life Maintenance with Dependency

Article 601. The Contract of Life Maintenance with Dependency

1. Under the contract of life maintenance with dependency the rent recipient-individual shall transfer the dwelling house, apartment or land plot he owns or any other real estate into the ownership of the rent payer, who undertakes to carry on life maintenance with the dependency of the individual and/or a third party (parties) indicated by him.

2. The rules for life maintenance shall be applicable to the contract of life maintenance with dependency, unless otherwise stipulated by the rules of this paragraph.

Article 602. The Duty of Providing Maintenance with Dependency

1. The duty by the rent payer to provide the maintenance with dependency may include the satisfaction of needs in a dwelling, food and clothing, and if this is required by the individual's state of health, also the care of him. The contract of life maintenance with dependency may also provide for the payment of funeral services.

2. The contract of life maintenance with dependency shall estimate the value of the entire scope of maintenance with dependency. In this case, the value of the whole scope of monthly maintenance under a life maintenance contract with dependence, envisaging the alienation of the property free of charge, cannot be less than two sizes of the subsistence minimum per capita of the population in the corresponding subject of the Russian Federation at the location of the property, which is the object of a life maintenance contract with dependence, and if the said size is absent in the corresponding subject of the Russian Federation - at

least two sizes of the subsistence minimum, established by the law, per capita of the population across the Russian Federation as a whole.

3. In settling the dispute between the parties over the scope of maintenance to be provided to an individual the court of law shall be guided by the principles of integrity and reasonableness.

Article 603. Replacement of Life Maintenance by Periodical Payments

The contract of life maintenance with dependency may provide for possible replacement of the provision of maintenance with dependency in kind with periodical monetary payments during the life of the individual.

Article 604. Alienation and Use of Property Transferred for Life Maintenance

The rent payer shall have the right to alienate, put in pledge or in any other way encumber real estate, transferred to him as security of life maintenance, only with the preliminary consent of the rent recipient.

The rent payer shall be obliged to take necessary measures so that the use of said property during the period of the provision of life maintenance with dependency should not reduce the value of this property.

Article 605. The Termination of Life Maintenance with Dependency

1. The obligation of life maintenance with dependency shall cease with the death of the rent recipient.

2. In case of substantial breach by the rent payer of his obligations the rent recipient shall have the right to demand the return of real estate, transferred as security of life maintenance or the disbursement of redemption price on the terms, prescribed by **Article 594** of this Code. In this case, the rent payer shall not have the right to claim the compensation for the expenses incurred in connection with the maintenance of the rent recipient.

Chapter 34. Lease

§ 1. General Provisions on Lease

Article 606. Lease Agreement

Under the lease agreement (contract for lease of property) the lessor shall undertake to furnish to the leaseholder (hirer) property for charge in temporary possession and use or in temporary use.

Fruit, produce and income received by the leaseholder as a result of leased property in keeping with the agreement shall be his property.

Article 607. Objects of Lease

1. Land plots and other separate natural objects, enterprises and other property complexes, buildings, structures, equipment, transport vehicles and other things, which do not forfeit their natural properties in the process of their use (non-consumed things) may be let on lease.

The law may institute types of property which cannot be let on lease or can be leased with restriction.

2. The law may establish specific aspects of the lease of land plots and other separate natural objects.

3. The lease agreement shall indicate data that make it possible to ascertain definitely property subject to the transfer to the leaseholder as an object of lease. In the absence of these data in the agreement the clause on the object subject to lease shall be deemed to not agreed upon by the parties, and the appropriate agreement shall not be regarded as concluded.

Article 608. Lessor

The right of leasing property shall belong to its owner. Lessors may also be represented by the persons who are authorized by law or by the owner to let property on lease.

Article 609. The Form and State Registration of the Lease Agreement

1. The lease agreement for a term of over one year shall be concluded in writing, and if at least one of the party is represented by a legal entity the lease agreement shall be concluded in writing, regardless of its term.

2. The agreement for lease of real estate shall be subject to state registration, unless otherwise stipulated by law.

3. The agreement for lease of property that provides for the transfer of the title to this property to the leaseholder (**Article 624**) shall be concluded in the form stipulated for the contract of sale of such property.

Article 610. The Validity Term of the Lease Agreement

1. The lease agreement shall be concluded for a term to be defined by the agreement.

2. If the period of lease is not defined by the agreement, the lease agreement shall be deemed to be concluded for an indefinite period.

In this case, each party shall have the right to recede at any time from the agreement by warning the other party one month before schedule and in case of real estate lease - three months before schedule. The law may fix a different period for warning that the lease agreement, concluded for an indefinite term, ceases to be valid.

3. The law may provide for a maximum period (deadline) of the agreement for particular types of lease, and also for the lease of particular types of property. In these cases, if the term of the lease is not fixed by the agreement and neither party has receded from it before the expiry of the maximum period, fixed by the law, the agreement shall cease to operate upon the expiry of the deadline.

The lease agreement concluded for a term exceeding the statutory maximum period shall be deemed to be concluded for a term equal to the time-limit.

Article 611. The Supply of Property to the Leaseholder

1. The lessor shall be obliged to supply property to the leaseholder in the state meeting the terms and conditions of the lease agreement and the purpose of property.

2. Property shall be let on lease together with all its accessories and related documents (technical certificate, quality certificate, etc.), unless otherwise stipulated by the agreement.

If such accessories and documents have not been handed over, the leaseholder may not use property in accordance with its designation or is largely deprived of those assets on which he had the right to count when he concluded the agreement and he may claim for the supply of such accessories and documents by the lessor or for the cancellation of the agreement, and also for compensation of losses.

3. If the lessor has failed to furnish to the leaseholder the leased property within the period fixed in the agreement or within the reasonable period when the agreement does not indicate such period, the leaseholder shall have the right to reclaim this property from him in keeping with **Article 398** of this Code and claim damages caused by delayed execution or to demand the dissolution of the agreement and to claim damages caused by its non-execution.

Article 612. The Liability of the Lessor for Defects of the Leased Property

1. The lessor shall be answerable for the defects of leased property which prevent in full or in part to its use, if even during the conclusion of the contract he did not know about these defects.

In case of discovery of such defects the leaseholder shall have the right at his option:

the demand that the lessor should either remove free of charge the defects of property or reduce proportionately the rental payment, or indemnify his expenses on the removal of the defects of property;

to deduct directly the sum of the expenses incurred in the removal of these defects from the rental payment by notifying the lessor about this in advance;

to demand the anticipatory dissolution of the contract.

The lessor, who is notified about the leaseholder's claims or about his intention to eliminate the defects of property at the expense of the lessor, may replace without delay the property granted to the leaseholder by other similar property in a proper state or remove its defects free of charge.

If the satisfaction of the leaseholder's claims or the deduction by him of the expenses on the removal of the defects from the rental payment does not cover the losses caused to the leaseholder, he shall have the right to demand the reparation of the uncovered part of the losses.

2. The lessor shall not be liable for the defects of the leased property which have been specified by him during the conclusion of the lease agreement or had been known to the leaseholder beforehand or should have been discovered by the leaseholder during the inspection of the property or the verification of its good condition during the conclusion of the agreement or the granting of property on lease.

Article 613. The Rights of Third Parties to the Leased Property

The lease of property shall not be a ground for the termination or charge of the rights of third parties to this property.

During the conclusion of a lease agreement the lessor shall be obliged to warn the leaseholder about all the rights of third parties to the leased property (servitude, right of pledge, etc.). Default by the lessor on this duty shall entitle the leaseholder to demand a reduction in the rental payment or to dissolve the agreement and compensate for the losses.

Article 614. Rental Payment

1. The leaseholder shall be obliged to make a charge for the use of property (rental payment) in due time.

Procedure, conditions and terms of making the rental payment shall be determined by the lease agreement. In case where the agreement does not determine the procedure, conditions and terms of making the rental payment, it shall be held that the procedure, conditions and terms are usually applied in the lease of similar property under comparable circumstances.

2. The rental payment shall be introduced for the leased property as a while or for each component in the form:

1) the fixed sum of payments made periodically or in a lump;

2) the established share of products, fruits or incomes obtained as a result of the use of leased property;

3) definite services rendered by the leaseholder;

4) the transfer by the leaseholder to the lessor of the thing specified by the contract for ownership or lease;

5) the payment by the leaseholder of the costs stipulated by the agreement for the improvement of leased property.

In the lease agreement the parties thereto may provide for the combination of said forms of the rental payment or for other forms of lease payment.

3. Unless otherwise stipulated by the agreement, the amount of the rental payment may be changed by agreement of the parties in the periods, provided for by the agreement, but at least once in a year. The law may envisage other minimum terms of the review of the amount of the rental payment for particular types of lease, and also for the lease of particular types of property.

4. Unless the law provides for otherwise, the leaseholder shall have the right to demand a corresponding reduction of the rental payment, if in view of the circumstances for which he is not answerable, the conditions of the use, specified by the lease agreement, or the state of property have deteriorated substantially.

5. Unless otherwise stipulated by the lease agreement, in case the leaseholder has substantially

violated the terms of making the rental payment, the lessor shall have the right to demand that he should make the rental payment short of the term in the period fixed by the lessor. In this case. the lessor shall not have the right to demand an anticipatory payment of the rental for more than two terms in succession.

Article 615. The Use of Leased Property

1. The leaseholder shall be obliged to make use of leased property in accordance with the terms and conditions of the lease agreement, and if such terms and conditions in the agreement have not been defined, in accordance with the purpose of property.

2. The leaseholder shall have the right to let the leased property in sub-tenancy with the consent of the lessor and to transfer his rights and duties under the lease agreement to another person (transfer of lease), to place the leased property in gratuitous use, and also to put the leasehold interests in pledge and to introduce them as a contribution to the authorised capital of economic partnerships and societies or as a share to the producer cooperative, unless otherwise stipulated by this Code, other law or other legal acts. In said cases, with the exception of the transfer of lease, the leaseholder shall remain to be liable under the agreement to the lessor.

A sublease contract may not be concluded for the term exceeding the term of the lease agreement.

The rules for lease agreements shall be applied to the sublease contracts, unless otherwise stipulated by the law or other legal acts.

3. If the leaseholder makes use of property out of accordance with the terms and conditions of the lease agreement and the purpose of property, the lessor shall have the right to demand the dissolution of the agreement and claim damages.

Article 616. The Duty of the Parties to Maintain Leased Property

1. The lessor shall be obliged to carry out the overhaul of leased property at his expense, unless otherwise stipulated by the law, other legal acts or the lease agreement.

An overhaul shall be carried out on time, fixed by the agreement, and if it is not provided for by the agreement or is caused by urgent necessity, it shall be carried out within the reasonable period.

The breach by the lessor of the duty of making an overhaul shall entitle the leaseholder to implement the following measures at his option:

to carry out the overhaul, specified by the agreement or caused by urgent necessity and to exact from the lessor the cost of the overhaul or to count towards the rental payment;

to demand a corresponding reduction of the rental payment;

to demand the dissolution of the agreement and to claim damages.

2. The leaseholder shall be obliged to maintain property in good condition, to carry out an overhaul at his own expense and incur expenses on the maintenance of property, unless otherwise stipulated by the law or the lease agreement.

Article 617. The Preservation of the Lease Agreement in Force in Case of the Change of the Parties Thereto

1. The transfer of the right of ownership (economic management, operative management, life inheritable possession) of leased property to another person shall not be a ground for the alteration or dissolution of the lease agreement.

2. In case of death of the individual who leases real estate, his rights and duties shall pass to the heir under the lease agreement, unless otherwise stipulated by the law or the agreement.

The lessor shall have no right to refuse such heir to enter in the agreement for the remaining term of its validity, except for the case when its conclusion was conditioned by the leaseholder's personal qualities.

Article 618. The Termination of the Sublease Contract in Case of the Anticipatory Cessation of the Lease Agreement

1. Unless otherwise stipulated by the lease agreement, the anticipatory cessation of the lease agreement shall involve the termination of the sublease contract concluded in accordance with the agreement. In this case the subleaseholder shall have the right to conclude a lease agreement on the property used by him in keeping with the sublease contract within the remaining period of sublease on the terms and conditions that correspond to those of the ceased lease agreement.

2. If the lease agreement is null and void on the grounds, provided for by this Code, the sublease contract concluded in conformity with it shall also be null and void.

Article 619. Early Rescission of the Lease Agreement on Demand of the Lessor

At the request of the lessor the lease agreement may be dissolved by a court of law short of the term in cases when the leaseholder:

1) makes use of property with the substantial violation of the terms and conditions of the agreement or of the purpose of property, or with repeated breaches;

2) substantially deteriorates property;

3) fails to make a rental payment for more than two times in succession upon the expiry of the payment date, fixed by the agreement;

4) fails to carry out an overhaul of property in the time-limits fixed by the lease agreement, and in the absence of them in the agreement within reasonable periods in cases where in conformity with the law, other legal acts or the agreement the overhaul is the duty of the leaseholder.

The lease agreement may provide for other grounds of the anticipatory dissolution of the agreement on the demand of the lessor in compliance with **Item 2 of Article 450** of this Code.

The lessor shall have the right to demand that the agreement be dissolved short of the term only after the sending to the leaseholder a written warning about the need to execute the obligation by him within the reasonable period of time.

Article 620. The Anticipatory Dissolution of the Lease Agreement on the Demand of the Leaseholder

At the request of the leaseholder the lease agreement may be dissolved short of the term by a court of law in cases when:

1) the lessor fails to grant property for use by the leaseholder or creates impediments to the use of property in keeping with the terms and conditions of the agreement or the purpose of property;

2) the property transferred to the leaseholder has the defects which prevent its use and which have not been specified by the lessor during the conclusion of the agreement, have not been known to the leaseholder in advance and should not have been discovered by the leaseholder during the inspection of the property or the verification of its serviceability at the time of the conclusion of the agreement;

3) the lessor does not carry out the duty of effecting major repairs of property within the time-limits fixed by the lease agreement and in their absence - within the reasonable period of time;

4) property proves to be in a faulty condition in view of the circumstances beyond the control of the leaseholder.

The lease agreement may also institute other grounds for the anticipatory dissolution of the agreement on the demand of the leaseholder in keeping with **Item 2 of Article 450** of this Code.

Article 621. The Leaseholder's Preferential Right to Conclude a Lease Agreement for a New Term

1. Unless otherwise stipulated by the law or the lease agreement, the leaseholder who discharged his duties properly shall have, with other things being equal, the right of preference to other persons to the conclusion of a lease agreement for a new term upon the expiry of the validity term of the agreement. The leaseholder shall be obliged to inform in writing the lessor about his desire to conclude such agreement, and if the agreement does not indicate such time - within the reasonable period before the expiry of the validity term of the agreement.

With the conclusion of a lease agreement for a new period the terms and conditions of the

agreement may be changed by agreement between the parties thereto.

If the lessor has denied the leaseholder the conclusion of an agreement for a new term, but has concluded the lease agreement with another person during one year since the day of the expiry of the validity term of the agreement, the leaseholder shall have the right at his option to demand in court the transfer of the rights and duties under the concluded agreement to himself and the reparation of the losses, caused by the refusal to resume the lease agreement with him, or the reparation of such losses alone.

2. If the leaseholder continues to make use of property after the expiry of the validity term of the agreement in the absence of objections on the part of the lessor, the agreement shall be deemed to be resumed on the same conditions for an indefinite period of time (**Article 610**).

Article 622. The Return of Leased Property to the Lessor

With the termination of the lease agreement the leaseholder shall be obliged to return to the lessor in the same condition in which he received it with an allowance for normal wear and tear or in the condition specified by the agreement.

If the leaseholder has failed to return leased property or returned it untimely, the lessor shall have the right to demand that the rental payment be made during all the time of its delay. In case of where the said payment does not cover the losses caused to the lessor, the leaseholder may claim damages.

In case where a penalty is provided for the untimely return of leased property, losses may be recovered in full measure over and above the penalty, unless otherwise stipulated by the agreement.

Article 623. Improvements of Leased Property

1. Separable improvements of leased property made by the leaseholder shall be his property, unless otherwise stipulated by the lease agreement.

2. In case where the leaseholder has made the improvements in leased property, which are not separable without detriment to this property, at the expense of his own pecuniary means and with the consent of the lessor, the leaseholder shall have the right to the replacement of the value of these improvements after the termination of the agreement, unless otherwise stipulated by the lease agreement.

3. The value of inseparable improvements of leased property made by the leaseholder without the lessor's consent shall be subject to reparation, unless otherwise stipulated by the law.

4. Improvements in leased property, both separable and unseparable, made at the expense of depreciation deductions from this property shall be the property of the leaseholder.

Article 624. Redemption of Leased Property

1. The law or the lease agreement may stipulate that leased property is to be passed into the hands of the leaseholder upon the expiry of the period of lease or before its expiry, provided that the leaseholder has paid the entire redemption price, specified by the agreement.

2. If the lease agreement does not provide for the clause on the redemption of leased property, it may be introduced by the additional agreement of the parties, which have the right to come to an agreement on the reckoning of the earlier paid rental in the redemption price.

3. The law may specify cases of banning the redemption of leased property.

Article 625. Specific Aspects of Particular Types of Lease and Lease of Particular Kinds of Property

Provisions stipulated by this paragraph shall be applicable to particular types of the lease agreement and the agreement of lease of particular kinds of property (hire, lease of transport vehicles, rent of buildings and structures, rent of enterprises, financial lease), unless otherwise stipulated by the rules of this Code on these agreements.

§ 2. Hire

Article 626. The Hire Contract

1. Under the hire contract the lessor who lets property on lease as permanent business shall undertake to grant to the leaseholder movable property for charge in temporary possession and use.

Property given under the hire contract shall be used for consumer purposes, unless otherwise stipulated by the contract or unless the contrary follows from the substance of the obligation.

2. The hire contract shall be concluded in writing.

3. The hire contract shall be a public agreement (**Article 426**).

Article 627. The Term of the Hire Contract

1. The hire contract shall be concluded for a term of one year.

2. The rules for the renewal of the lease agreement for an indefinite period and for the preferential right of the leaseholder to renew the lease agreement (**Article 621**) shall not be applicable to the hire contract.

3. The leaseholder shall have the right to abandon the hire contract at any time by warning the lessor in writing about his intention within ten days.

Article 628. The Granting of Property to the Leaseholder

The lessor who concludes the hire contract shall be obliged to verify the serviceability of leased property in the presence of the leaseholder, and also to acquaint the leaseholder with the rules of using property or to issue to him written instructions on the use of this property.

Article 629. Removal of Defects of Leased Property

1. In case of discovery by the leaseholder of defects in leased property that wholly or partially prevent its use, the lessor shall be obliged, within 10 days since the day of the leaseholder's statement on defects, unless the hire contract provides for a shorter period, to remove free of charge the defects of property on the spot or to replace this property for other similar property held in proper condition.

2. If the defects of leased property have resulted from the breach by the leaseholder of the rules of the operation and maintenance of property, the leaseholder shall pay to the lessor the cost of repairs and transportation of property.

Article 630. Rental Payment Under the Hire Contract

1. A rental payment under the hire contract shall be fixed in definite payments made periodically or in the lump.

2. If the leaseholder returns property short of the term, the lessor shall return to him the corresponding part of the received rental payment, reckoning it since the day succeeding the day of the actual return of property.

3. Recovery of rental payment arrears from the leaseholder shall be effected in the extra-judicial order on the basis of the notary's endorsement of execution.

Article 631. The Use of Leased Property

1. Major and current repairs of property leased under the hire contract shall be the duty of the lessor.

2. The sub-lease of the property granted to the leaseholder under the hire contract, the transfer by him of his rights and duties under the hire contract to another person, the provision of this property for gratuitous use, the pledge of lease rights and their contribution as a property share to economic partnerships and companies or as a share to producer cooperatives shall not be allowed.

§ 3. Lease of Transport Vehicles

1. Lease of a Transport Vehicle with the Provision of Services for Driving and Technical Operation

Article 632. The Agreement of Lease of a Transport Vehicle with Its Crew

Under the agreement of lease (chartering for a time) of a transport vehicle with its crew the lessor shall grant to the leaseholder a transport vehicle for charge in temporary possession and use and shall render the services for driving it and technical operation.

The rules for the renewal of the lease agreement for an indefinite period and for the preferential right of the leaseholder to the conclusion of a lease agreement for a new period (**Article 621**) shall not be applicable to the lease agreement of a transport vehicle with its crew.

Article 633. The Form of the Agreement of Lease of a Transport Vehicle with Its Crew

The agreement of lease of a transport vehicle with its crew shall be concluded in writing, regardless of its validity term. The rules for the registration of lease agreements, provided for by **Item 2 of Article 609** of this Code, shall not be applicable to such agreement.

Article 634. The Duty of the Lessor to Maintain a Transport Vehicle

During the entire validity term of the agreement of lease of a transport vehicle with its crew the lessor shall be obliged to maintain the proper condition of the leased transport vehicle, including minor and major repairs and the provision of requisite accessories.

Article 635. The Duty of the Lessor to Drive and Operate a Transport Vehicle

1. The services of driving and operating a transport vehicle granted by the lessor to the leaseholder shall provide for its normal and safe operation in keeping with the purposes of lease specified in the agreement. The agreement of lease of a transport vehicle with its crew may envisage a wider range of services offered to the leaseholder.

2. The crew of a transport vehicle and the skill of its members shall comply with the rules obligatory for the parties, the terms and conditions of the agreement, and if such requirements have not been established by those mandatory rules, the crew and the skill of its members shall comply with the requirements of the usual practice of the operation of the transport vehicle of this type and with the terms and conditions of the agreement.

The crew members shall be the workers of the lessor. They shall be subordinate to the lessor's orders dealing with driving and technical operation and to the leaseholder's order dealing with the commercial exploitation of the transport vehicle.

Unless the lease agreement provides otherwise, the expenses on the payment for the services of the crew members, and also the expenses incurred in their maintenance shall be borne by the lessor.

Article 636. The Duty of the Leaseholder to Pay Expenses Incurred in the Commercial Exploitation of a Transport Vehicle

Unless otherwise stipulated by the agreement of lease of a transport vehicle with its crew, the leaseholder shall bear the expenses incurred in the commercial exploitation of a transport vehicle, including the expenses on the payment for fuel and other materials spent during this exploitation and on the payment of fees.

Article 637. Insurance of a Transport Vehicle

Unless otherwise stipulated by the agreement of lease of a transport vehicle with its crew, the duty of insuring the transport vehicle and/or insuring the liability for the damage which can be caused by it or in connection with its operation shall be vested with the leaseholder in those cases where such insurance is

obligatory by virtue of the law or the agreement.

Article 638. Agreements with Third Parties on the Use of a Transport Vehicle

1. Unless otherwise stipulated by the agreement of lease of a transport vehicle with its crew, the leaseholder shall be obliged to sublease the transport vehicle without the lessor's consent.

2. Within the framework of the commercial exploitation of a leased transport vehicle the leaseholder shall have the right to conclude on his own behalf contracts of carriage and other contracts with third parties without the lessor's consent, unless these contracts contradict the purposes of the use of the transport vehicle, indicated in the lease agreement, and if such purposes have not been set, unless these contracts contradict the designation of the transport vehicle.

Article 639. Liability for the Harm Caused to a Transport Vehicle

In case of the destruction of or damage to the leased transport vehicle the leaseholder shall be obliged to compensate to the lessor for the losses caused, if the latter proves that the destruction of or the damage to the transport vehicle have taken place due to the circumstances for which the leaseholder is answerable in keeping with the law or the lease agreement.

Article 640. Liability for the Harm Caused by a Transport Vehicle

The liability for the harm, caused to third parties by the leased transport vehicle, its mechanisms, devices, equipment, shall be borne by the leaseholder in keeping with the rules, envisaged by **Chapter 59** of this Code. He shall have the right to have recourse against the leaseholder concerning the reimbursement of the sums of money paid to third parties, if he proves that the harm has been caused through the fault of the leaseholder.

Article 641. Specific Aspects of Transport Vehicles of Particular Types

The transport charters and codes may provide for the lease of transport vehicles of particular types and the provision of driving and technical operation services with their specific aspects other than those specified by this paragraph.

2. The Lease of a Transport Vehicle Without Driving and Technical Operation Services

Article 642. The Agreement of Lease of a Transport Vehicle without a Crew

Under the agreement of lease of a transport vehicle without a crew the lessor shall give to the leaseholder the transport vehicle for charge in his temporary possession and use without rendering the driving and technical operation services.

The rules for the renewal of the lease agreement for an indefinite period and for the preferential right of the leaseholder to conclude the lease agreement for a new period (**Article 621**) shall not be applicable to the agreement of lease of a transport vehicle without a crew.

Article 643. The Form of the Agreement of Lease of a Transport Vehicle Without a Crew

The agreement of lease of a transport vehicle without a crew shall be concluded in writing, regardless of its validity term. The rules for the registration of lease agreements, envisaged by **Item 2 of Article 609** of this Code, shall not be applied to such agreement.

Article 644. The Lessor's Duty of Maintaining a Transport Vehicle

During the entire validity term of the agreement of lease of a transport vehicle without a crew the leaseholder shall be obliged to support the proper condition of the leased transport vehicle, including to carry on minor and major repairs.

Article 645. The Leaseholder's Duty of Driving a Transport Vehicle and Operating It

The leaseholder shall drive the leased transport vehicle on his own and carry out its commercial exploitation and technical operation.

Article 646. The Leaseholder's Duty of Paying the Expenses Incurred in the Maintenance of a Transport Vehicle

Unless otherwise stipulated by the agreement of lease of a transport vehicle without a crew, the leaseholder shall bear expenses on the maintenance of the leased transport vehicle and its insurance, including the insurance of his liability, and also expenses arising from its operation.

Article 647. Contracts with Third Parties on the Use of a Transport Vehicle

1. Unless otherwise stipulated by the agreement of lease of a transport vehicle without a crew, the leaseholder shall have the right to sublease the leased transport vehicle without the lessor's consent on the terms and conditions of the agreement of lease of the transport vehicle with the crew or without it.

2. The leaseholder shall have the right, on his behalf and without the lessor's consent, to conclude contracts of carriage and other contracts with third parties, unless these contracts contradict the purposes of the use of the transport vehicle, indicated in the lease agreement, and if such purposes have not been set, unless these contracts contradict the designation of the transport vehicle.

Article 648. Liability for the Harm Inflicted by a Transport Vehicle

The liability for the harm caused to third parties by a transport vehicle, its mechanisms, devices and equipment shall be borne by the leaseholder in keeping with the rules of **Chapter 59** of this Code.

Article 649. Specific Aspects of the Lease of Transport Vehicles of Particular Types

The transport charters and codes may provide for the lease of transport vehicles of particular types without the provision of driving and technical operation services with their specific aspects other than those specified by this paragraph.

§ 4. The Lease of Buildings and Structures

Article 650. The Contract of Lease of a Building or Structure

1. Under the contract of lease of a building or structure the lessor shall undertake to transfer to the leaseholder a building or a structure in temporary possession or use in temporary use.

2. The rules of this paragraph shall be applied to the lease of enterprises, unless otherwise stipulated by the rules of this Code for the lease of enterprises.

Article 651. The Form and State Registration of the Contract of Lease of a Building or Structure

1. A contract of lease of a building or structure shall be concluded in writing by drawing up one document to be signed by the parties thereto (**Item 2 of Article 434**).

Non-observance of the form of the contract of lease of a building or structure shall invalidate it.

2. The contract of lease of a building or structure, concluded for a term of not less than a year, shall be subject to state registration and shall be deemed to be concluded since the time of such registration.

Article 652. The Rights to the Land Plot with the Leased Building or Structure

1. Under the contract of lease of a building or structure the leaseholder shall receive together with the rights of possession and use of such tenement the right to the land plot occupied by the immovable property and required for its use.

2. In cases where the lessor is the owner of the land plot with the leased building or structure situated on it the leaseholder shall receive the right of lease of the land plot or other right envisaged by

contract of lease of building or structure to the appropriate land plot.

If the contract does not specify the right to the corresponding land plot to be transferred to the leaseholder, he shall receive for the term of the lease of the building or structure the right of use of the land plot occupied by the building or the structure and required for its use in accordance with its purpose.

3. The lease of the building or structure situated on the land plot that does not belong to the lessor by right of ownership shall be allowed without the consent of the owner of this plot, unless this runs counter to the terms of the use of such plot, established by the law or the contract concluded with the owner of the land plot.

Article 653. The Preservation by the Tenant of the Building or Structure of the Use of the Land Plot in Case of Its Sale

In cases where the land plot with the leased building or structure situated on it is sold to another person, the leaseholder of this building or structure shall retain the right of use of the land plot occupied by the building or structure and required for its use, on the terms that were in effect before the sale of the land plot.

Article 654. The Amount of the Rental Payment

1. The contract of lease of a building or structure shall provide for the amount of the rental payment. In the absence of the proviso on the amount of the rental payment, agreed upon by the parties thereto in writing, the contract of lease of a building or structure shall be deemed to be non-concluded. In this case the rules for determining the price, stipulated by **Item 3 of Article 424** of this Code, shall not be applied.

2. The charge for the use of the building or structure, fixed in the contract of lease of the building or structure, shall include the charge for the use of the land plot on which it is situated or for the corresponding part of the land plot transferred together with the building or structure, unless otherwise stipulated by the law or the contract.

3. In cases where the charge for the lease of the building or structure is fixed in the contract per unit of the square of the building (structure) or another index of its size, the rental payment shall be determined on the basis of the actual size of the building or structure transferred to the leaseholder.

Article 655. The Transfer of the Building or Structure

1. The building or structure shall be transferred by the lessor and accepted by the leaseholder on the strength of the deed of conveyance or another document to be signed by the parties.

Unless otherwise stipulated by the law or the contract of lease of a building or structure, the obligation of the lessor to transfer the building or structure shall be deemed to be executed after it is given to the leaseholder in possession or use and after the parties have signed the respective document.

The evasion by one of the parties from signing the document on the transfer of the building or structure on the conditions stipulated by the contract shall be regarded as a refusal of the lessor from the discharge of the obligation of transferring the property, and of the leaseholder from the acceptance of this property.

2. With the termination of the contract of lease of a building or structure the leased building or structure shall be returned to the lessor with the observance of the rules, provided for by Item 1 of this Article.

§ 5. The Lease of Enterprises

Article 656. The Contract of Lease of the Enterprise

1. Under the contract of lease of the enterprise as a property complex to be used for business the

lessor shall undertake to grant to the leaseholder for charge in temporary possession and use land plots, buildings, structures, equipment and other fixed assets included in the enterprise, to transfer in the order, on the terms and within the limits of the contract the stocks of raw materials, fuel, auxiliary materials and other current assets, the rights of using land, water bodies and other natural resources, buildings, structures and equipment, other property rights of the lessor related to the enterprise, the rights to the signs which individualize the performance of the enterprise, and other exclusive rights, and also to cede to him the rights of claims and to transfer to him the debts of the enterprise. The transfer of the rights of possession and use of the assets held in the ownership of other persons, including land and other natural resources, shall be effected in the order, provided for by the law and other legal acts.

2. The rights of the lessor, received by him on the basis of the permit (license) for the engagement in the respective activity, shall not be transferred to the leaseholder, unless otherwise stipulated by the law or other legal acts. The inclusion in the composition of the enterprise to be transferred under the contract of the obligations which the leaseholder is unable to execute in the absence of such permit (license) shall not release the lessor from the corresponding obligations to creditors.

Article 657. The Rights of Creditors in Case of the Lease of an Enterprise

1. Under the obligations included in the composition of the enterprise the creditors shall be notified in writing by the lessor about the lease of the enterprise before it is transferred to the leaseholder.

2. The creditor who has failed to inform the lessor in writing about his consent to transfer the debt shall have the right to demand the termination or the anticipatory execution of the obligation and the compensation for the losses caused by this during three months since the day of receipt of the notice of the lease of the enterprise.

3. The creditor who has not been notified about the lease of the enterprise in the procedure, envisaged by Item 1 of this Article, may bring an action about the satisfaction of the claims, stipulated by Item 2 of this Article, during one year since the day when he has known or should have known about the lease of the enterprise.

4. After the lease of the enterprise the lessor and the leaseholder shall bear joint and several liability for the debts, which have been included in the leased enterprise and which have been transferred to the leaseholder without the creditor's consent.

Article 658. The Form and State Registration of the Contract of Lease of an Enterprise

1. The contract of lease of an enterprise shall be concluded in writing by drawing up one document to be signed by the parties thereto (**Item 2 of Article 434**).

2. The contract of lease of an enterprise shall be subject to state registration and shall be deemed to be concluded since the time of such registration.

3. Non-observance of the form of the contract of lease of an enterprise shall invalidate it.

Article 659. The Transfer of the Leased Enterprise

The enterprise shall be transferred to the leaseholder under the deed of conveyance.

It shall be the duty of the lessor to prepare the enterprise for its transfer, to draw up and submit the deed of conveyance for signing. These operations shall be carried out at his expense, unless otherwise stipulated by the contract of lease of the enterprise.

Article 660. The Use of the Property of the Leased Enterprise

Unless otherwise stipulated by the contract of lease of an enterprise, the leaseholder shall have the right, without the lessor's consent, to sell, exchange, grant for temporary use or lend out material values that form part of the property of the leased enterprise, to sublease them and to transfer his rights and duties under the contract of lease in respect of such values to another person, provided that his does not involve the reduction of the cost of the enterprise and does not violate other provisions of the contract of the lease of the enterprise. The said procedure shall not be applied to land and other natural resources, and also in

other cases envisaged by the law.

Unless otherwise stipulated by the contract of lease of the enterprise, the leaseholder shall have the right, without the lessor's consent, to introduce changes to the composition of the leased property complex, to carry out its reconstruction, expansion, and technical re-equipment that increases its cost.

Article 661. The Leaseholder's Duties of Maintaining the Enterprise and Disbursing Expenses on Its Operation

1. During the entire validity term of the contract of lease of the enterprise the leaseholder shall be obliged to maintain the enterprise in proper technical condition, and also to carry out its current and major repairs.

2. The leaseholder shall bear the expenses incurred in the operation of the leased enterprise, unless otherwise stipulated by the contract, and also in the payment for the insurance of the leased property.

Article 662. The Introduction of Improvements to the Leased Enterprise by the Leaseholder

The leaseholder of an enterprise shall have the right to the compensation to him of the cost of inseparable improvements in the leased property, regardless of the permission of the lessor for such improvements, unless otherwise stipulated by the contract of lease of the enterprise.

The lessor may be dispensed by the court from the duty of compensating to the leaseholder the cost of such improvements, if he proves that the leaseholder's outlays on these improvements increase the cost of the leased property in disproportion to the improvement of its quality and/or operation properties or in case of such improvements the principles of conscientiousness and reasonableness have been breached.

Article 663. The Application of the Rules for the Consequences of the Invalidity of Transactions and for the Alteration and Dissolution of Contracts to the Contract of Lease of the Enterprise

The rules of this Code for the consequences of the invalidity of transactions and for the alteration and dissolution of the contract, which provide for the return or recovery in kind of the received payment under the contract from one party or from both parties, shall be applicable to the contract of lease of the enterprise, unless such consequences violate substantially the rights and law-protected interests of the creditors of the lessor and the leaseholder and other persons and unless they run counter to public interests.

Article 664. The Return of the Leased Enterprise

With the termination of the contract of lease of the enterprise the leased property complex shall be returned to the lessor with the observance of the rules, provided for by **Articles 656**, **657** and **659** of this Code. In this case the preparation of the enterprise for the transfer to the lessor, including the drawing up and submission of a deed of conveyance for signing shall be the duty of the leaseholder and shall be effected at his expense, unless otherwise stipulated by the contract.

§ 6. Financial Lease (Leasing)

Article 665. The Contract of Financial Lease

Under the contract of financial lease (leasing contract) the lessor shall undertake to acquire the property indicated by the leaseholder from the seller specified by him and to grant to the leaseholder this contract for charge in temporary possession and use. In this case the lessor shall bear no responsibility for the choice of a subject of the lease and of a seller.

The contract of financial lease may provide for making the choice of a seller and acquired property by the lessor.

Abrogated.

The specifics of a finance lease agreement (finance leasing agreement) to be made with a state or

municipal institution is established by **Federal Law** No. 164-FZ of October 29, 1998 on Finance Lease (Leasing).

Article 666. The Subject of the Contract of Financial Lease

Any non-consumed things, except for land plots and other natural objects may be the subject of the contract of financial lease.

Article 667. The Notification of the Seller about the Lease of Property

The lessor who acquires property for the leaseholder shall notify the seller that this property is intended for its lease by a definite person.

Article 668. The Transfer of the Subject of the Contract of Financial Lease to the Leaseholder

1. Unless otherwise stipulated by the contract of financial lease, the property which is the subject of this contract shall be transferred by the seller directly the leaseholder at the location of the latter.

2. In case where property, being the subject of the contract of financial lease, is not transferred to the leaseholder in the period fixed in the contract or in the reasonable period, if the contract does not fix such date, the leaseholder shall have the right to demand the dissolution of the contract and claim damages, if delay was caused by the circumstances beyond the contract of the lessor.

Article 669. The Transfer of the Risk of Accidental Destruction of, or Accidental Damage to, Property to the Leaseholder

The risk of accidental destruction of, or accidental damage to, the leased property shall pass to the leaseholder at the time of the transfer of the leased property to him, unless otherwise stipulated by the contract of financial lease.

Article 670. Liability of the Seller

1. The leaseholder shall have the right to place directly to the seller of the property, which is the subject of the contract of financial lease, the claims, following from the contract of sale, concluded between the seller and the lessor, for the quality and completeness of the property, the terms of its delivery and in other cases of the improper performance of the contract by the seller. In this case the leaseholder shall have the rights and bear the duties, provided for by this Code for the buyer, except for the duty of paying for the acquired property, as if he was a party to the contract of sale of said property. However the leaseholder may not dissolve the contract of sale with the seller without the lessor's consent.

In their relations with the seller the leaseholder and the lessor act as joint and several creditors (**Article 326**).

2. Unless otherwise stipulated by the contract of financial lease, the lessor shall not be liable to the leaseholder for the fulfilment by the seller of the claims following from the contract of sale, except in cases where the responsibility for the choice of a seller rests with the lessor. In the latter case the leaseholder shall have the right at his own option to make claims following from the contract of sale, both directly to the seller of property and to the lessor, who bear joint and several liability.

Chapter 35. The Renting of Living Accommodation

Article 671. The Contract of Renting Living Accommodation

1. Under the contract of renting living accommodation one party - the owner of living quarters or the person authorized by him (renter) - shall be obliged to give to the other party (tenant) living accommodation for charge in possession and use for residing in it.

2. Living accommodation may be granted to legal entities in possession and/or use on the basis of the lease agreement or another contract. A legal entity may use living quarters for the residence of private persons alone.

Article 672. The Tenancy Contract for Dwelling Premises in the Social-Use Housing Stock

1. Living quarters in the state and municipal housing stock in social use shall be given to individuals under the contract of the social renting of living accommodation, under a tenancy contract for dwelling premises of the social-use housing stock.

2. The members of the family residing under the contract of the social renting of living accommodation together with the tenant shall enjoy all the rights and bear all the obligations under the contract of renting living quarters on a par with the tenant.

On the demand of the tenant and the members of his family the contract may be concluded with one members of the family. In case of death of the tenant or of his retirement from living quarters the contract shall be concluded with one family members residing in these quarters.

3. A contract of the social renting of living accommodation shall be concluded on the grounds and conditions and in the order, provided for by the **housing legislation**. The rules of **Articles 674**, **675**, **678**, **680**, and **Items 1-3 of Article 685** of this Code shall be applicable to the contract of the social renting of living accommodation, unless otherwise stipulated by the housing legislation.

4. The tenancy contract for dwelling premises of the social-use housing shall be concluded on the grounds, terms and in the procedure which are envisaged by the **housing legislation**. Such contract is subject to the rules of **Parts 1** and **2 of Article 678**, **Item 3 of Article 681** and of **Article 686** of the present Code. Other provisions of the present Code are applicable to the tenancy contract for dwelling premises of the social-use housing stock, except as otherwise envisaged by the housing legislation.

Article 673. The Object of the Contract of Renting Living Accommodation

1. Isolated living accommodation suitable for permanent residence (the apartment, dwelling house, part of the apartment or dwelling house).

The fitness of living accommodation for residence shall be determined in the order, provided for by the housing legislation.

2. The tenant of living quarters in a tenement shall have the right to use property, indicated in **Article 290** of this Code, in addition to the use of living accommodation.

Article 674. The Form of the Contract of Renting Living Accommodation

1. The contract of renting living accommodation shall be concluded in writing.

2. The restriction (encumbrance) on the right of ownership to dwelling premises arising from a tenancy contract for such dwelling premises that is concluded for a term of at least one year is subject to state registration in the procedure established by a **law** on the registration of rights to immovable property and of transactions in such property.

Article 675. The Preservation of the Contract of Renting Living Accommodation When the Right of Ownership of Living Quarters Is Transferred

The transfer of the right of ownership of living quarters under the contract of renting living accommodation shall not involve the dissolution or charge of the contract of renting living accommodation. In this case the new owner shall become a renter on the terms of the contract of renting concluded earlier.

Article 676. The Obligations of the Renter of Living Quarters

1. The renter shall be obliged to transfer to the tenant free living quarters in a condition suitable for residence.

2. The renter shall be obliged to carry on proper exploitation of the dwelling house, in which the leased living quarters are to be found, to provide public utilities or ensure their provision to the tenant for charge, to carry on the repair of the common property in the tenement and of devices for rendering

communal services in the living quarters.

Article 677. The Tenant and Individuals Permanently Residing with Him

1. Only a private person may be a tenant under the contract of renting living accommodation.

2. The contract shall indicate individuals permanently residing in living quarters together with the tenant. In the absence of such indication in the contract these individuals shall be moved in living quarters in accordance with the rules of **Article 679** of this Code.

Individuals permanently residing together with the tenant shall have equal rights in the use of living accommodation. The relations between the tenant and such individuals shall be determined by law.

3. The tenant shall be liable to the renter for the actions of the individuals permanently residing together with him and violating the terms and conditions of the contract of renting living accommodation.

4. Individuals permanently residing together with the tenant may be notifying the renter conclude with the tenant a contract to the effect that all the individuals permanently residing in living quarters bear with the tenant joint and several liability to the renter. In this case such individuals shall be co-tenants.

Article 678. The Obligations of the Tenant of Living Quarters

The tenant shall be obliged to make use of living quarters for residence only, to preserve them and maintain them in proper condition.

The tenant shall have no right to reconstruct living quarters without the renter's consent.

The tenant shall be obliged to make payment for living accommodation. Unless otherwise stipulated by the contract, the tenant shall be obliged to make utility rates on his own.

Article 679. The Moving-in of Individuals Permanently Residing with the Tenant

Other individuals may be moved in living quarters with the consent of the renter, tenant and individuals permanently residing with him in the capacity of permanently residents. No consent shall be required in case of moving in minors.

The moving-in shall be allowed with the observance of the requirements of legislation on the **norm** of the dwelling premises total useful floor area per person, except for the case of moving in minors.

Article 680. Temporary Lodgers

The tenant and the individuals permanently residing with him shall have the right to permit temporary lodgers (users) to live free of charge in their living quarters by common agreement and with the preliminary notification of the renter. The renter may ban the living of temporary lodgers with the observance of the requirements of legislation on the **norm** of the dwelling premises total useful floor area per person. The period of living of temporary lodgers may not exceed six months.

Temporary lodgers shall not possess the independent right to use living quarters. The tenant shall be responsible for their actions to the renter.

Temporary lodgers shall be obliged to vacate living quarters upon the expiry of the period of residence agreed upon with them, and if this period is not agreed upon, they shall be obliged to vacate living quarters within seven days since the day of making the respective demand by the tenant or any individual permanently residing with him.

Article 681. Repairs of the Leased Living Quarters

1. It shall be the duty of the tenant to carry out current repairs of leased living quarters, unless otherwise stipulated by the contract of renting living accommodation.

2. It shall be the duty of the renter to carry out major repairs of leased living quarters, unless otherwise stipulated by the contract of renting living accommodation.

3. It shall not be allowed to re-equip the dwelling house in which living quarters are to be found, if this re-equipment substantially change the conditions of using living quarters, without the consent of the tenant.

Article 682. Payment for Living Quarters

1. The amount of the payment for living quarters shall be fixed by agreement between the parties in the contract of renting living quarters. If a maximum payment for living quarters has been fixed in accordance with the law, the payment provided for by the contract shall not exceed this amount.

2. It shall not be allowed to change the payment for living quarters unilaterally, except for the cases provided for by the law or the contract.

3. Payment for living quarters shall be made by the tenant within the periods of time, envisaged by the contract of renting living accommodation. If the contract does not provide for time-limits, payment shall be made by the tenant every month in the order, prescribed by the **Housing Code** of the Russian Federation.

Article 683. The Time-limit in the Contract of Renting Living Accommodation

1. A contract of renting living accommodation shall be concluded for a term that does not exceed five years. If the contract does not fix the term, the contract shall be deemed to be concluded for five years.

2. The rules, envisaged by **Item 2 of Article 677**, **Articles 680**, **684-686**, the **fourth paragraph of Item 2 of Article 687** of this Code shall not be applied to the contract of renting living accommodation, concluded for a term of one year (short-term renting), unless otherwise stipulated by the contract.

Article 684. The Preferential Right of the Tenant to Conclude a Contract for a New Term

With the lapse of the term of the contract of renting living quarters the tenant shall have the preferential right to conclude a contract of renting living accommodation for a new term.

Not later than three months before the expiry of the term of the contract of renting living quarters the renter shall propose that the tenant conclude a contract on the same or other conditions or warn the tenant about the refusal to prolong the contract in connection with the decision of not letting on lease living quarters during the period of not less than a year. If the renter has failed to perform this obligation, while the tenant has not refused to prolong the contract, the latter shall be deemed to be extended on the same conditions and for the same period.

When the terms and conditions of the contract are being coordinated, the tenant shall have no right to demand that the number of persons permanently residing with him under the contract of renting living accommodation should be increased.

If the renter has refused to prolong the contract in connection with the decision not to let premises on lease, but during one year since the day of the expiry of the validity term of the contract with the tenant has concluded the contract of renting living accommodation with another person, the tenant shall have the right to demand that this contract should be recognized as invalid and/or that compensation should be made for the losses caused by the refusal to renew the contract with him.

Article 685. Sustenance of Living Quarters

1. Under the contract for sustenance of living quarters the tenant shall transfer for a term all the rented premise or the part thereof in use by subtenant with the consent of the renter. The subtenant shall not acquire the independent right to use living quarters. The tenant shall remain to be liable to the renter under the contract of renting living accommodation.

2. A contract for sustenance of living quarters may be concluded on condition that the requirements of legislation on the **norm** of the dwelling premises total useful floor area per person should be met.

3. The contract for sustenance of living quarters shall be payable.

4. The validity term of the contract for sustenance of living quarters may not exceed the validity term of the contract of renting living quarters.

5. In case of the termination of the contract of renting living quarters short of the term, the contract for sustenance of living quarters shall cease simultaneously with it.

6. The rules for the preferential right to the conclusion of a contract for a new term shall not extend to the contract for sustenance of living quarters.

Article 686. The Replacement of the Tenant in the Contract of Renting Living Accommodation

1. On the demand of the tenant and other private persons permanently residing with him and with the consent of the renter the tenant in the contract of renting living accommodation may be replaced by one of the persons of age permanently residing together with the tenant.

2. In the event of the tenant's death or of his retirement from living quarters, the contract shall continue to operate on the same conditions, and one of the private persons permanently residing with the former tenant shall become a tenant by general agreement between them. If such agreement is not reached, all the individuals permanently residing in living quarters shall become co-tenants.

Article 687. The Dissolution of the Contract of Renting Living Quarters

1. With the consent of other persons permanently residing with him the tenant of living quarters shall have the right to cancel the contract of renting with the written warning of the renter three months beforehand.

2. A contract of renting living quarters may be dissolved in due course of law on the demand of the renter in the cases of:

the non-deposition by the tenant of payment for living quarters for six months, unless the contract fixes a longer period, and in case of short-term renting when payment has not been made for more than two times upon the expiry of the term of payment fixed by the contract;

the destruction of, or damage to, the premise by the tenant or other persons for whose actions he is answerable.

By the court's decision the tenant may be granted the period of one year for the removal by him of the breaches that served as a ground for the dissolution of the contract of renting living accommodation. If during the period of time, fixed by a court of law, the tenant does not remove the breaches or does not take all the necessary measures to eliminate them, the court shall make a decision on the dissolution of the contract of renting living accommodation in reply to the repeated application of the renter. In this case, at the request of the tenant the court may postpone the execution of its decision for a term of not more than a year in its decision on the dissolution of the contract.

3. A contract of renting living accommodation may be dissolved by a court of law on the demand of any party to the contract:

if the premise ceases to be suitable for permanent residence, and also in case of its fault;

in other cases, provided for by the housing legislation.

4. If the tenant of living quarters or other private persons for whose actions he is answerable make use of living quarters not to its purpose or systematically violate the rights and interests of neighbours, the renter may warn the tenant about the need to remove these breaches.

If the tenant or other persons, for the actions of which he is answerable, continue to make use of living quarters after the warning not to the purpose or to breach the rights and interests of neighbours, the tenant shall have the right to dissolve the contract of renting living accommodation judicially. In this case, the rules, provided for by the fourth paragraph of Item 2 of this Article, shall be applied.

Article 688. The Consequences of the Dissolution of the Contract of Renting Living Accommodation

In case of the dissolution of the contract of renting living accommodation the tenant and other persons living in these living quarters by the time of the cancellation of the contract shall be subject to eviction on the basis of the court's decision.

Chapter 36. Gratuitous Use

Article 689. Contract for Gratuitous Use

1. Under the contract for gratuitous use (loan agreement) one party (lender) shall undertake to transfer a thing or transfers it in gratuitous use by the other party (borrower), while the latter shall undertake to return the same thing in the condition in which it received it with due account for normal depreciation or in the condition stipulated by the contract.

2. The rules of **Article 607**, **Item 1** and **Paragraph 1 of Item 2 of Article 610**, **Items 1** and **3 of Article 615**, **Item 2 of Article 621**, **Items 1** and **3 of Article 623** of this Code shall be accordingly applicable to the contract for gratuitous use.

3. To a contract for the gratuitous use (loan) of a cultural heritage object shall also be applied the rules stipulated in **Article 609** of this Code.

Article 690. The Lender

1. The right of transferring a thing in gratuitous use shall belong to it owner and other persons authorized therefor by the law or by the owner.

2. A non-profit organisation shall have no right to transfer property in gratuitous use by the person who is its founder, partner, manager, member of its management or control bodies.

Article 691. The Giving of a Thing in Gratuitous Use

1. The lender shall be obliged to give a thing in the condition that corresponds to the terms of the contract for gratuitous use and its purpose.

2. A thing shall be given for gratuitous use with all its accessories and related documents (instructions on its use, technical certificate, etc.), unless otherwise stipulated by the contract.

If such accessories and documents have not been given, and without them the thing can not be used according to its designation or its use is largely responsible for the loss of its value for the lender, the latter shall have the right to demand such accessories and documents or the cancellation of the contract and the indemnity for the real loss.

Article 692. The Consequences of Failure to Give a Thing in Gratuitous Use

If the lender fails to give a thing to the borrower, the latter shall have the right to demand the cancellation of the contract for gratuitous use and the indemnity for the real loss.

Article 693. Liability for the Defects of the Thing Given for Gratuitous Use

1. The lender shall be liable for the defects of the thing which he deliberately or because of gross negligence did not specify during the conclusion of the contract for gratuitous use.

In case of discovery of such defects the borrower shall have the right to demand from the lender at his option the gratuitous removal of the defects of the thing or the reimbursement of his expenses on the removal of the defects of the thing, or the anticipatory cancellation of the contract and the indemnity for the real loss.

2. The lender, being informed about the claims of the borrower or about his intention to eliminate the defects of the thing at the expense of the lender, may replace without delay the faulty thing by another similar thing in a proper condition.

3. The lender shall not be liable for the defects of the thing which were specified by him during the conclusion of the contract or had been known in advance to the borrower, or should have been discovered by the borrower during the inspection of the thing or the verification of its good condition during the conclusion of the contract or the transfer of the thing.

Article 694. The Rights of Third Parties to the Thing Transferred for Gratuitous Use

The transfer of a thing for gratuitous use shall not be a ground for the alteration or termination of

the rights of third parties to this thing.

During the conclusion of a contract for gratuitous use the lender shall be obliged to warn the borrower about all the rights of third parties to this thing (servitude, the right of the pawning of the thing, etc.). Default on this obligation shall entitle the borrower to demand the dissolution of the contract and the indemnity for the real loss.

Article 695. The Obligation of the Borrower to Maintain a Thing

The borrower shall be obliged to maintain the thing received for gratuitous use in a good condition, including to effect minor and major repairs and to bear all the expenses on its maintenance, unless otherwise stipulated by the contract for gratuitous use.

Article 696. The Risk of Accidental Destruction of, or Accidental Damage to, the Thing

The borrower shall bear the risk of accidental destruction of, or accidental damage to, the thing received for gratuitous use, if the thing has been destroyed or become faulty in view of the fact that he used it out of accordance with the contract for gratuitous use or its purpose, or has transferred the thing to a third party without the lender's consent. The borrower shall also bear the risk of accidental destruction of, or accidental damage to, the thing, if with due account of actual circumstances he could prevent its destruction or damage by sacrificing his thing but has preferred to preserve his thing.

Article 697. Liability for the Harm Inflicted on a Third Party as a Result of the Use of a Thing

The lender shall be liable for the harm inflicted on a third party as a result of the use of a thing, unless he proves that the harm was caused in consequence of intent or gross negligence on the part of the borrower or the person who is in possession of this thing with the lender's consent.

Article 698. The Cancellation of the Contract for Gratuitous Use Short of the Term

1. The lender shall have the right to demand that the contract for gratuitous use should be cancelled short of the term in cases where the borrower:

uses the thing out of accordance with the contract or with its designation;

fails to discharge the obligation of keeping the thing in good condition or of maintaining it;

substantially worsens the condition of the thing;

has handed over the thing to a third party without the lender's consent.

2. The borrower shall have the right to demand to anticipatory cancellation of the contract for gratuitous use in the following cases:

if defects have been discovered that makes impossible or burdensome the normal use of the thing and, moreover he did not know about them and could not know about them at the time of the conclusion of the contract;

if the thing proves to be in a condition unsuitable for its use by reason of circumstances for which he is not answerable;

if during the conclusion of the contract the lender did not warn him about the rights of third parties to the thing being handed over to them;

if the lender has failed to discharge the obligation of handing over the thing or its accessories and related documents.

Article 699. Repudiation of the Contract for Gratuitous Use

1. Each party to the contract shall have the right to repudiate at any time the contract for gratuitous use, concluded without an indication of its validity term, by informing the other party one month in advance, unless the contract stipulates a different date of notification.

2. Unless otherwise stipulated by the contract, the borrower shall have the right to repudiate at any time the contract, concluded with an indication of its validity term, in the procedure, envisaged by Item 1 of this Article.

Article 700. The Change of the Parties to the Contract for Gratuitous Use

1. The lender shall have the right to alienate a thing or to hand it over for lucrative use to a third party. In this case, the new owner or user shall receive the rights under the contract for gratuitous use, concluded earlier, while his rights to the thing shall be encumbered with the rights of the borrower.

2. In case of the lender's death or the reorganisation or liquidation of the lending legal entity, the rights and obligations of the lender under the contract for gratuitous use shall pass on to the heir (legal successor) or to another person to whom the right of ownership of the thing or another right, on the basis of which the thing was handed over for gratuitous use, has been transferred.

In case of the reorganisation of the lending legal entity its rights and obligations under the contract shall pass to the legal entity which is its legal successor, unless otherwise stipulated by the contract.

Article 701. The Termination of the Contract for Gratuitous Use

The contract for gratuitous use shall cease in case of the borrower's death or the liquidation of the borrowing legal entity, unless otherwise stipulated by the contract.

Chapter 37. Contract of Hiring Work

§ 1. General Provisions on Contract of Hiring Work

Article 702. Contract of Work and Labour

1. Under the work and labour contract one party (contractor) shall undertake to perform definite work according to the assignment of the other party (customer) and to turn it over to the customer, whereas the customer shall undertake to accept the result of this work and to pay for it.

2. The provisions envisaged by this paragraph shall be applied to the individual types of the work and labour contract (domestic contract, building contract, contract for the performance of design and survey works, contract works for state needs), unless otherwise stipulated by the rules of this Code for these types of contracts.

Article 703. Works Performed Under the Contract of Work and Labour

1. A contract of work and labour shall be concluded for the manufacture or processing of a thing or for the performance of another work with the transfer of its result to the customer.

2. Under the contract of work and labour, concluded for the manufacture of a thing, the contractor shall transfer the rights to it to the customer.

3. Unless otherwise stipulated by the contract, the contractor shall determine methods of performing the customer's assignment on his own.

Article 704. Performance of Work by the Contractor's Maintenance

1. Unless otherwise stipulated by the work and labour contract, the work shall be performed by the contractor's maintenance - from his materials and with his own forces and means.

2. The contractor shall bear liability for improper quality of materials and equipment supplied by him, and also for the provision of materials and equipment, encumbered with the rights of third parties.

Article 705. The Distribution of Risks Between the Parties

1. Unless otherwise stipulated by this Code, other laws or the contract of work and labour,

the risk of accidental destruction of, or accidental damage to, materials, equipment, the things or assets used for the execution of the contract, transferred for processing, shall be borne by the party that has extended them;

the risk of accidental destruction of, or accidental damage to, the result of the performed work before it is accepted by the customer shall be borne by the contractor.

2. In case of delay in the delivery and acceptance of the result of work the risks, specified in Item 1 of this Article, shall be borne by the part which has made this delay.

Article 706. The General Contractor and the Subcontractor

1. Unless the obligation of the subcontractor to perform personally the work, envisaged by the contract, follows from the law or the work and labour contract, the contractor shall have the right to draw other persons (subcontractors) in the execution of his obligations. In this case the contractor shall play the part of the general contractor.

2. The contractor who has drawn a subcontractor in the execution of the work and labour contract in contravention of the provisions of Item 1 of this Article or the contract shall bear liability to the customer for the losses caused by the subcontractor's participation in the execution of the contract.

3. The general contractor shall bear liability to the customer for the consequences of the non-discharge or improper discharge of the obligations by the subcontractor in keeping with the rules of **Item 1** of Article 313 and **Article 403** of this Code and shall bear liability to the subcontractor for the non-fulfilment or improper fulfilment of the obligations by the customer under the work and labour contract.

Unless otherwise stipulated by the law or the contract, the customer and the subcontractor shall not have the right to make to each other claims relating to the breach of the contracts, concluded by each of them with the general contractor.

4. With the general contractor's consent the customer shall have the right to conclude contracts for the performance of individual works with other persons. In this case the said persons shall bear liability directly to the customer for the non-performance or improper performance of work.

Article 707. The Participation of Several Persons in the Performance of Work

1. If two or more persons act simultaneously on the side of the contractor, they shall be recognized in case of indivisibility of the subject-matter of the obligation as joint and several debtors with regard to the customer and accordingly as joint and several creditors.

2. In the event of the divisibility of the subject-matter of the obligation, and also in other cases, provided for by the law, other legal acts or the contract, each person, referred to in Item 1 of this Article, shall acquire rights and bear obligations with regard to the customer within the limits of their share (**Article 321**).

Article 708. The Dates of the Performance of the Work

1. The work and labour contract shall indicate the initial and deadline expiry dates of the performance of work. By agreement between the parties the contract may also provide for the dates of completing in particular stages of the work concerned (interim dates).

Unless otherwise stipulated by the law, other legal acts or the contract, the contractor shall bear liability for breaking both the initial or ultimate and interim dates of the performance of the work concerned.

2. The initial, ultimate and interim dates of the performance of the work may be changed in cases and in the order, rescribed by the contract.

3. The consequences of delay in execution, referred to in **Item 2** of Article 405 of this Code shall ensue in case of breaking the ultimate date of the performance of the work concerned, and also of other times established by the work contract.

Article 709. The Price of the Work

1. The work and labour contract shall indicate the price of the work subject to performance or the methods of its estimation. If there is no such indication in the contract, the price of the work shall be

estimated in accordance with **Item 3 of Article 424** of this Code.

2. The price in the work and labour contract shall include compensation for the contractor's costs and the remuneration due to him.

3. The price of the work may be estimated by means of drawing up its estimate.

In the event the work is performed in accordance with the estimate made by the contractor, the estimate shall acquire the force and become a part of the work and labour contract since the time of its confirmation by the customer.

4. The price of the work (estimate) may be approximate or firm. In the absence of other references in the work and labour contract the price of the work shall be deemed to be firm.

5. If there is a need for additional works and for this reason for a substantial excess of the price of the work estimated approximately, the contractor shall be obliged to warn the customer in due time about this. The customer who has not given his consent to the price of the work, indicated in the work and labour contract shall have the right to repudiate the contract. In this case the contractor may demand that the customer should pay the price for the performed part of the work.

The contractor who has not warned the customer in due time about the need of exceeding the price of the work, indicated in the contract, shall be obliged to fulfil the contract and retain the right to the payment for the work at the price specified in the contract.

6. The contractor shall have no right to demand an increase in the firm price, whereas the customer shall have no right to demand its decrease, including in the event when at the time of concluding the work and labour contract the possibility was excluded to make provision for the full scope of works subject to performance or of the expenses needed for this.

In the event of the substantial increase in the case of materials and equipment provided by the contractor, and also of the services rendered to him by third parties, which cannot be foreseen during the conclusion of the contract, the contractor shall have the right to demand an increase in the fixed price, and should the customer refuse to meet this demand, he shall have the right to demand the dissolution of the contract in accordance with **Article 451** of this Code.

Article 710. The Saving of the Contractor

1. When the contractor's actual expenses prove to be less than those reckoned in the estimation of the price of the work, the contractor shall retain the right to the payment for works at the price, envisaged by the work and labour contract, unless the customer proves that the saving obtained by the contractor has influenced the quality of the performed works.

2. the work and labour contract may provide for the distribution of the saving obtained by the contractor among the parties thereto.

Article 711. Procedure of the Payment for the Work

1. If the work and labour contract does not provide for apreliminary payment for the fulfilled work or of its particular stages, the customer shall be obliged to pay to the contractor the specified price after the final delivery of the results of the work, provided that the work has been performed properly and within the agreed period or short of the term with the consent of the customer.

2. The contractor shall have the right to demand the advance or earnest money only in cases and in the amount, indicated in the law or in the work and labour contract.

Article 712. The Contractor's Right to Retention

In the event of default on the customer's obligation to pay the fixed price or any other sum of money due to the contractor in connection with the performance of the work and labour contract, the contractor shall have the right, in keeping with **Articles 359** and **360** of this Code, to the retention of the results of the work, and also the equipment belonging to the customer, the thing transferred for processing, the remainder of the unused material and other property of the customer, turned out at his disposal before the payment of relevant sums of money by the customer.

Article 713. The Performance of the Work with the Use of the Customer's Material

1. The contractor shall be obliged to make economical and thrifty use of the material supplied by the customer, submit after the completion of the work to the customer his report on the spending of the material, and also to return its remainder or to reduce the price of the work with the customer's consent and with account of the value of the unused material that remains at the contractor's disposal.

2. If no result has been achieved or the achieved result has shortcomings which make it unfit for the use specified by the work and labour contract or by the usual use in the absence of the appropriate condition in the contract for reasons caused by the shortcomings of the material, supplied by the customer, the contractor shall have the right to demand payment for the work dome by him.

3. The contractor may exercise the right, indicated in Item 2 of this Article, if he proves that the material's shortcomings could not be discovered in the event of a proper acceptance of this material by the contractor.

Article 714. The Contractor's Liability for the Non-safety of Property Supplied by the Contractor

The contractor shall bear liability for the non-safety of the materials, equipment supplied by the customer, of things and other property transferred for processing (treatment) and possessed by the contractor in connection with the execution of the work and labour contract.

Article 715. The Rights of the Customer During the Performance of the Work by the Contractor

1. The customer shall have the right to verify at any time the progress and quality of the work performed by the contractor, while not interfering in his activity.

2. If the contractor does not embark on the execution of the work and labour contract or performs the work so slowly that it is obviously impossible to finish it by the time fixed, the customer shall have the right to refuse to execute the contract and to claim damages.

3. If it becomes obvious during the performance of the work that it will not be performed properly, the customer shall have the right to appoint a reasonable date for the removal of shortcomings and in case of default of this requirement by the contractor in the appointed time to waive the work and labour contract or to entrust another person with the correction of the work at the expense of the contractor, and also to claim damages.

Article 716. The Circumstances About Which the Contractor Shall Be Obliged to Warn the Customer

1. The contractor shall be obliged to warn the customer without delay and to suspend the work before he receives his directions in the event of the discovery of:

the unsuitability or the substandard quality of the customer's materials, equipment, technical documents or the thing delivered for processing (treatment);

possible favourable consequences of the implementation of the customer's directions on the method of performing the work;

other circumstances beyond the contractor's control, which endanger the fitness or the stability of the results of the work being performed or make it impossible to finish this work on time.

2. The contractor, who has failed to warn the customer about the circumstances, indicated in Item 1 of this Article or who has continued the work without waiting for the expiry of the date, referred to in the contract, and in its absence without waiting the expiry of the reasonable period for a reply to the warning or despite the timely indication of the customer concerning the discontinuance of the work, shall have no right to refer to said corresponding in the event of the presentation of appropriate claims to him or by him to the customer.

3. If despite the timely and justified warning by the contractor about the circumstances, referred to in Item 1 of this Article, the customs fails to replace within the reasonable time the unfit and substandard materials, equipment, technical documents or the thing transferred for processing (treatment), does not

change the directions on the method of performing the work or does not take other necessary measures to remove the circumstances threatening its fitness, the contractor shall have the right to refuse to execute the work and labour contract and claim the damages caused by the termination of the contract.

Article 717. The Customer's Refusal to Execute the Work and Labour Contract

Unless otherwise stipulated by the work and labour contract, the customer may at any time before the delivery of the result of the work to him refuse the execute the contract by paying to the contractor a part of the fixed price in proportion to the part of the work performed before the receipt of the notice about the refusal of the customer to implement the contract. The customer shall also be obliged to compensate the contractor's losses, caused by the termination of the work and labour contract, within the limits of the difference between the price fixed for the entire work and the part of the price paid put for the performed work.

Article 718. The Customer's Assistance

1. In cases, in the scope and in the order, provided for by the work and labour contract, the customer shall be obliged to assist the contractor in the performance of the work.

In case of default on this duty by the customer the contractor shall have the right to claim damages, including additional costs caused by downtime or by putting off the dates of the performance of the work, or by the increase in the price of the work, indicated in the contract.

2. In cases where it has become impossible to perform the work under the work and labour contract owing to the customer's actions or omission, the contractor shall have the right to pay the price, indicated in the contract, with account of the performed part of the work.

Article 719. Default on the Customer's Reciprocal Obligations Under the Work and Labour Contract

1. The contractor shall have the right not to proceed to the work or to suspend the work he began in cases where the breach by the customer of his obligations under the work and labour contract, in particular, the non-supply of materials, equipment, technical documents or the thing subject to processing (treatment), prevents the execution of the contract by the contractor, and also in the presence of the circumstances evidencing that the said circumstances will not be discharged in the fixed period (**Article 328**).

2. Unless otherwise stipulated by the work and labour contract, the contractor shall have the right to refuse the execute the contract and to claim damages in the presence of circumstances, referred to in Item 1 of this Article.

Article 720. The Acceptance by the Customer of the Work Fulfilled by the Contractor

1. Within the time-limit and in the order, provided for by the work and labour contract, the customer shall be obliged to inspect with the contractor's participation the result of the work and to accept the performed work; in the event of the discovery of departures from the contract that worsen the result of the work or of any other shortcomings in the work, the customer shall be obliged to state at once about this to the contractor.

2. The customer who has discovered shortcomings in the work during its acceptance shall have the right to refer to them in cases where the deed or any other document testifying to the acceptance has specified these shortcomings or the possibility of a subsequent presentation of the claim about their removal.

3. Unless otherwise stipulated by the work and labour contract, the customer who has accepted the work without its check shall be deprived of the right to refer to the shortcomings in the work which could be ascertained in the usual method of its acceptance (obvious shortcomings).

4. The customer who has discovered in the work after its acceptance departures from the work and labour contract or other defects which could not be identified by the usual method of acceptance (latent defects), including those that were deliberately hidden by the contractor, shall be obliged to inform the

contractor about this within the reasonable period upon their discovery.

5. In case a dispute has arisen between the customer and the contractor over the defects of the fulfilled work or their causes, an expert examination shall be scheduled. Expenses on the expert examination shall be borne by the contractor, except for the cases when experts have found out that there are no breaches by the contractor of the work and labour contract or a causal relationship between the contractor's actions and the discovered defects. In said cases the expenses on the expert examination shall be borne by the party which has called for the schedule of the expert examination, and if was scheduled by agreement between the parties, the expenses shall be borne by the parties in equal shares.

6. Unless otherwise stipulated by the work and labour contract, in event of the customer's evasion from the acceptance of the fulfilled work, the contractor shall have the right, upon the expiry of one month since the day when as per the contract the result of the work should have been turned over to the customer, provided the latter makes subsequently two warnings of the customer to sell the result of the work and to place the avails, minus all the payments due to the contractor, on the customer's deposit in the procedure, provided for by **Article 327** of this Code.

7. If the evasion of the customer from the acceptance of the fulfilled work has involved a delay in the delivery of the work, the risk of accidental destruction of the thing manufactured (processed or treated) shall be recognized as passed to the customer at the time when the transfer of the thing should have taken place.

Article 721. The Quality of the Work

1. The quality of the work performed by the contractor shall correspond to the terms and conditions of the contract and in the absence or in the event of the incompleteness of these terms and conditions - to the requirements usually made to the work of appropriate kind. Unless otherwise stipulated by the law, other legal acts or the contract, the result of the fulfilled work shall possess, at the time of its transfer to the customer, the properties, referred to in the contract, or determined by the usually made requirements and shall be suitable within a reasonable period for the use, stipulated by the contract, for the usual use of the result of the work of this kind.

2. If the law or other legal acts provide in the statutory manner for mandatory requirements for the work to be performed under the work and labour contract, the contractor acting as a businessman shall be obliged to perform the work by observing these mandatory requirements.

The contractor may assume under the contract the obligation of fulfilling the work that meets the requirements for quality higher than the requirements made obligatory for the parties.

Article 722. The Guarantee of the Quality of the Work

1. In case where the law, other legal acts, the work and labour contract or the customs of business turnover provides for a guarantee period for the result of the work, the result of the work shall correspond to the terms and conditions of the contract for quality during the entire guarantee period (**Item 1 of Article 721**).

2. Unless otherwise stipulated by the work and labour contract, the guarantee of the quality of the result of the work shall extend to all the components of the result of the work.

Article 723. The Contractor's Liability for Improper Quality of the Work

1. In cases where the work has been performed by the contractor with departures from the work and labour contract which have worsened the result of the work or with other defects which make it unsuitable for the use, envisaged by the contract, or in the absence of the relevant condition of unfitness for the usual use in the contract, the customer shall have the right, unless otherwise stipulated by the law or the contract, to demand from the contractor the following actions at his option:

gratuitous removal of defects within the reasonable period;

an adequate reduction of the price fixed for the work;

reimbursement of his expenses incurred in the elimination of defects, when the customer's right to

remove them is provided for by the work and labour contract (**Article 397**).

2. Instead of the removal of the defects for which he is responsible the contractor shall have the right to perform gratis the work anew with the compensation to the customer of the losses caused by the delay in the execution of the work. In this case the customer shall be obliged to return the result of the work to the contractor, if such return is possible according to the nature of the work.

3. If departures in the work from the terms and conditions of the work and labour contract or any other shortcomings of the result of the work have not been eliminated in the reasonable period or are substantial and unremovable, the customer shall have the right to refuse to execute the contract and claim damages.

4. The proviso of the work and labour contract about the release of the contractor from the liability for definite shortcomings shall not absolve him from the liability, if it is proved that such shortcomings have arisen due to the contractor's faulty actions or inaction.

5. The contractor who has submitted materials for the fulfilment of the work is responsible for their quality under the rules for the seller's liability for substandard goods (**Article 475**).

Article 724. The Terms of Discovery of the Result of the Work of Improper Value

1. Unless otherwise stipulated by the law or the work and labour contract, the customer shall have the right to make claims relating to the improper quality of the result of the work, provided that it was discovered during the period of time, fixed by this Article.

2. In case where no guarantee period is fixed for the result of the work, claims relating to the shortcomings of the result of the work may be made by the customer, provided they have been disclosed during the reasonable period, but within two years since the day of the delivery of the result of the work, unless different time-limits have been fixed by the law, the contract or the customs of business turnover.

3. The customer shall have the right to make claims, associated with the shortcomings in the result of the work, discovered during the guarantee period.

4. In case where the guarantee period provided for by the contract is less then two years and the shortcomings of the result of the work have been discovered by the customer upon the expiry of the guarantee period but within two years since the time envisaged by Item 5 of this Article, the contractor shall bear liability, if the customer proves that the shortcomings arose before the delivery of the result of the work to the customer or for reasons that arose before this time.

5. Unless otherwise stipulated by the work and labour contract, the guarantee period (**Item 1 of Article 722**) shall begin to run since the time when the result of the fulfilled work was accepted or should have accepted by the customer.

6. The rules contained in **Items 2** and **4 of Article 471** of this Code shall be applied to the computation of the guarantee period under the work and labour contract, unless otherwise stipulated by the law, other legal acts, the agreement of the parties or unless the contrary follows from the specifics of the work and labour contract.

Article 725. The Statute of Limitation for the Improper Quality of the Work

1. The period of limitation for claims made in connection with the improper quality of the work, performed under the work and labour contract, shall be one year, which the period of limitation for buildings and structures shall be determined according to the rules of **Article 196** of this Code.

2. If under the work and labour contract the result of the work has been accepted in parts, the period of limitation shall begin to run since the day of the acceptance of the result of the work as a whole.

3. If the law, other legal acts or the work and labour contract provide for a guarantee period and the statement of claim for the shortcomings of the result of the work has been made during the guarantee period, the period of limitation, referred to in Item 1 of this Article, shall run begin with the day of the statement for the shortcomings.

Article 726. The Duty of the Contractor to Transfer Information to the Customer

The contractor shall be obliged to transfer together with the result of the work information on the operation or any other use of the subject of the work and labour contract, if this is provided by the contract or if the nature of information is such that without it is impossible to make use of the result of the work for the purposes, indicated in the contract.

Article 727. The Confidentiality of Information Received by the Parties

If the party thanks to the discharge of its obligation under the work and labour contract has received from the other party information about new decisions and technical knowledge, including knowledge not protected by law, and also information with respect to which the holder thereof has established the conditions of a commercial secret, the party which has received such information shall have no right to communicate it to third parties without the consent of the other party.

The procedure and conditions for the use of such information shall be determined by the agreement of the parties.

Article 728. The Return by the Contractor of the Property Transferred by the Customer

In cases where the customer dissolves the work and labour contract on the basis of **Item 2 of Article 715** or **Item 3 of Article 723** of this Code, the contractor shall be obliged to return the materials and equipment, supplied by the customer, the thing transferred for processing (treatment) and other property or to hand them over to the person indicated by the customer, and if this has proved to be impossible - to replace the value of the materials, equipment and other property.

Article 729. The Consequences of the Termination of the Work and Labour Contract Before the Acceptance of the Result of the Work

Should the work and labour contract cease to be valid on the grounds, provided for by the law or the contract, before the acceptance by the customer of the result of the work, performed by the contractor (**Item 1 of Article 720**), the customer shall have the right to demand the transfer to him of the result of the incomplete work with the compensation of the contractor's expenses.

§ 2. The Domestic Contract

Article 730. The Domestic Contract

1. Under the domestic contract the contractor who carries on appropriate business shall undertake to perform the work assigned by the individual (customer) to satisfy the customer's household and other personal requirements, while the customs shall undertake to accept the work and to pay for it.

2. The domestic contract is a public agreement (**Article 426**).

3. The laws on the protection of the customers' rights and other legal acts adopted in accordance with them shall be applicable to the relations under the domestic contract which are not regulated by this Code.

Article 731. The Guarantees of the Customer's Rights

1. The contractor shall have no right to impose on the customer the inclusion of an additional work or service in the domestic contract. The customer shall have the right to refuse to pay for the work or service not specified by the contract.

2. The customer shall have the right to refuse to execute the domestic contract at any time before the delivery of the work to him by paying to the contractor a part of the fixed price in proportion to the part of the work, performed before the notification about the waiver of the execution of the contract and by reimbursing the contractor's expenses incurred prior to this time for the purpose of the fulfilment of the contract, unless they form the said part of the price of the work. The terms and conditions of the contract which deprive the customer of this right shall be void.

Article 732. The Provision to the Customer of Information about the Offered Work

1. The contractor shall be obliged, before the conclusion of a domestic contract, to offer to the customer the necessary and trustworthy information about the offered work, its kinds and specific features, the price and the form of payment, and also to provide the customer with other information relating to the contract at his request. If this is of relevance due to the nature of the work, the contractor shall indicate to the customer the concrete person who will perform this work.

2. If the customer was not afforded the possibility of receiving immediately at the place of the conclusion of a consumer work contract the information on the work indicated in Item 1 of this Article, it may demand from the contractor the compensation for damages caused by ungrounded evasion to conclude the contract (**Item 4 of Article 445**).

The customer may demand the cancellation of a concluded consumer work contract without payment for the work done and also the compensation for damages when, as a result of the incompleteness or inaccuracy of the information received from the contractor, a contract was concluded for the performance of work not having the characteristics that the consumer had in mind.

The contractor that did not finish the customer the information on the work indicated in Item 1 of this Article shall bear responsibility also for the defects of the work which arose after its transfer due to the absence of such information therewith.

Article 733. The Performance of the Work from the Contractor's Material

1. If the work under the domestic contract is to be performed from the contractor's materials, the latter shall be paid by the customer during the conclusion of the contract in full or in part, indicated in the contract, with the final settlement at the time of the receipt by the customer of the work fulfilled by the contractor.

In conformity with the contract the material may be supplied by the contractor on credit, including with the proviso of payment by the customer for the material by instalments.

2. The change of the price of the contractor's material after the conclusion of the domestic contract shall involve no recalculation.

Article 734. The Fulfilment of the Work from the Customer's Materials

If the work under the domestic contract is fulfilled from the customer's materials, the receipt or any other document issued by the contractor to the customer during the conclusion of the contract shall indicate the exact name, description and price of the materials to be determined by the agreement of the parties. The estimation of the materials in the receipt or any other similar document may be subsequently disputed by the customer in court.

Article 735. The Price and Payment for the Work

The price of the work in the domestic contract shall be determined by the agreement of the parties and may not be higher than that fixed or regulated by the respective state bodies. The work shall be paid by the customer after it is finally delivered by the contractor. With the customer's consent the work may be paid by him during the conclusion of the contract in full or by giving an advance.

Article 736. The Warning by the Customer about the Conditions of the Use of the Fulfilled Work

In the event of the delivery of the work to the customer the contractor shall be obliged to inform him about the requirements to be observed for the effective and sage use of the result of the work, and also about the consequences possible for the customer himself and other persons in case of non-observance of the relevant requirements.

Article 737. The Consequences of the Discovery of Shortcomings in the Fulfilled Work

1. In case of discovery of defects at the time of acceptance of the result of the work or after its acceptance during the quarantee period, and is it has not been established, then during a reasonable period

but not later than two years (for immovable property, five years) from the day of the acceptance of the result of the work, the customer may at its choice exercise one of the rights stipulated in **Article 723** of this Code or demand the cost-free repeat performance of the work or compensation for the expenditures borne by it for the correction of the shortcomings with its own funds or by third parties.

2. In case of discovery of essential defects of the result of the work the customer may raise a demand to the contractor for the cost-free removal of such defects if is proves that they arose before the acceptance of the result of the work by the customer or for reasons that arose before that moment. This demand may be raised by the customer if the indicated defects were discovered upon the expiry of two years (for immovable property, five years) from the day of the acceptance of the result of the work by the customer, but within the limits of the period of service established by for the result of the work or during ten years from the day of the acceptance of the result of the work by the customer if the period of service has not been established.";

3. In case of default on the contractor's claim, referred to in Item 2 of this Article, the customer shall have the right during the same period to demand either the return of a part of the price paid for the work or the reimbursement of the expenses incurred in connection with the removal of the shortcomings by the customer with his own forces or with the help of third parties or refuse to perform the contract and demand the compensation for the inflicted losses.

Article 738. The Consequences of the Customer's Failure to Appear to Receive the Result of the Work

In the event the customer has failed to appear to receive the result of the fulfilled work or has evaded its acceptance, the contractor shall have the right to sell the result of the work at a reasonable price, while making a written warning of the customer, upon the expiry of two months since such warning and to place the avails, minus all the payments due to the contractor, on the deposit account in the order, prescribed by **Article 327** of this Code.

Article 739. The Customer's Rights in Case of Improper Fulfilment or Non-fulfilment of the Work under the Domestic Contract

In the event of improper fulfilment or non-fulfilment of the work under the domestic contract the customer may avail himself of the rights, granted to the buyer in compliance with **Articles 503-505** of this Code.

§ 3. The Building Contract

Article 740. The Building Contract

1. Under the building contract the contractor shall undertake in the period stipulated by the contract to build by the assignment of the customer a project or to perform other construction works, whereas the customer shall undertake to create for the contractor requisite conditions for the performance of the works, to accept their result and pay the specified price.

2. The building contract shall be concluded to build or reconstruct an enterprise or building (including a dwelling house), to erect any other project, and also to perform assembly, start-up and adjustment operations, and other works indissolubly related to the project concerned. The rules for the building contract shall be also applied to the works involved in the major repairs of buildings and structures, unless otherwise stipulated by the contract.

In cases provided for by the contract the contractor shall assume the duty of running the project after it has been accepted by the customer during the period indicated in the contract.

3. In cases where under the building contract the contractor fulfils the works in order to meet the household and other personal needs of the individual (customer), the rules of the **second paragraph** of this Article on the customer's rights shall be accordingly applied to such contract.

Article 741. The Allocation of Risk Between the Parties

1. The risk of accidental destruction of, or accidental damage to, the building project, which makes up the subject of the building contract, shall be borne by the contractor before this project is accepted by the customer.

2. If the building project is destroyed or damaged before the customer has accepted it owing to the substandard materials, supplied by the customer (details, structures), or equipment or owing to the execution of mistaken directions of the customer, the contractor shall have the right to demand the payment for all the cost of the works, specified by the estimate, provided that he has fulfilled the duties, envisaged by **Item 1 of Article 716** of this Code.

Article 742. The Insurance of the Building Project

1. The building contract may provide for the duty of the party to insure appropriate risks if it runs the risk of accidental destruction of, or accidental damage to, the building project, materials, equipment and other assets, used in construction, or bears liability for the infliction of damage to other persons during construction.

The party that bears the obligation for insurance shall present to the other party the proofs of the conclusion by it of the insurance contract on the terms, provided for by the building contract, including data on the insurer, the insurance sum and insured risks.

2. Insurance shall not release the appropriate party from the duty of taking necessary measures to prevent the onset of an insured accident.

Article 743. Technical Documentation and the Estimate

1. The contract shall be obliged to carry on construction and the related works in accordance with the technical documents determining the scope and content of the works and other requirements made for them and with the estimate fixing the price of the works.

In the absence of other directions the building contract implies that the contractor is obliged to perform all the works indicated in technical documents and the estimate.

2. The building contract shall define the composition and content of technical documentation, and also provide which of the parties and by which date it should submit relevant documents.

3. The contractor who has discovered in the process of construction the works which have not been recorded in technical documents and in this connection the need for additional works and for augmenting the detailed estimate of the cost of construction shall be obliged to inform the customer about this.

If the contractor has failed to receive from the customer a reply to his information during 10 days, unless the law or the building contract provides for a different date, he shall be obliged to suspend the corresponding works and charge the losses caused by downtime to the customer's account. The customer shall be released from the compensation of these losses, if he proves that there is no need for additional works.

4. The contractor who fails to discharge the obligation, established by Item 3 of this Article, shall be deprived of the right to demand from the customer the payment for the fulfilled additional works and the compensation for the relevant losses, unless he proves the need for immediate actions in the interests of the customer, particularly in connection with the fact that the suspension of the works could lead to the destruction of, or damage to, the building project.

5. With the consent of the customer with the conduct and payment of additional works the contractor shall have the right to refuse to perform them only in cases where they do not enter in the sphere of the contractor's professional activity or cannot be performed by the contractor for reasons beyond his control.

Article 744. Introduction of Changes to Technical Documentation

1. The customer shall have the right to introduce changes to technical documentation, unless

related additional works exceed in cost terms 10 per cent of the total estimate cost of construction and change the nature of the works, envisaged in the building contract.

2. Changes shall be made in technical documentation in the scope greater than that, indicated in Item 1 of this Article, on the basis of the additional estimate agreed upon by the parties.

3. The contractor shall be obliged in accordance with **Article 450** of this Code to review the estimate, if the cost of the works has exceeded the estimate by not less than 10 per cent for the reasons beyond his control.

4. The contractor shall have the right to demand the reimbursement of reasonable expenses incurred by him in connection with the ascertainment and removal of defects in technical documentation.

Article 745. The Supply of Project Construction with Materials and Equipment

1. The duty of supplying project construction with materials, including details and structures, or equipment shall be borne by the contractor, unless the building contract provides for the supply of construction as a whole or in certain part by the customer.

2. The party which is obliged to supply project construction shall bear the liability for the revealed impossibility to make use of its supplied materials or equipment without the deterioration of the quality of the works being performed, unless he proves that their impossible use is due to the circumstances under the control of the other party.

3. In case of the revealed impossibility of making use of the materials and equipment supplied by the customer without the deterioration of the quality of the works being performed and of the customer's refusal to replace them, the contractor shall have the right to waive the building contract and demand that the customer pay the price of the contract in proportion to the fulfilled part of the works.

Article 746. The Payment for Works to Be Done

1. The payment for the works done by the contractor shall be made by the customer in the amount provided for by the estimate within the time and in the order prescribed by the law or the building contract. In the absence of appropriate references in the law or the contract the payment for works shall be made in accordance with **Article 711** of this Code.

2. The building contract may provide for the payment for works in the lump and in full scope after the projects is accepted by the customer.

Article 747. The Customer's Additional Obligations under the Building Contract

1. The customer shall be obliged to provide in time a land plot for construction. The area and condition of the land plot to be provided shall correspond to the terms of the building contract and in the absence of such conditions shall ensure the timely start of the works, their normal performance and completion on due date.

2. In cases and in the procedure, envisaged by the building contract the customer shall be obliged to convey to the contractor for use the buildings and structures necessary for the accomplishment of the works, to transport cargoes at his address, to lay out temporary networks of power, water and steam supply and render other services.

3. Payments for the services rendered by the customer and indicated in Item 2 of this Article shall be made in cases and on the terms, provided for by the building contract.

Article 748. Control and Supervision by the Customer over the Performance of Works Under the Building Contract

1. The customer shall have the right to exercise control and supervision over the progress and quality of the works being performed, the observance of the period of their fulfilment (schedule), the quality of the materials supplied by the contractor, and also over the proper use by the contractor of the customer's materials without interfering in the day-to-day economic activity of the contractor.

2. The customer who has discovered during his control and supervision over the performance of the

works departures from the terms and conditions of the building contract, which may deteriorate the quality of the works, or any other shortcomings, shall be obliged to inform the contractor about this without delay. The customer who has failed to make such statement to the contractor shall forfeit his right to refer in future to the shortcomings he will detect.

3. The contractor shall be obliged to implement the customer's directions, received during construction, unless such directions contradict the terms and conditions of the building contract and represent intervention in the day-to-day economic activity of the contractor.

4. The contractor who has fulfilled the works improperly shall have no right to refer to the fact that the customer failed to exercise his control and supervision over their performance, except for the cases when the obligation to exercise such control and supervision has been placed on the customer by law.

Article 749. The Participation of an Engineer (Engineering Organisation) in the Exercise of the Rights and in the Discharge of the Obligations of the Customer

For the purposes of exercising control and supervision over project construction and of adopting on his behalf of decisions in relations with the contractor the customer may conclude on his own, without the contractor's consent, a contract for the rendering of such services to the customer with the relevant engineer (engineering organisation). In this case the building contract shall define the functions of such engineer (engineering organisation), connected with the consequences of his actions for the contractor.

Article 750. Cooperation of the Parties to the Building Contract

1. If hindrances to the proper execution of the building contract come to the surface during project construction and the related works, each party shall be obliged to take all reasonable measures under its control in order to remove such hindrances. The party which has failed to discharge this obligation shall forfeit its right to claim damages caused by the failure to eliminate the relevant hindrances.

2. The expenses of the party incurred in the discharge of the obligations, indicated in Item 1 of this Article, shall be subject to reimbursement by the other party in cases where this is stipulated by the building contract.

Article 751. The Contractor's Obligations of Protecting the Environment and of Providing Safety for Building Works

1. The contractor shall be obliged to observe the requirements of the law and other legal acts on environmental protection and safety of building works in the process of construction and the related works.

The contractor shall bear liability for the breach of said requirements.

2. The contractor shall have no right to use during the works being done the materials and equipment, supplied by the customer, or fulfil his directions, if they may lead to the breach of the requirements, obligatory for the parties, for the protection of the environment and the safety of building works.

Article 752. The Consequences of the Laying-up of Project Construction

If the works under the building contract have been suspended and the project construction has been laid-in for the reasons beyond the control of the parties, the customer shall be obliged to pay in full to the contractor for the works fulfilled up to the time of the laying-up of the work, and also to reimburse the expenses caused by the need to terminate the works and to lay-up the project construction with the offset of the benefits which the contractor has received or could receive due to the termination of the works.

Article 753. The Delivery-Acceptance of Works

1. The customer who has received the communication of the contractor about the delivery of the result of the works performed under the building contract or, if this is provided for by the contract, of the fulfilled stage of the works, shall be obliged to proceed to it acceptance.

2. The customer shall organise and effect the acceptance of the result of the works at his own

expense, unless otherwise stipulated by the building contract.

In cases envisaged by the law or any other legal acts the representatives of state bodies and local government bodies shall take part in the acceptance of the result of the works.

3. The customer who has accepted the result of a particular stage of the works shall bear the risk of the consequences of the destruction of, or damage to, the result of the works which have taken place not through the fault of the contractor.

4. The delivery of the result of the works by the contractor and the acceptance of it by the customer shall be formalized by the certificate, signed by both parties. If one of the parties refuses to sign the certificate, a note about this shall be put down in it, with the certificate being signed by the other party.

A unilateral certificate of acceptance of the result of the works may be recognized by a court of law as invalid only in case of the motives of the refusal to sign the acceptance certificate have been recognized by it as sound.

5. In cases where this is provided for by the law or the building contract or follows from the nature of the works performed under the contract, the acceptance of the result of the works shall be preceded by preliminary tests. In these cases the acceptance may take place only with the positive result of the preliminary tests.

6. The customer shall have the right to refuse to accept the result of the works in case of the discovery of shortcomings, which exclude the possibility of its use for the purpose, indicated in the building contract and may not be removed by the contractor or the customer.

Article 754. The Contractor's Liability for the Quality of Works

1. The contractor shall bear liability to the customer for the departures from the requirements, provided for by technical documents and by the building norms and rules obligatory for the parties, and also for the failure to achieve this building project's indicators, indicated in the technical documents, including the enterprise's industrial capacity.

In the event of the reconstruction (renewal, reorganisation, restoration, etc.) of a building or structure the contractor shall bear liability for the reduction or loss of the durability, stability and reliability of the building, structure or a part thereof.

2. The contractor shall bear no liability for small departures from technical documents, made without the customer's consent, if he proves that they have not influences the quality of project construction.

Article 755. Guarantees of Quality in the Building Contract

1. Unless otherwise stipulated by the building contract, the contractor shall guarantee the achievement by the construction project of the indicators indicated in technical documents and the possibility of using the project in keeping with the building contract throughout the guarantee period. The statutory guarantee period may be extended by the agreement of the parties.

2. The contractor shall bear liability for defects, discovered during the guarantee period, unless he proves that they occurred due to the normal wear and tear of the project or of the parts thereof, its incorrect instructions, elaborated by the customer himself or by third parties attracted by him, the improper repair of the project, carried out by the customer himself or by third parties attracted by him.

3. The running of the guarantee period lapses for all the time during which the project could not be exploited due to the defects for which the contractor is liable.

4. In case of discovery of defects, indicated in **Item 1 of Article 754** of this Code, during the guarantee period, the customer shall inform the contractor about them within reasonable time upon their discovery.

Article 756. The Time-limits of Discovery of the Improper Quality of Building Works

In the event of making claims for the improper quality of the result of the works, the rules, specified by **Items 1-5 of Article 724** of this Code shall be applied.

The deadline for the discovery of defects shall be five years in conformity with **Items 2** and **4 of Article 724** of this Code.

Article 757. Elimination of Defects at the Expense of the Customer

1. The building contract may provide for the obligation of the contractor to eliminate on the demand of the customer and at his expense the defects for which the contractor is not liable.

2. The contractor shall have the right to refuse to perform the obligation, indicated in Item 1 of this Article, in cases where the removal of defects is not connected directly with the subject of the contract or cannot be realized by the contractor for the reasons beyond his control.

§ 4. Contract for Design and Survey Works

Article 758. Contract for Design and Survey Works

Under the contract for design and survey works the contractor (designer or surveyor) shall undertake to elaborate technical documentation of the customer and/or perform survey works, whereas the customer shall undertake to accept and pay for their result.

Article 759. Initial Data for the Performance of Design and Survey Works

1. Under the contract for design and survey works the customer shall be obliged to give to the contractor his assignment for designing, and also other initial data needed for drawing up technical documentation. An assignment for the performance of design works may be prepared by the contractor on behalf of the customer. In this case the assignment shall become mandatory for the parties since the time of its approval by the customer.

2. The contractor shall be obliged to observe the requirements containing in the assignment and in other initial data for the performance of design and survey works, and shall have the right to depart from them only with the customer's consent.

Article 760. The Contractor's Obligations

1. Under the contract for design and survey works the contractor shall be obliged:

to perform the works in keeping with the assignment and other initial data on designing and with the contract;

to coordinate the ready technical documents with the customer and, whenever necessary, together with the customer - with competent state bodies and local government bodies;

to transfer to the customer ready technical documents and the results of the survey works.

The contractor shall have no right to give technical documents to third parties without the customer's consent.

2. Under the contract for design and survey works the contractor shall guarantee to the customer that third parties do not have the right to prevent the performance of the works or restrict their performance on the basis of the technical documentation prepared by the contractor.

Article 761. The Contractor's Liability for the Improper Performance of Design and Survey Works

1. Under the contract for design and survey works the contractor shall bear liability for the improper drawing up of technical documents and for the performance of survey works, including defects discovered later on during construction, and also in the process of the exploitation of the project, set up on the basis of the technical documents and the data of the survey works.

2. In the event of discovery of defects in technical documents or in survey works the contractor shall be obliged to remake technical documentation gratis on the customer's demand and accordingly carry out the necessary additional survey works, and also to reimburse to the customer the losses caused, if the law or the contract for performance of design and survey works establishes otherwise.

Article 762. The Customer's Obligations

Under the contract for design and survey works the customer shall be obliged to take the following measures, unless otherwise stipulated by the contract:

to pay to the contractor the fixed price in full after the completion of all works or to pay it in instalments after the completion of individual stages of the work;

to use technical documentation received from the contractor only for the purposes, provided for by the contract, not to turn over technical documents to third parties and not to divulge the data contained therein without the contractor's consent;

to render assistance to the contractor in the performance of design and survey works in the scope and on the terms and conditions stipulated by the contract;

to participate together with the contractor in the coordination of ready technical documentation with relevant state bodies and local government bodies;

to reimburse the contractor's additional expenses, incurred by changes in the initial data for the performance of design and survey works due to the circumstances beyond the contractor's control;

to draw the contractor in the participation in the case on a claim filed by a third party to the contractor in connection with the defects of the compiled technical documents or the performed survey works.

§ 5. Contract Works for State or Municipal Needs

Article 763. The State or Municipal Contract for the Performance of Contract Works to Meet State or Municipal Needs

1. Contract building works (**Article 740**), design and survey works (**Article 758**), intended for meeting the state or municipal needs, shall be performed on the basis of the state or municipal contract for the fulfilment of contract works to meet state or municipal needs.

2. Under the state or municipal contract for contract works to meet state or municipal needs (hereinafter referred to as the state or municipal contract) the contractor shall undertake to perform building, design and other works related to the construction and repair of the projects of a production and non-production character and to transfer them to the state or municipal customer, whereas the state or municipal customer shall undertake to accept the fulfilled works, to pay for them or to ensure their payment.

Article 764. The Parties to a State or Municipal Contract

1. A legal entity or natural person may act as a contractor under a state or municipal contract.

2. Under a state contract, the state authorities (including state power bodies), managerial bodies of state extra-budgetary funds, as well as the treasury institutions, other recipients of the federal budget funds, budgets of constituent entities of the Russian Federation may act as state customers when placing orders to carry out contractual works on account of budget funds and extra-budgetary sources of financing.

3. Under a municipal contract, as municipal customers may act local government bodies, as well as other recipients of local budget funds in the event of placing orders to carry out contractual works with the use of budget funds and extra-budgetary sources of financing.

Article 765. The Grounds and Procedure for the Conclusion of a State or Municipal Contract

The grounds and procedure for the conclusion of a state or municipal contract shall be determined in keeping with the provisions of **Articles 527** and **528** of this Code.

Article 766. The Contents of the State or Municipal Contract

1. The state or municipal contract shall contain the terms of the scope and value of the work subject

to performance, the time-limits of its beginning and end, the amount and procedure of financing and paying the works and the methods of security of the parties' obligations.

2. Where a state or municipal contract is concluded according to the results of an auction or bidding concerning the works performed for the purpose of placing an order for carrying out contract works to meet state or municipal needs, the terms and conditions of the state or municipal contract shall be determined in accordance with the announced terms of the auction or bidding in respect of these works and the offer of the contractor who is recognised as the auction winner or the winner of bidding for these works.

Article 767. Changes in the State or Municipal Contract

1. In case of the diminution of the resources of the corresponding budget in the statutory manner or by local government bodies, allocated for the financing of contract works, the parties shall be obliged to agree upon new dates, and, whenever necessary, other conditions of the performance of the works. The contractor shall have the right to demand that the state and municipal customer compensate the losses caused by changes in the dates of the fulfilment of the works.

2. It shall be allowable to change unilaterally or by agreement of the parties in the instances, provided for by laws, the terms and conditions of a state or municipal contract that are not connected with the circumstances specified in **Item 1** of this Article.

Article 768. Legal Regulation of the State or Municipal Contract

The law on contracts for state or municipal needs shall be applicable to the relations involved in state or municipal contracts for the fulfilment of contract works for state or municipal needs in the part which is not regulated by this Code.

Chapter 38. Performance of Research and Development and Technological Works

Article 769. Contracts for the Performance of Research and Development and Technological Works

1. Under the contract for the performance of research and development and technological works the executor shall be obliged to carry out scientific research, specified by the customer's technical assignment, while under the contract for the development and technological works he shall be obliged to develop the sample of a new product or a new technology, as well as technical of design documentation therefor, whereas the customer shall undertake to accept the work and pay for it.

2. The contract with the executor may cover both the entire cycle of research, development and manufacture of the sample of the new product and its particular stages (elements).

3. Unless otherwise stipulated by the law or the contract, the risk of accidental impossibility of executing contracts for the performance of research and development and technological works shall be borne by the customer.

4. The terms and conditions of the contracts for performance of research and development and technological works shall correspond to the laws and other legal acts on exclusive rights (intellectual property).

Article 770. The Performance of Works

1. The executor shall be obliged to carry out scientific research in person. He shall have the right to draw third parties in the fulfilment of a contract for scientific research works only with the customer's consent.

2. During the performance of development or technological works the executor shall have the right, unless otherwise stipulated by the contract, to draw third parties in its execution. The rules for the general contractor and subcontractor (**Article 706**) shall be applicable to the relations between the executor and

third parties.

Article 771. The Confidentiality of Information Which Constitutes the Subject of the Contract

1. Unless otherwise stipulated by the contracts for the performance of research and development and technological works, the parties thereto shall be obliged to ensure the confidentiality of information relating to the subject of the contract, the progress of its execution and the obtained results. The scope of information recognized as confidential shall be determined by the contract.

2. Each party shall undertake to publish information to be recognized as confidential and obtained during the performance of the work only with the consent of the other party.

Article 772. The Rights of the Parties to the Results of the Works

1. The parties to the contracts for the performance of research and development and technological works shall have the right to make use of the works within the framework of the contract and on its terms and conditions.

2. Unless otherwise stipulated by the contract, the customer shall have the right to make use of the results of the work given to him by the executor while the executor shall have the right to use the obtained results of the works for his own needs.

3. The rights of the performer and of the customer to the results of the works, to which legal protection is granted as to the results of intellectual activity shall be defined in conformity with the rules of **Section VII** of the present Code.

Article 773. The Executor's Obligations

The executor shall be obliged to take the following measures under the contracts for the performance of research and development and technological works:

to perform the works in keeping with the technical assignment agreed upon with the customer and to turn over to the customer their results within the period fixed by the contract;

to coordinate with the customer the necessity for the use of the results of intellectual activity that belong to third parties and the acquisition of rights to their use;

to remove the defects, made through his fault, in the fulfilled works with his own forces and at his own expense, if they can involve departures from the technical and economic parameters, envisaged by the technical assignment or the contract;

to inform forthwith the customer about the ascertained impossibility to receive the expected results or about the inexpediency of continuing the work;

to guarantee to the customer the transfer of the results which have been received under the contract and which do not break the exclusive rights of other persons.

Article 774. The Customer's Obligations

1. In contracts for the performance of research and development and technological work the customer shall be obliged to undertake the following measures:

to give to the executor information needed for the fulfilment of the work;

to accept the results of the fulfilled works and to pay for them.

2. The contract may also provide for the obligation of the customer to give to the executor a technical assignment and to agree with him/her the program) technical and economic parameters) or the topics of the works.

Article 775. The Consequences of the Impossible Attainment of Results of Scientific Research Works

If in the course of scientific research works it is found out that it is impossible to attain results owing to the circumstances that are beyond to executor's control, the customer shall be obliged to pay for the value of the works carried out before the ascertainment of the impossibility to obtain results, envisaged

by the contract for the performance of scientific research works, but not over and above the corresponding part of the price of the work, indicated in the contract.

Article 776. The Consequences of the Impossible Continuation of Research and Development and Technological Works

If during the performance of research and development and technological works it is found out that the impossible or inexpedient continuation of the works has arisen not through the fault of the executor, the customer shall be obliged to pay for the expenses incurred by the executor.

Article 777. The Liability of the Executor for the Breach of a Contract

1. The executor shall be liable to the customer for breaking the contracts for the performance of research and development and technological works, unless he proves that such breach has taken not through the fault of the executor (**Item 1 of Article 401**).

2. The executor shall be obliged to reimburse the losses caused by him to the customer within the limits of the cost of the works in which defects have been discovered, if the contract provides that they are subject to compensation within the limits of the total cost of the works under the contract. The lost profit shall be subject to compensation in cases stipulated by the contract.

Article 778. Legal Regulation of the Contracts for the Performance of Research and Development and Technological Works

The provisions of Paragraph 1 of Chapter 37 of this Code shall apply to contracts for research, development and technological work, unless it contradicts the rules established by this chapter, as well as specifics of the subject matter of contracts for research, development and technological work. The rules of Article 738 of this Code shall apply to the consequences of the customer's failure to appear to obtain the results of such works.

The rules of **Articles 763-768** of this Code shall be applicable to the state or municipal contracts for the performance of research and development and technological works to meet state or municipal needs.

Chapter 39. The Repayable Rendering of Services

Article 779. The Contract for the Repayable Rendering of Services

1. Under the contract of repayable rendering of services the executor shall undertake to render services (to perform certain actions or carry out certain activity) according to the customer's assignment, while the customer shall undertake to pay for these services.

2. The rules of this Chapter shall be applicable to the contracts of rendering the communication services, medical, veterinary, audit, consulting, information, instruction, tourist and other services, except for the services rendered under the contracts, envisaged by **Chapters 37**, **38**, **40**, **41**, **44**, **45**, **46**, **47**, **49**, **51** and **53** of this Code.

Article 780. The Execution of the Contract for the Repayable Rendering of Services

Unless otherwise stipulated by the contract for the repayable rendering of services, the executor shall be obliged to render the services in person.

Article 781. Payment for Services

1. The customer shall be obliged to pay of the services rendered to him within the period and in the procedure indicated in the contract for the repayable rendering of services.

2. If it is impossible to execute the contract through the fault of the customer, the services rendered shall be subject to full payment, unless otherwise stipulated by the law or the contract for the repayable rendering of services.

3. In case where it is impossible to execute the contract due to the circumstances for which neither party is answerable, the customer shall reimburse the executor's actual expenses, unless otherwise provided for by the law or the contract for repayable rendering services.

Article 782. The Unilateral Refusal to Execute the Contract for the Repayable Rendering of Services

1. The contractor shall **have the right** to refuse to execute the contract for the repayable rendering of services, provided the executor's actually incurred expenses are paid out.

2. The executor shall have the right to refuse to execute the obligations under the contract for the repayable rendering of services, provided the customer's losses are fully reimbursed.

Article 783. The Legal Regulations of the Contract for the Repayable Rendering of Services

The general provisions on the work and labour contract (Articles **702-729**) and the provisions on the domestic contract (**Articles 730-739**) shall be applicable to the contract for the repayable rendering services, unless this runs counter to **Articles 779-782** of this Code, and also to the specific subject of the contract for the repayable rendering of services.

Article 783.1. The Specifics of an Agreement on Rendering the Services Involved in Information Provision

An agreement by whose virtue the executor undertakes to make actions aimed at providing definite information to the orderer (an agreement on rendering the services involved in information provision) may stipulate the duty of either party or of both parties not to make within a definite time period any actions that can result in disclosing information to third parties.

Chapter 40. Carriage

Article 784. General Provisions on Carriage

1. Cargoes, passengers and baggage shall be transported on the basis of the contract of carriage.

2. The general conditions of carriage shall be determined by transport charters and codes, other laws and **rules** issued in accordance with these laws.

The conditions of the carriage of cargoes, passengers and baggage by particular transport vehicles, and also the liability of the parties for this transportation shall be determined by the agreement of the parties, unless otherwise stipulated by this Code, transport charters and codes, other laws and rules issued in conformity with them.

Article 785. The Contract of Carriage of Cargo

1. Under the contract of carriage of cargo the carrier shall undertake to deliver the cargo entrusted to him by the consignor to the point of destination and to release it to the person (consignee) authorized to receive it, while the consignor shall undertake to pay a fixed charge for the carriage of cargo.

2. The conclusion of a contract for the carriage of cargo shall be confirmed by the drawing up and issue of a consignment bill to the consignor of cargo (bill of lading or any other cargo document, stipulated by the relevant transport charter or code).

Article 786. The Contract of Carriage of the Passenger

1. Under the contract of carriage of the passenger the carrier shall undertake to transport the passenger to the point of destination, and in case of delivery of luggage to the point of destination and to issue it to the person authorized to receive it; the passenger shall undertake to pay the fixed charge for the journey and for the carriage of luggage in case of its registry.

2. The conclusion of a contract of the passenger carriage shall be certified with a ticket, while the

booking of luggage by the passenger - with a luggage receipt.

The forms of the ticket and the luggage receipt shall be established in the order, prescribed by transport charters, codes or other laws.

3. The passenger shall have the right in the order, prescribed by a relevant transport charter, code or another law:

to carry with himself his children free of charge or on other easy terms;

to carry with himself hand luggage free of charge within the limits of fixed norms;

to book luggage for carriage for a tariff charge.

4. In the cases provided by Article 107.1 of the Air Code of the Russian Federation, the carrier or a person, authorised by the carrier to conclude an air carriage contract of a passenger, may refuse to conclude an air carriage contract of a passenger, if the passenger is entered into the register of persons whose air transportation is restricted by the carrier.

Article 787. The Freight Contract

Under the freight contract (charter) one party shall undertake to provide to the other party (affreighter) for charge the entire or partial capacity of one or several transport facilities for one or several voyages or flights for the haulage of cargoes, passengers and baggage.

Procedure for the conclusion of a freight contract, and also the form of the said contract shall be prescribed by transport charters, codes or other laws.

Article 788. Through Mixed Traffic

The mutual relations of transport organisations that carry cargoes, passengers and baggage with the aid of various transport vehicles under a single transport document (through mixed traffic), and also the procedure of the organisation of this carriage shall be determined by the agreements between the organisations of the respective types of transport, concluded in keeping with the law on direct mixed (combined) carriage.

Article 789. Carriage by Public Transport

1. The carriage realized by a profit-making organisation shall be recognized as the carriage by public transport, if it transpires from the law, other legal acts, that the said organisation is duty-bound to effect the carriage of cargoes, passengers and baggage in case of an application by any individual or legal entity.

The list of organisations which are obligated to effect the carriage to be recognized as the carriage by public transport shall be published in the established order.

2. The contract of carriage by public transport shall be a public agreement (**Article 426**).

Article 790. Payment for Carriage

1. Payment for carriage, fixed by the agreement of the parties, shall be collected for the transportation of cargoes, passengers and baggage, unless otherwise stipulated by the law or other legal acts.

2. Payment for the carriage of cargoes, passengers and baggage by public transport shall be estimated on the basis of the rates, approved in the order, established by transport charters and codes.

3. Works and services, performed or rendered by the carrier at the request of the cargo owner and not specified by rates, shall be paid by the agreement of the parties.

4. The carrier shall have the right to withhold the cargo and baggage, given to him for carriage, as security for the payments for carriage due to him (**Articles 359** and **360**), unless otherwise stipulated by the law, other legal acts, the contract of carriage or unless the contrary follows from the substance of the obligation.

5. In cases where the laws or other legal acts have introduced preferences for the payment for the carriage of cargoes, passengers and baggage, the expenses incurred in this connection shall be reimbursed

by the transport organisation from the resources of the appropriate budget.

Article 791. The Supply of Transport Vehicles, the Loading and Unloading of Cargo

1. The carrier shall be obliged to drive up serviceable transport vehicles in a condition fit for the carriage of cargo to the consignor for loading cargo in time, fixed by the order accepted from him, the contract of carriage or the agreement on the organisation of carriage.

The consignor of cargo shall have the right to waiver the supplied transport vehicles which are not fit for the carriage of cargo.

2. The loading (unloading) of cargo shall be carried out by the transport organisation or the consignor (consignee) in the procedure, specified by the contract, with the observance of the provisions of transport charters and codes and the rules promulgated in compliance with them.

3. The loading (unloading) of cargo, realized by the forces and means of the consignor (consignee), shall be effected in the periods of time, stipulated by the contract, unless such periods have been fixed by transport charters and codes and the rules adopted in conformity with them.

Article 792. Time-limits for the Delivery of Cargo, Passengers and Baggage

The carrier shall be obliged to deliver cargo, passengers or baggage to the point of destination in the time-limits, fixed in the procedure, prescribed by transport charters, codes or other laws, and in the absence of such time-limits - within the reasonable period.

Article 793. Liability for Breaking the Obligations of Carriage

1. In case of default on the obligations of carriage or of improper discharge of such obligations, the parties shall bear liability, established by this Code, transport charters, codes or other laws, and also by the agreement of the parties.

2. Agreements between transport organisations and passengers or cargo owners on the limitation or elimination of the carrier's statutory liability shall be void, except for the cases when the possibility of such agreements is provided for by transport charters or codes for the carriage of cargo.

Article 794. The Carrier's Liability for Failure to Drive up Transport Vehicles and the Consignor's Liability for Non-use of Driven-up Transport Vehicles

1. For failure to drive up transport vehicles for the carriage of cargo in keeping with the accepted order or any other contract the carrier shall bear the liability, established by transport charters and codes and also by the agreement of the parties, and for failure to submit cargo or for non-use of driven-up transport vehicles for other reasons the consignor shall bear the liability, established by transport charters and codes, and also by the agreement of the parties.

2. The carrier and the consignor shall be released from liability in case of failure to drive up transport vehicles or of non-use of driven-up transport vehicles, if this was due to the following reasons:

force majeure, and also other elements (fires, snow-drifts, floods) and hostilities;

the termination or limitation of the carriage of cargo in certain directions, which has been practiced in the order, prescribed by the respective transport charter or code;

in other cases, provided for by transport charters and codes.

Article 795. The Liability of the Carrier for the Delayed Dispatch of the Passenger

1. For the delayed dispatch of the transport vehicle which carries the passenger or for the late arrival of such transport vehicle at the point of destination (except for carriage in urban or suburban communication) the carrier shall pay a fine to the passenger in the amount, fixed by the corresponding transport charter or code, unless he proves that the delay or lateness have taken place due to force majeure, the removal of the malfunction of transport vehicles threatening the lives and health of passengers or due to other circumstances beyond the carrier's control.

2. If the passenger refuses to be carried because of the delayed dispatch of a transport vehicle, the

carrier shall be obliged to return the fare to the passenger.

Article 796. The Liability of the Carrier for the Loss and Short Delivery of, and Damage to, Cargo or Baggage

1. The carrier shall be liable for the non-safety of cargo or baggage after it was accepted for carriage and before it was issued to the consignee, the person authorized by him or the person authorized to receive baggage, unless he proves that the loss and short delivery of, or damage to, cargo or baggage have taken place due to the circumstances which the carrier could not prevent and whose removal has not depended on him.

2. The damage caused during the carriage of cargo or baggage shall be recovered by the carrier in the following cases:

in case of the loss or short delivery of cargo of baggage - in the amount of the value of the lost or missing cargo or baggage;

in case of the damage to cargo or baggage - in the amount of the sum by which its value fell, and if it is impossible to restore the damaged cargo or baggage - in the amount of its value;

in case of the loss of cargo or baggage delivered for carriage with the announcement of its value - in the amount of the announced value of cargo or baggage.

The value of cargo or baggage shall be determined on the basis of its price, indicated in the seller's bill or envisaged by the contract, and in the absence of a bill or with reference to the price in the contract in terms of the price which under comparable circumstances is usually charged for similar goods.

3. In addition to the restitution of the ascertained damage, caused by the loss and short delivery or, or damage to, cargo or baggage, the carrier shall return to the consignor (consignee) the payment for carriage, recovered for the carriage of the lost, missing, spoiled or damaged cargo or baggage, if this payment is not a part of the value of cargo.

4. Documents on the causes of the non-safety of cargo or baggage (commercial report, general form statement, etc.), compiled by the carrier unilaterally, shall be subject to the appraisal by the court in case of a dispute in addition to other documents certifying the circumstances, which can serve as a ground for the liability of the carrier, consignor or consignee of cargo or baggage.

Article 797. Claims and Suits in the Carriage of Cargoes

1. Before bringing a suit against the carrier that follows from the carriage of cargo it is obligatory to make a claim on him in the procedure stipulated by the respective transport charter or code.

2. A suit against the carrier may be brought by the consignor or consignee in case of a full or partial refusal of the carrier to satisfy the claim or in case of non-receipt of a reply from the carrier within 30 days.

3. The period of limitation on the claims following from the carriage of cargo shall fixed in one year since the time, determined in keeping with transport charters and codes.

Article 798. Contracts for the Organisation of the Carriage of Cargo

In case of need for systematic carriage the carrier and the cargo owner may conclude long-term contracts for the organisation of carriage.

Under the contract of the organisation of the carriage of cargo the carrier shall undertake to accept in fixed time-limits, while the cargo owner shall undertake to present cargo for carriage in the stipulated scope. The contract for the organisation of the carriage of cargo shall determine the amounts, time-limits and other conditions for the provision of transport facilities and for the presentation of cargo for carriage, the procedure of payments, and also other conditions for the organisation of carriage.

Article 799. Contracts Concluded Between Transport Organisations

Contracts for the organisation of the work of ensuring the carriage of cargo (complex agreements, contracts for centralized delivery of cargo and others) may be concluded between the organisations of different kinds of transport.

Procedure for the conclusion of such contracts shall be determined by transport charters and codes, other laws and other legal acts.

Article 800. The Carrier's Liability for the Infliction of Harm to the Life and Health of a Passenger

The liability of the carrier for the harm inflicted to the life and health of a passenger shall be determined according to the rules of **Chapter 59** of this Code, unless the law or the contract of carriage provides for the carrier's increased liability.

Chapter 41. Transport Forwarding

Article 801. Contract of Transport Forwarding

1. Under the contract of transport forwarding one party (forwarding agent shall undertake to perform or organise the performance of the services of cargo carriage for reward and at the expense of the other party (consignor or consignee as a client).

The contract of transport forwarding may provide for the forwarder's obligation to organise the carriage of cargo by transport and along the route, chosen by the forwarding agent or the client, the obligation of the forwarding agent to conclude a contract (contracts) of the carriage of cargo on behalf of the client or on his own behalf, to ensure the dispatch and receipt of cargo, and also other obligations for carriage.

The contract of transport forwarding may provide as additional services such operations necessary for the delivery of cargo as the receipt of documents required for export or import, the performance of customs and other formalities, the inspection of the quantity and condition of cargo, its loading and unloading, the payment of duties, fees and other expenses to be incurred by the client, the storage of cargo, its receipt in the point of destination, and also the fulfilment of other operations and the provision of services, specified by the contract.

2. The rules of this Chapter shall also extend to the cases where in keeping with the contract the obligations of the forwarding agent shall be discharged by the carrier.

3. The conditions for the fulfilment of the contract of transport forwarding shall be determined by the agreement of the parties, unless otherwise stipulated by the **law** on transport forwarding, by other laws and other legal acts.

Article 802. The Form of the Contract of Transport Forwarding

1. The contract of transport forwarding shall be concluded in writing.

2. The client shall issue to the forwarding agent a power of attorney, if it is necessary for the discharge of his obligations.

Article 803. The Liability of the Forwarding Agent under the Contract of Transport Forwarding

For default on the obligations or improper discharge of obligations the forwarding agent shall bear liability on the grounds and in the amount which are determined in accordance with the rules of **Chapter 25** of this Code.

If the forwarding agent proves that the infringement of the obligation is caused by the improper execution of the contracts of carriage, the liability of this forwarding agent to the client shall be determined by the same rules under which the relevant carrier is liable to the forwarding agent.

Article 804. Documents and Other Information Submitted to the Forwarding Agent

1. The client shall be obliged to submit to the forwarding agent documents and other information about the properties of cargo, the terms of its carriage, and also other information needed for the discharge of the forwarder's obligation, specified by the contract of transport forwarding.

2. The forwarding agent shall be obliged to inform the client about the discovered shortcomings of received information, and in case of incomplete information to request from the client additional data.

3. In case of the non-submission of the necessary information by the client the forwarding agent shall have the right not to proceed to the discharge of relevant obligations until the time of presenting such information.

4. The client shall bear liability for the losses caused to the forwarding agent in connection with the breach of the obligation of presenting information, indicated in Item 1 of this Article.

Article 805. The Discharge of the Forwarding Agent's Obligations by a Third Party

If it does not follow from the contract of transport forwarding that the forwarder should discharge his duties in person, the forwarder shall have the right to draw other persons in the discharge of his obligations.

The entrustment of a third party with the discharge of the obligation shall not release the forwarder from the liability to the client for the execution of the contract.

Article 806. Unilateral Refusal to Execute the Contract of Transport Forwarding

Any party shall have the right to refuse to execute the contract of transport forwarding by warning the other party within a reasonable period.

In case of unilateral refusal to execute the contract the party which stated his refusal shall reimburse to the other party the losses caused by the dissolution of the contract.

Chapter 42. Loans and Credits

§ 1. Loans

Article 807. A Loan Agreement

1. Under a loan agreement one party (the lender) shall transfer or shall undertake to transfer into the ownership of the other party (borrower) money or things marked by generic features, or securities, while the borrower shall undertake to return to the lender the same sum of money (the loan amount) or the equal quantity of things of the same type and quality or of such securities.

If the lender in a loan agreement is a citizen, the agreement shall be deemed concluded from the time when the sum of the loan or other subject of the loan agreement are transferred to the borrower or to the person specified by him.

2. Foreign currency and **currency values** may be the subject of a loan agreement in the territory of the Russian Federation with the observance of the rules of **Articles 140**, **141** and **317** of this Code.

3. If the lender, by virtue of a loan agreement has undertaken to grant a loan, he is entitled to repudiate the agreement in full or in part where there are the circumstances clearly showing that the loan will not be returned in due time.

The borrower under the loan agreement by whose virtue the lender has undertaken to grant a loan is entitled to refuse to accept the loan in full or part, having notified the lender about it prior to the time of transfer of the subject of the loan or, if such time has not been fixed, at any time before receiving the loan, unless otherwise provided for by a law, other regulatory legal acts or the loan agreement under which the borrower is a person engaged in business activities.

4. A loan agreement may be concluded by way of bonds' placement. If a loan agreement is concluded by way of bonds' placement, in the bond or in the document consolidating the rights to the bonds shall be cited the right of its holder to receive at the time provided for by it from the person that has issued the bond the nominal value of the bond or other property equivalent to it.

5. The loan amount or other subject of a loan agreement transferred to a third party specified by the borrower shall be deemed transferred to the borrower.

6. The borrower being a legal entity is entitled to borrow citizens' monetary assets in the form of an

interest-bearing loan by way of a public offer or by way of making the proposal to make an offer forwarded to an indefinite circle of persons, if under law such legal entity is vested with the right to borrow citizens' monetary assets. The rule of this item shall not apply to issuance of bonds.

7. The specifics of granting an interest-bearing loan to the borrower being a citizen for the purposes which are not connected with business activities shall be established by laws.

Article 808. The Form of the Loan Agreement

1. A loan agreement between individuals shall be concluded in writing, if its sum of money exceeds 10 thousand roubles and regardless of the sum of money in case where the lender is a legal entity.

2. In acknowledgment of a loan agreement and its terms and conditions the borrower's receipt or another document certifying the transfer of a definite sum of money or a certain quantity of things may be presented.

Article 809. Interest under the Loan Agreement

1. Unless otherwise stipulated by law or a loan agreement, the lender shall have the right to receive from the borrower interest for the use of the loan in the amount and in the procedure, specified by the agreement. In the absence in the agreement of a clause on the amount of interest for the use of the loan, the latter shall be determined by the **key rate** of the Bank of Russia which was in effect in appropriate periods.

2. The rate of interest for using a loan may be fixed in the agreement as the annual interest rate in the form of a fixed value, or as the annual interest rate whose value may changed depending on the terms of the agreement, in particular depending on the change of a variable value, or in some other way enabling to estimate the proper rate of interest at the time of its payment.

3. In the absence of a different agreement the interest for using a loan shall be paid out every month up to the day of the return of the sum of the loan inclusive.

4. A loan agreement is supposed to be interest-free, unless otherwise stipulated expressly in cases, where:

the agreement is concluded between citizens, including individual businessmen, for a sum of money that does not exceed 100 thousand roubles;

under the agreement other things, marked by generic features, rather than money are transferred to the borrower.

5. The rate of interest for the use of a loan under a loan agreement concluded between citizens or between a legal entity which is not engaged in the professional activities involved in granting consumer loans and the borrower being a citizen which is two or more times as much as the interest normally collected in similar cases and is therefore excessively heavy for the debtor (usurious rate) may be reduced by court to the interest rate normally collected under comparable circumstances.

6. In the event of repayment ahead of time of the sum of an interest-bearing loan granted in compliance with **Item 2 of Article 810** of this Code, the lender is entitled to receive from the borrower the interest under the loan agreement charged up to the date of repayment of the sum of the loan or of a part thereof inclusive.

Article 810. The Borrower's Obligation to Return the Loan Agreement

1. The borrower shall be obliged to return to the lender the received loan amount in the period and in the order, prescribed by the loan agreement.

In cases where the term of the return of loan amount is not fixed by or determined by the time of demand, the loan amount shall be returned by the borrower during 30 days since the day of the making by the lender of the claim, unless otherwise stipulated by the contract.

2. Unless otherwise stipulated by the loan agreement, the amount of an interest-free loan may be returned by the borrower short of the term in full or in part.

The sum of an interest-bearing loan granted to an individual borrower for its use for personal, family, domestic or other purposes which are not connected with business activities may be repaid by the individual borrower ahead of time in full or in part, provided that the lender is notified of it at least thirty

days before the date of such repayment. A loan agreement may fix a shorter term for notifying the lender of the borrower's intent to repay monetary assets ahead of time.

The sum of an interest-bearing loan granted in other instances may be repaid ahead of time by approbation of the lender, in particular by approbation expressed in the loan agreement.

3. Unless otherwise stipulated by law or a loan agreement, the loan amount shall be deemed repaid at the time of its transfer to the lender, in particular at the time when the appropriate amount of monetary assets comes to the bank where the lender's bank account is opened.

Article 811. The Consequences of Breaking the Loan Agreement by the Borrower

1. Unless otherwise stipulated by the law or the loan agreement, in cases where the borrower fails to return on time the loan amount, interest on this sum of money shall be subject to payment in amount, envisaged by **Item 1 of Article 395** of this Code, from the day when it should have been returned to the day of its return to the lender, regardless of the payment of interest, specified by **Item 1 of Article 809** of this Code.

2. If the loan agreement provides for the return of the loan in parts (by instalment), then with the breach by the borrower of the period, fixed for the return of the regular part of the loan, the lender shall have the right to demand the anticipatory return of the entire remaining sum of the loan together with the interest for using the loan which are due at the time of its repayment.

Article 812. Contesting a Loan Agreement Due to the Lack of Money

1. The borrower shall have the right to prove that the subject of a loan agreement has not been received by him or has not been received in full (contesting a loan agreement due to the lack of money).

2. If a loan agreement is to be concluded in writing (**Article 808**), it shall be impermissible to contest it due to the lack of money by means of witness depositions, except when the agreement was concluded under the influence of fraud, violence, threat or the concurrence of hard circumstances, as well as by the borrower's representative in the prejudice of the interests thereof.

3. In the event of contesting a loan due to a lack of money, the extent of the borrower's liabilities shall be estimated on the basis of the monetary assets or other property transferred thereto or to a third party specified by him.

Article 813. The Consequences of the Loss of Security of the Borrower's Obligations

In case of default a borrower on the obligations stipulated by a loan agreement, to secure the return of the loan amount, and also in case of loss of the security or of a deterioration of its conditions due to the circumstances for which the lender is not answerable, the lender shall have the right to demand of the borrower the anticipatory return of the loan amount and payment of the interest due to him at the time of return of interest for using the loan, unless otherwise stipulated by the agreement. The interest due for the use of the loan shall be paid by the borrower according to the rules of **Item 2 of Article 811** of this Code.

Article 814. Special-purpose Loan

1. If a loan agreement is concluded with the proviso of using by the borrower the received pecuniary means for certain purposes (special-purpose loan), the borrower shall be obliged to ensure the possibility of exercising control by the lender over the special-purpose use of the loan.

2. If the borrower fails to meet the clause of a loan agreement on the special-purpose use of the loan, and also if he violates the obligations, provided for by **Item 1** of this Article, the lender shall have the right to refuse to further execute the loan agreement, to demand of the borrower the anticipatory return of the granted loan and the payment of interest due to him at the time of return of the interest for using the loan, unless otherwise stipulated by the agreement.

The interest which is due for using the loan shall be paid by the borrower according to the rules of **Item 2 of Article 811** of this Code.

Article 815. Invalid from June 1, 2018 - **Federal Law** No. 212-FZ of July 26, 2017

Article 816. Invalid from June 1, 2018 - **Federal Law** No. 212-FZ of July 26, 2017

Article 817. The State Loan Agreement

1. Under the state loan agreement the role of the borrower shall be played by the Russian Federation or its subject, while that of the lender shall be played by an individual or a legal entity.

2. State loans shall be voluntary.

3. A state loan agreement shall be concluded through the acquisition by the lender of the issued state bonds or other government securities certifying the right of the lender to receive from the borrower the pecuniary means lent to him or, depending on the loan terms, other property, fixed interest or other property rights within the periods of time, specified by the terms of the floated loan.

The state loan agreement may be also concluded in other forms provided for by the **budgetary legislation**.

4. It shall be impermissible to change the terms of a floated loan.

5. The rules for the state loan agreement shall be applied accordingly to the loans issued by a municipal body.

Article 818. Novation of a Debt by Its Acknowledgment

1. Under the agreement of the parties the debt which has arisen from purchase and sale, the lease or on any other ground may be replaced by the acknowledgment of the debt.

2. The novation of the debt by its acknowledgment shall be carried out with the observance of the requirements for novation (**Article 414**) and shall be done in the form, specified for the conclusion of a loan agreement (**Article 808**).

§ 2. Credit

Article 819. The Credit Agreement

1. Under the credit agreement the bank or any other credit organisation (creditor) shall undertake to grant monetary means (credit) to a borrower in the amount and on the terms, stipulated by the agreement, while the borrower shall undertake to return the received sum of money and pay the interest for using it, as well as other payments provided for by the credit agreement, including those connected with granting a credit.

In the event of granting a credit to a citizen for the purposes which are not connected with business activities (in particular the credit under which the borrower's obligations are secured by mortgage), the restrictions, instances and specifics of collecting other payments cited in Paragraph One of this item shall be defined by the law on consumer credit (loan).

1.1. if a credit is used by the debtor in full or in part for the discharge of obligations under the credit that has been earlier granted thereto by the same creditor and under the agreement the credit is used without entering onto the debtor's bank account for execution of the previously granted credit, such credit shall be deemed granted from the time of receiving by the debtor from the creditor in the procedure provided for by the agreement data on repayment of the previously granted credit.

2. The rules specified by the first paragraph of this Chapter shall be applied to the relations covered by the credit agreement, unless otherwise stipulated by the rules of **paragraph one** of the present Chapter and unless the contrary follows from the substance of the credit agreement.

Article 820. The Form of the Credit Agreement

A credit agreement shall be concluded in writing.

The non-observance of the written form shall invalidate the credit agreement. Such agreement shall be deemed to be null and void.

Article 821. The Refusal to Grant or Receive Credit

1. The creditor shall have the right to refuse to grant to the borrower a credit in full or in part, as envisaged by the credit agreement in the presence of circumstances which expressly testify to the fact that the sum of money given to the borrower will not be returned in due time.

2. The borrower shall have the right to refuse to receive credit in full or in part by notifying the creditor about this until the time fixed by the agreement, unless otherwise stipulated by the law, other legal acts or the credit agreement.

3. If the borrower contravenes the obligation of a special-purpose use of credit (**Article 814**), provided for by the credit agreement, the creditor shall also have the right waive the further crediting of the borrower under the agreement.

Article 821.1. The Creditor's Demand to Repay Credit Ahead of Time

The creditor is entitled to demand the preschedule repayment of credit where it is provided for by this Code, other laws and, if credit is granted to a legal entity or individual businessman, also as provided for by the credit agreement.

§ 3. Credit Against Goods and Commercial Credit

Article 822. Credit Against Goods

The parties may conclude a contract providing for the obligation of one party to give to the other party things defined by generic features (the agreement on credit against goods). The rules of the **paragraph 1** of this Chapter shall be applicable to such agreement, unless otherwise stipulated by such agreement and unless the contrary follows from the substance of the obligation.

The conditions on the quantity, assortment, completeness, quality, tare and/or packing of given things shall be implemented in accordance with the rules governing the contract of sale (**Articles 465-485**), unless otherwise stipulated by the agreement on credit against goods.

Article 823. Commercial Credit

1. Contracts whose execution is associated with the transfer to the other party of sums of money or other things, defined by generic features, may provide for the granting of credit, including that in the form of advance, prepayment, deferment or instalment payment for goods, works or services (commercial credit), unless otherwise stipulated by the law.

2. The rules of this Chapter shall be applicable to commercial credit, unless otherwise stipulated by the rules on the agreement which has given rise to the appropriate obligation and unless this contradicts the substance of such obligation.

Chapter 43. Financing Against the Assignment of a Monetary Claim

Article 824. An Agreement on Financing Against the Assignment of a Monetary Claim

1. Under an agreement on financing against the assignment of a monetary claim (a factoring agreement) one party (client) shall undertake to assign to the other party being the financial agent (the factor) monetary claims against a third party (debtor) and to pay for the rendered services, while the financial agent (the factor) shall undertake to make at least the following two actions connected with the monetary claims being the subject of assignment:

1) to transfer to the client monetary assets on account of the monetary claims, in particular in the form of a loan or preliminary payment (advance payment);

2) to register the client's monetary claims against third parties (debtors);

3) to exercise the rights in respect of the client's monetary claims, in particular to raise monetary

claims against debtors for payment, to receive payments from debtors and to make settlements connected with monetary claims;

4) to exercise the rights under agreements on securing the discharge of debtors' obligations.

2. The obligations of the financial agent (factor) under a factoring agreement may comprise keeping accounts for the client, as well as rendering to the client other services connected with the monetary claims which are the subject of assignment.

3. The rules of **Chapter 24** of this Code shall apply to the relations connected with assignment of the right of claim under a factoring agreement insofar as they are not regulated by this chapter.

4. The civil circulation participants may also make other agreements under which the assignment of monetary claims is effected and which provide for the duty of one of the parties to make one or several actions cited in **Subitems 1-4 of Item 1** of this article.

5. If by virtue of a factoring agreement the financial agent (factor) is obliged to pay the price of the monetary claims acquired by him, to grant to the client a loan (credit) or to render services to the client, the rules of accordingly purchase and sale, of loan (credit) and onerous rendering of services shall apply to the relations of the parties to the factoring agreement insofar as it does not contravene the provisions of this chapter and the essence of relations under the factoring agreement.

Article 825. Financial Agent

Commercial organisations may conclude, in the capacity of a financial agent, contracts of factoring.

Article 826. The Monetary Claim Being the Subject of Assignment

1. Seen as the subject of assignment under a factoring agreement may be a monetary claim or monetary claims:

1) in respect of an existing obligation, in particular in respect of the obligation resulting from a concluded agreement for which the payment time has come or has not come (the existing claim);

2) in respect of an obligation which is to originate in future, in particular from an agreement that will be concluded in future (a future claim) (**Article 388.1**).

2. A monetary claim shall pass over to the financial agent (factor) at the time of making a factoring agreement, unless otherwise established by such agreement. With that, a future claim shall pass over to the financial agent (factor) at the time of its origination, unless it is provided by the agreement that the future claim shall pass over later.

3. If a factoring agreement is concluded before the time of transfer of a monetary claim to the financial agent (factor), additional legalization of the monetary claim's transfer is not required.

Article 827. The Client's Liability to the Financial Agent

1. Unless the contract of factoring provides otherwise, the client shall bear liability to the financial agent for the invalidity of the monetary claim that is the subject of the assignment.

2. Invalid from June 1, 2018 - **Federal Law** No. 212-FZ of July 26, 2017

3. A client shall not be answerable for the non-fulfilment or improper fulfilment by the debtor of the claim which is the subject of assignment in case the financial agent presents it for execution, unless otherwise stipulated by the contract between the client and the financial agent.

Article 828. Invalidity of the Ban on the Assignment of a Monetary Claim

1. The assignment of a monetary claim to the financial agent shall be actual, if even there is an agreement on its ban or restriction between the client and his debtor or between the client and the person that has assigned the right of claim to him.

2. The provision established by Item 1 of this Article shall not release the client from obligations or liability to the debtor or to the other party in connection with the assignment of the claim in violation of the existing agreement between them on its ban or restriction.

Article 829. The Subsequent Assignment of a Monetary Claim

1. If the assignment of a monetary claim to the financial agent (factor) is made for the purpose of acquisition of the cited claim by him, the subsequent assignment of the monetary claim by the financial agent (factor) shall be allowed, unless the factoring agreement provides for otherwise.

2. If the assignment of a monetary claim to the financial agent (factor) is made for the purpose of securing the discharge of the client's obligations towards the financial agent (factor) or for the purpose of rendering by the financial agent (factor) to the client the services connected with the monetary claims being the subject of assignment, the subsequent assignment of the monetary claim by the financial agent (factor) shall not be allowed, under the factoring agreement provides for otherwise.

3. The provisions of this chapter shall apply to the subsequent assignment of a monetary claim by the financial agent (factor), respectively.

Article 830. The Execution of a Monetary Claim by the Debtor to the Financial Agent

1. The debtor shall be obliged to make payment to the financial agent (factor), provided that he has received from the client or the financial agent (factor) a written notification about the assignment of a monetary claim to this financial agent (factor) and that the notification defines the monetary claim subject to execution or a method for defining it, and also indicates the person whom payment is to be made to.

2. At debtor's request the financial agent shall be obliged to submit to the debtor within a reasonable period of time evidence of the fact that the assignment of the monetary claim has in fact taken place. If the financial agent fails to execute this obligation, the debtor shall have the right to make payment to the client in pursuance of his obligation to the latter.

3. The execution of the monetary claim by the debtor in keeping with the rules of this Article shall release the debtor from the relevant obligation to the client.

Article 831. The Rights of the Financial Agent (Factor) to the Amounts Received from the Debtor

1. If under a factoring agreement a monetary claim has been assigned for the purpose of acquisition of this claim by the financial agent (factor), the latter shall acquire the right to all the sums of money he shall receive from the debtor in pursuance of the cited claim, while the client shall bear no liability to the financial agent (factor) for the fact that the sums of money received by him have proved to be less than the price for which the agent has bought the cited claim, unless otherwise provided for by the agreement.

2. If a monetary claim has been assigned to the financial agent (factor) for the purpose of securing the discharge of the client's obligation torwards him and unless the factoring agreement stipulates otherwise, the financial agent (factor) shall be obliged to submit his report to the client and, after receiving execution from the debtor, to transfer to the client the sum of money exceeding the sum of the client's debt secured by the assignment of the claim. By virtue of the assignment of a monetary claim for the purpose of securing the discharge of the client's obligation upon receiving by the financial agent (factor) the monetary assets from the debtor in compliance with the monetary claim assigned to the financial agent (factor) by the client, the client's obligation towards the financial agent (factor) shall be deemed properly discharged to the extent to which the debtor has discharged his obligation toward the financial agent (factor). If the monetary assets received by the financial agent (actor) from the debtor have proved to be less than the amount of the debt of the client to the financial agent (factor), secured by the assignment of the claim, the client shall remain liable to the financial agent for the remainder of the debt.

3. Where a monetary claim has been assigned for the purpose of rendering by the financial agent (factor) to the client services connected with the monetary claims being the subject of the assignment, the financial agent (factor) is bound to present a report to the client and to transfer thereto all the amounts received in pursuance of the assigned monetary claims while the client shall be bound to pay for the services rendered.

4. The financial agent (factor) is entitled when transferring monetary assets to the client to present for setting off his monetary claims under the agreement.

Article 832. Counter Claims of the Debtor

1. If the financial agent applies to the debtor with the claim for payment, the debtor shall have the right, in keeping with **Articles 410 - 412** of this Code, to present for the offset his monetary claims based on the contract with the client, which the debtor had by the time when he received the notice about the assignment of the claim to the financial agent.

2. The claims which the debtor could present to the client in connection with the breach by the latter of the agreement on the ban on the restriction of the assignment of the claim shall be invalid in respect of the financial agent.

Article 833. The Return to the Debtor of the Amounts Received by the Financial Agent (Factor)

In case where the client has breached his obligations under the contract concluded with the debtor, the latter shall have no right to demand of the financial agent (factor) the return of the sums of money paid to him. The appropriate claim may be raised by the debtor towards the client.

Chapter 44. Bank Deposit

Article 834. The Bank Deposit Agreement

1. Under the bank deposit agreement one party (the bank), which has received the monetary sum (deposit) from the other party (depositor) or the receipts due to it (deposit), shall undertake to return the amount of the deposit and pay interest on it on the terms and in the procedure specified by the agreement. Unless otherwise provided for by law, a bank at the request of the depositor being a citizen may remit monetary assets onto the account cited by the depositor instead of issuance of the deposit thereof and of interest on it.

2. The bank deposit agreement in which a private person is a depositor shall be deemed to be a public agreement (**Article 426**).

3. The rules of the bank deposit agreement (**Chapter 45**) shall be applicable to the relations between the bank and the depositor involved in the account on which the deposit has been placed, unless otherwise stipulated by the rules of this Chapter or unless the contrary follows from the substance of the bank deposit agreement.

Unless otherwise provided for by law, legal entities are not entitled to remit contributed (deposited) monetary assets to other persons.

4. The rules of this Chapter relating to bank shall also be applicable to other credit organisations which accept deposits from legal entities in keeping with the law.

Article 835. The Right of Attraction of Monetary Means for Making Deposits

1. The right to attract monetary means for making deposits shall belong to the banks to which such right has been accorded in conformity with the permit (license), issued in the statutory procedure.

2. If a deposit is accepted from an individual by the person who has no right to do so or in contravention of the procedure, established by the law or by the bank rules adopted in accordance with it, the depositor may demand the immediate return of the amount of the deposit, and also the payment of the relevant interest, stipulated by **Article 395** of this Code, and the reimbursement of all the losses caused to the investor over and above the amount of interest.

If such person has accepted the pecuniary means of a legal entity on the terms of the bank deposit agreement, such agreement shall be null and void (**Article 168**).

3. Unless otherwise stipulated by the law, the consequences, provided for by Item 2 of this Article, shall also be applicable in the cases of:

the attraction of monetary resources of individuals and legal entities by means of sale to them of shares and other securities whose issue has been recognized as illegal;

the attraction of monetary resources of individuals for making deposits against the bills or other securities which exclude the receipt of their holders of their deposits as soon as demanded and the exercise by the depositors of other rights, envisaged by the rules of this Chapter.

Article 836. The Form of the Bank Deposit Agreement

1. A bank deposit agreement shall be concluded in writing.

The written form of a bank deposit agreement shall be deemed to be observed, if the placement of a deposit is certified with a savings book, a savings or deposit certificate, or with any other document issued by the bank to the depositor which complies with the requirements, stipulated by the law for such documents, introduced by the bank rules in conformity with the law and applicable in banking practice by the customs.

2. Non-observance of the written form of the bank deposit agreement shall invalidate this agreement. Such agreement shall be void.

Article 837. Types of Deposits

1. A bank deposit agreement shall be concluded under the terms of issuance of a deposit as soon as demanded (call deposit) or under the terms of the return of a deposit upon the expiry of the time period specified by the agreement (time fixed deposit). The agreement may provide for the placement of deposits under the different terms of their return which are not inconsistent with the law.

2. Under a bank deposit agreement of any type made with a citizen the bank shall be obliged in any case to issue the sum of the deposit or of a part thereof, as well as appropriate interest on it, as soon as demanded by the depositor (except for the deposits whose entry is certified by the savings certificate with the terms not providing for the depositor's right to receive the deposit thereof as soon as demanded).

3. The time of and procedure for issuance of the amount of a deposit or of a part thereof, as well as of appropriate interest on it, to a legal entity under an agreement of bank deposit of any kind shall be defined by a bank deposit agreement.

4. The clause of the agreement as to the citizen's waiver of the right to receive a time fixed deposit or a call deposit at short notice as soon as demanded shall be void, except when the entry of a deposit is certified by the savings certificate whose terms do not provide for the depositor's right to receive the deposit as soon as demanded.

5. Where a fixed term deposit is returned to its holder as soon as demanded before the expiry of the term or the onset of other circumstances indicated in the bank deposit agreement, interest on deposits shall be paid out in the amount corresponding to the rate of interest paid out by the banks for deposits at short notice, unless the agreement of bank deposit provides for a different amount of interest.

6. In cases where the depositor does not demand the return of the sum of his time fixed deposit upon the expiry of the term or upon the onset of the circumstances specified by the agreement, the agreement shall be deemed to be prolonged on the terms of the call deposit, unless otherwise stipulated by the agreement.

7. Where the entry of a deposit is certified by a savings or depository certificate, all the rights under the agreement of bank deposit shall be held by the owner of an appropriate certificate.

Article 838. Interest on Deposits

1. The bank shall pay out to a depositor interest on his deposit in the amount defined by the bank deposit agreement.

In the absence in the agreement of a clause on the rate of interest to be paid out the bank shall be obliged to pay out interest in the amount, defined in accordance with **Item 1 of Article 809** of this Code.

2. Unless otherwise stipulated by the bank deposit agreement, the bank shall have the right to change the rate of interest paid out on the call deposits.

If the bank increases the rate of interest, the new interest rate shall be applied to the deposits made before the announcement on the diminution of the interest rate to depositors, upon the expiry of the month

since the time of the relevant announcement, unless otherwise stipulated by the contract.

3. The interest rate, defined by the bank deposit agreement on the deposit made by a private person on the terms of its issue upon the expiry of a definite time or upon the onset of the circumstances provided for by the agreement, may not be decreased by the bank unilaterally, unless otherwise stipulated by the law. Under such bank deposit agreement, concluded by the bank with a legal entity, the interest rate may not be changed unilaterally, unless otherwise stipulated by the law or the agreement. In the agreement of bank deposit under which the entry of a deposit is certified by a savings or depository certificate the rate of interest may not be unilaterally changed.

Article 839. Procedure for Adding Interest on Deposits and Its Payment

1. Interest on the sum of a bank deposit shall be added from the day that follows the day of its receipt by the bank until the day of its return to the depositor inclusive, and if it has been withdrawn from the account of the depositor on other bases, then until the day of the withdrawal inclusive.

2. Unless otherwise stipulated by the bank deposit agreement, interest on the sum of the bank deposit shall be paid out to the depositor on his demand upon the expiry of each quarter separately from the amount of the deposit, while the uncalled interest shall increase the amount of the deposit on which interest is cast.

In case of the return of a deposit all the interest added by this time shall be paid off.

Article 840. Security for the Return of a Deposit

1. The return of deposits of individuals by the bank shall be secured by the obligatory insurance of deposits in keeping with the **law** and by other methods in statutory cases.

2. Methods of the bank's security for the return of deposits of legal entities shall be defined by the bank deposit agreement.

3. During the conclusion of a bank deposit agreement the bank shall be obliged to provide the depositor with information about the secured return of the deposit.

4. If the bank fails to discharge the obligation of securing the return of a deposit, envisaged by the law or the bank deposit agreement, and also in case of the loss of security or the deterioration of its conditions the depositor shall have the right to demand that the bank should immediately return the sum of the deposit, pay out interest in the amount, defined in conformity with **Item 1 of Article 809** of this Code and indemnify the caused losses.

Article 841. The Placement of Monetary Means by Third Parties on the Depositor's Account

Unless otherwise stipulated by the bank deposit agreement, the account of the depositor shall receive the monetary means credited to the bank's account by third parties with an indication of the essential data on his deposit account. In this case it is supposed that the depositor has expressed his consent with the receipt of monetary means from such persons and furnished to them the essential data on the deposit account.

Article 842. Deposits in Favour of Third Parties

1. A deposit may be in the bank in favour of a definite third party. Unless otherwise stipulated by the bank deposit agreement, such person shall acquire the depositor's rights since the time of presenting to the bank the first claim based on these rights or expressing his intention of availing himself of such rights by any other method.

The indication of the name of an individual (**Article 19**) or the name of a legal entity (**Article 54**) in whose favour a deposit is made is an essential condition of the relevant bank deposit agreement.

The bank deposit agreement in favour of the individual who died at the time of the conclusion of the agreement or at the time of the non-existence of the legal entity shall be void.

2. Before a third party expresses his intention to avail himself of the depositor's rights, the person who has concluded a bank deposit agreement may avail himself of the depositor's rights in respect of

monetary means placed on the deposit account.

3. The rules for the agreement in favour of a third party (**Article 430**) shall be applicable to the bank deposit agreement in favour of the third party, unless this contradicts the rules of this Article and the substance of the bank deposit.

Article 843. The Savings Book

1. The bank deposit agreement made with a citizen may provide for the issuance of a personal savings book.

The savings book shall indicate and certify by the bank its name and location (**Article 54**), and if a deposit is made in its branch, this book shall also indicate the name and place of its branch, the deposit account number, and also all the sums of money charged to the account, all the sums of money written off the account, and the remainder of cash on the account at the time of presenting the savings book to the bank.

Unless a different condition of the deposit is proved, the data on the deposit contained in the savings book shall be aground for settlements between the bank and the depositor.

2. The payment of a deposit and interest on it and the fulfilment of the instructions of the depositor on the transfer of money from the deposit account to other persons shall be effected by the bank upon the production of the savings book.

If the registered savings book has been lost or brought into a faulty state for presentation, the bank shall give to the depositor a new savings book upon his application.

This paragraph is invalid from June 1, 2018 - **Federal Law** No. 212-FZ of July 26, 2017

Article 844. The Savings and Depository Certificates

1. The **savings and depository certificate** shall be personal certified securities that certify the fact of entering by a depositor the amount of a deposit with a bank under the terms which are cited in an appropriate certificate and the right of the owner of such certificate to receive upon the expiry of the time period fixed by the certificate the sum of the deposit and of the interest stipulated by the certificate at the bank that has issued the certificate.

The savings certificate may only be held by a natural person, in particular by an individual businessman.

The sum of a deposit whose entry is attested by a savings certificate is subject to insuring in compliance with the **law** on insuring deposits of natural persons.

A depository certificate may be only held by a legal entity.

2. Interest on a savings or depository certificate shall be fixed and paid under the terms endorsed by a bank and at the time specified by the savings or depository certificate.

3. A bank is entitled to issue savings and depository certificates whose terms do not provide for the right of an appropriate certificate's holder to receive the deposit as soon as demanded, with that, such certificate shall contain an indication of the absence of the depositor's right to receive a call deposit ahead of time.

4. Where savings and depository certificates provide for the right of the holder of an appropriate certificate to receive a call deposit, a bank, should the holder of an appropriate certificate make a claim for issuance of monetary assets ahead of time, shall pay the sum of the deposit and interest in the amount paid on call deposits, unless a different rate of interest is fixed by the terms of an appropriate certificate.

5. Savings or depository certificates may be issued under the terms of freezing (**Article 148.1**), in particular of freezing by way of their storage at the bank that has issued them, provided that such bank in compliance with law is entitled to store certified securities and/or register the rights to securities. In the event of freezing, such certificates shall not be handed in to their owners while the rights of such certificates' holders shall be consolidated in a single certificate whose **requisite** shall be established by the Bank of Russia.

Article 844.1. The Specifics of an Agreement of Bank Deposit in Precious Metals

1. Under an agreement of bank deposit whose subject is a precious metal having a definite denomination (deposit in precious metals) a bank shall undertake to return to the depositor the precious metal having the same denomination and the same weight as the deposited one or to issue monetary assets in the amount which is equivalent to the value of this metal, as well as pay out the interest provided for by the agreement.

2. An agreement of bank deposit in precious metals shall contain without fail an indication of the precious metal, the rate of interest on the deposit and the form of their receiving by the depositor, as well as a procedure for estimation of the amount of monetary assets to be paid out, where the possibility of such issuance is provided for by the agreement.

3. Unless otherwise established by law or results from the essence of an obligation, the rules for deposits provided for by this Code, in particular the rules of **Paragraph Seven of Item 1 of Article 64** of this Code, shall apply to the relations under an agreement of bank deposit in precious metals.

4. The rules of **Item 1 of Article 840** of this Code for securing the return of citizens' deposits by way of insuring natural persons' deposits in compliance with law shall not apply to the relations under an agreement of bank deposit in precious metals and a citizen shall be notified about it in writing prior to making an agreement of bank deposit in precious metals while a bank shall receive from the citizen a confirmation that such notification has been effected.

Chapter 45. Bank Account

§ 1. General Provisions on Bank Account

Article 845. A Bank Account Agreement

1. Under a bank account agreement a bank shall undertake to accept and enter monetary assets coming to the account opened for a client (account holder), to implement the client's instructions on remittance onto, and the issuance of, relevant sums of money from the account and on making other operations on the account.

2. The bank may use the monetary means available on the account, while guaranteeing the client's right to freely dispose of these assets.

3. A bank shall have no right to determine and control allocation of a client's monetary assets and to establish other restrictions in respect of the client's right to dispose of the monetary assets thereof which are not provided for by law or by a bank account agreement.

4. The rights to the monetary assets kept on an account shall be deemed possessed by a client within the limits of the balance thereof, except for the monetary assets in respect which for the recipient of monetary assets and/or for the bank servicing him the possibility has been conformed in compliance with the banking rules or agreement to follow the client's instructions as to writing off monetary assets within the time period fixed by the agreement but at most within 10 days. Upon the expiry of the cited time period the monetary assets kept on the account in respect of which the possibility has been confirmed to follow the client's instructions shall be deemed possessed by the client.

5. In the event of making an agreement of bank account with several clients (joint account), seen as such clients may be solely natural persons subject to the restrictions imposed by the currency legislation of the Russian Federation. The rights to the monetary assets kept on an account shall be deemed possessed by such persons in the shares to be determined in proportion to the amounts of monetary assets entered by each of the clients or by third parties for the benefit of each of the clients, unless otherwise provided for by a bank account agreement (the agreement has established disproportion). If a bank account agreement is made by clients being spouses, the right to the monetary assets kept on their joint account shall be the joint rights of the clients being spouses (**Article 256**), unless otherwise provided for by the marriage contact thereof, of whose making the clients being spouses have notified the bank.

6. The rules of this chapter related to banks shall also apply to other credit organisations when they conclude and execute a bank account agreement in compliance with the issued permit (licence).

7. The rules of this chapter shall apply to the relations under a bank account agreement with the use of an electronic payment means and to relations under the digital rouble account agreement, unless otherwise provided for by the **legislation** of the Russian Federation on the national payment system.

Article 846. The Conclusion of a Bank Account Agreement

1. When making a bank account agreement, an account shall be opened with a bank for the client or for the person indicated by him on the terms agreed upon by the parties thereto.

2. A bank shall be obliged to conclude a bank account agreement with the client who has made his offer to open an account on the conditions announced by the bank for the accounts of the given type, which meet the requirements of the law and the **bank rules**, established in conformity with it.

The bank shall have no right to refuse to open an account, the corresponding operations on which are stipulated by the law, the bank's articles and the permit (licence) issued to it, except when such refusal has been caused by the bank's having no possibility to accept the account for banking servicing or is allowed by the law or other legal acts.

If a bank evades the conclusion of a bank account agreement on a groundless basis, the client shall have the right to raise with it the claims thereof, provided for by **Item 4 of Article 445** of this Code.

3. A bank account may be opened under the terms of using an electronic payment means.

4. A bank account, upon application of a minor between the ages of fourteen and eighteen, shall be opened in accordance with **Item 5 of Article 26** of this Code.

Article 847. The Procedure for Disposing of the Monetary Assets Kept on an Account

1. The rights of the persons who implement on behalf of a client the instructions thereof on the transfer and payment of monetary assets from the account shall be certified by the client by means of presenting to the bank the documents provided for by law, the **bank rules** established in conformity with it and a bank account agreement.

2. A client may give instructions to a bank to write monetary assets off the account thereof on the demand of third parties, including the one connected with the discharge by the client of his obligations towards these persons. The bank shall accept these instructions, provided they indicate in writing the necessary data enabling when making the appropriate demand to identify the person who has the right to make it.

3. A bank shall follow the order to write off monetary assets if there are not enough monetary assets on a bank account, if this bank account is included in compliance with a bank account agreement in a group of bank accounts, in particular of those held by various persons, and there are enough monetary assets on all the bank accounts included into the cited group for following the client's order. With that, such writing off shall not be deemed the account's crediting.

4. An agreement may provide for certification of the rights to dispose of the monetary assets kept on the account by using electronic payment facilities and other methods with the use in them of the analogues of the manual signature (**Item 2 of Article 160**), codes, passwords and other means confirming that instructions have been given by the person authorised to do it.

Article 848. Bank Operations on an Account

1. A bank shall be obliged to carry out for the client the operations which are provided for the accounts of the given type by the law, the bank rules established by compliance with it, and the customs applicable in banking practice, unless otherwise stipulated by a bank account agreement.

2. The law may provide for instances when a bank is bound to refuse to enter monetary assets onto a client's account or to write them off the client's account.

3. Unless otherwise established by the law, a bank account agreement may provide for instances when a bank is bound to refuse to enter monetary assets onto the client's account or to write them off the client's account.

Article 849. Deadlines for Operations on Accounts

A bank shall be obliged to enter the monetary assets that have come for a client at the latest within the day that follows the date of receipt by the bank of the relevant payment document, unless the law, the bank rules established in compliance with it or a bank account agreement provide for a shorter time period.

A bank shall be obliged on the client's instructions to pay out or write the client's monetary assets off the account thereof at the latest within the day that follows the day of receipt by the bank of the relevant payment document, unless the law, the bank rules issued in accordance with it or a bank account agreement provide for different deadlines.

Article 850. Account Crediting

1. When in conformity with a bank account agreement a bank makes payments off the account despite the absence of monetary assets (account crediting), the bank shall be deemed to have granted to a client a credit in the appropriate amount since the day when such payment is made.

2. The rights and duties of the parties associated with account crediting shall be determined by the rules for loans and credits (**Chapter 42**), unless the bank account agreement provides for otherwise.

Article 851. Covering the Bank's Expenses on Operations on an Account

1. Where it is provided for by a bank account agreement, a client shall pay for the bank's services involved in the operations with the monetary assets placed on the account.

2. A charge for the bank's services, provided for by **Item 1** of this Article, may be collected by the bank upon the expiry of each quarter out of the monetary assets of the client kept on the account, unless otherwise stipulated by a bank account agreement.

Article 852. Interest Paid by a Bank for the Use of Monetary Assets by a Bank

1. Unless otherwise stipulated by a bank account agreement, a bank shall pay interest in the amount fixed by the bank account agreement for the use of monetary assets kept on the client's account in the amount whose sum shall be entered onto the client's account.

The amount of interest shall be entered onto the account at the time provided for by the agreement, or upon the expiry of each quarter where such time is not envisaged by the agreement.

2. If a bank account agreement does not fix the rate of interest cited in **Item 1** of this article, the interest shall be paid in the amount normally paid by a bank on call deposits (**Article 838**).

Article 853. Offsetting Counter Claims of a Bank and Client on an Account

A bank's monetary claims against a client, associated with account crediting (**Article 850**) and payment for the bank's services (**Article 851**), and also a client's claims against a bank for payment of interest for the use of monetary assets (**Article 852**), shall be terminated by offsetting (**Article 410**), unless otherwise stipulated by a bank account agreement.

The said claims shall be set off by a bank. The bank shall be obliged to inform the client about the offset in the procedure and at the time provided for by the agreement, but if the appropriate conditions are not agreed upon by the parties, the bank shall be obliged to inform the client about the offset in the procedure and at the time which are common for the banking practice of providing clients with information about the status of their monetary assets on a relevant account.

Article 854. The Grounds for Writing Monetary Assets Off an Account

1. A bank shall write monetary assets off a client's account on the basis of instructions thereof.

2. Without the client's instructions the monetary assets kept on the account thereof may be written off by a court decision, and also where it is established by the law or provided for by the agreement between the bank and the client.

Article 855. The Order of Writing Off Cash from an Account

1. In the presence on an account of the monetary assets whose amount is sufficient to meet all the

claims against this account, these monetary assets shall be written off the account in the order in which the client's instructions and other documents for writing off monetary assets come (calendar order), unless otherwise stipulated by the law.

2. If monetary assets on an account are insufficient to meet all the claims made against it, these monetary assets shall be written off in the following sequence:

in the first place, the monetary assets shall be written off according to the executive documents which provide for the remittance or issuance of monetary assets from the account to meet the claims for reparation of harm inflicted on human life and health, and also claims for the recovery of alimony;

in the second place, monetary assets shall be written off according to the executive documents which provide for the remittance or issuance of monetary assets for the settlements involved in the payment of dismissal benefits and labour remunerations with the persons working under a labour agreement (contract) and in the payment of fees to the authors of the results of intellectual activity;

in the third place, the writing-off shall be carried out on the basis of the payment documents stipulating the remittance or issuance of monetary funds for settlements in the remuneration of labour with the persons working under a labour agreement (contact), according to the instructions of tax authorities to write off and remit debts on payment of taxes and fees to the budgets of the budgetary system of the Russian Federation, as well as according to the instructions of the bodies exercising control over payment of insurance contributions to write off and remit the sums of insurance contributions to the budgets of the state off-budget funds;

in the fourth place, monetary assets shall be written off on the basis of the executive documents providing for satisfaction of other monetary claims;

in the fifth place, monetary assets shall be written off according to other payment documents in the calendar order.

Monetary assets shall be written off the account according to the claims of the same turn in the calendar order of the documents' receipt.

Article 856. The Bank's Liability for Improper Making of Operations on an Account

If the monetary assets to be received by a client are not entered onto the client's account in due time or if a bank has written them off the account groundlessly, and also in the event of non-implementation of the client's instructions on the transfer of monetary assets off the account or on their issuance from the account, the bank shall be obliged to pay interest on this sum in the order and in the amount, prescribed by **Article 395** of his Code, regardless of payment of the interest provided for by **Item 1 of Article 852** of this Code.

Article 857. The Bank Secrecy

1. A bank shall guarantee the secrecy of a bank account and a bank deposit, of operations on the account and information on clients.

2. The information constituting a banking secret may be only provided to the clients themselves or to their representatives, and it may be also supplied to credit history bureaus on the grounds and in the procedure provided for by a law. Such information may be only provided to state bodies and to their officials in the instances and in the procedure provided for by **law**.

3. Should a bank divulge information constituting the bank's secrecy, the client whose rights have been infringed shall have the right to demand of the bank compensation for the losses caused.

Article 858. Restrictions as to the Disposal of Accounts

1. Unless otherwise stipulated by law or agreement, no restrictions shall be allowed as to the disposal of the monetary assets kept on an account, an exception being made for the attachment of the monetary assets kept on an account or for the suspension of operations on an account, in particular for blocking (freezing) of assets as stipulated by the law.

2. It shall not be allowed to arrest monetary assets kept on a joint account in respect of the

commitments of one of the holders of such account in the amount exceeding the share of the monetary assets possessed by this owner of the joint account which is fixed by an agreement or law.

Where a joint bank account agreement is made the clients being spouses who have not made a marriage contract, the monetary assets of the joint account shall be attached in compliance with the rules of the **family legislation** on levying execution against the spouses' property in respect of the spouses' joint commitments and in respect of the commitments of one of them.

3. The dissolution of a bank account agreement shall not serve as the ground for lifting the arrest imposed upon the monetary assets kept on the account or for the reversal of suspension of operations on the account. On such occasion, the cited measures aimed at restricting the disposal of the account shall extend to the balance of monetary assets on the account (**Item 5 of Article 859**).

Article 859. The Dissolution of a Bank Account Agreement

1. A bank account agreement shall be dissolved by a client's application at any time.

2. In the absence within two years of monetary assets on the account of a client being a citizen who is not an individual businessman, a bank shall be entitled to unilaterally refuse to execute a bank account agreement, having warned the client about it in writing or in some other way provided for by law, if the bank account agreement does not provide for a waiver of this right by the bank.

In the absence within two years or within another time period provided for by a bank account agreement of operations on this account of a client being a legal entity or an individual businessman, a bank is entitled to unilaterally refuse to execute the bank account agreement, having warned the client about it in writing or in some other way provided for by law, if the bank account agreement does not provide for a waiver of this right by the bank. With that, the cited time period in any case may not be less than six months. A bank account agreement shall be deemed dissolved upon the expiry of two months from the date when a bank forwards such warning.

3. A bank is entitled to rescind a bank account agreement where it is established by law, with the client to be notified about it in writing without fail. A bank account agreement shall be deemed rescinded upon the expiry of 60 days after a notice of rescission of the bank account agreement is dispatched by the bank to the client.

From the day on which a notice of rescission of a bank account agreement is dispatched by the bank to the client until the date when the contract is deemed rescinded, the bank is not entitled to carry out transactions on the client's bank account, except for the transactions of collecting payment for the bank's services, the transactions of interest accrual, if such terms are contained in the bank account agreement, of remittance of mandatory payments to the budget and of the operations provided for by **Items 5** and **6** of this article.

4. On a bank's demand a bank account agreement may be dissolved by a court in the following instances:

where the sum of monetary assets kept on the client's account proves to be below the minimum amount, envisaged by the bank rules or the agreement, unless such sum is restored during a month since the day of the bank's warning about this;

in the absence of operations on the account during a year, unless otherwise stipulated by the agreement.

5. The balance of monetary assets on the account shall be issued to a client or transferred on the instructions thereof at the latest in seven days after the receipt of the client's relevant written application, except as provided for by **Item 3 of Article 858** of this Code.

6. If a client fails to appear for the purpose of receiving the balance of monetary assets on the account within 60 days after the date of dispatch of the notice of the agreement's dissolution by a bank to a client or if within the said term the bank does not receive the client's instructions to remit the amount of the balance of monetary assets onto another account, the bank shall enter the monetary assets onto a special account at the Bank of Russia for which the **procedure** for opening and keeping the account and also the procedure for entry and refund of amounts of money onto/from the account are established by the Bank of

Russia. With that, in the event of dissolution of an agreement of bank account in foreign currency, a bank must sell foreign currency and, in the event of dissolution of an agreement of bank account in precious metals, to sell the precious metal at the rate established by this bank on the date of sale of the foreign currency and/or precious metal and to remit monetary assets in the currency of the Russian Federation onto the cited account at the Bank of Russia,

At the request of a client a bank shall return in the procedure established by banking rules the currency of the Russian Federation in the amount that has been earlier remitted by this bank onto the special account opened with the Bank of Russia.

7. The dissolution of a bank account agreement shall serve as the ground for closing the client's account.

Article 859.1. The Specifics of an Agreement of Bank Account in Precious Metals

1. Under an agreement of bank account in precious metals a bank shall undertake to accept and enter a precious metal onto the account opened for client (for the account's holder), as well as to follow the client's instructions to remit the precious metal onto an account, to issue from the account the precious metal of the same denomination and of the same weight or to issue under the terms and in the procedure which are provided for by the agreement monetary assets in the amount which is equivalent to the value of this metal.

A procedure for making operations on a bank account opened in precious metals shall be regulated by law, as well as by the banking rules established in compliance with it.

2. An agreement of bank account in precious metals shall contain without fail an indication of the denomination of the precious metal, as well as a procedure for estimation of the amount of the monetary assets which are subject to issuance from the account, if the possibility of their issuance is provided for by the agreement.

3. Unless otherwise established by law, the banking rules established in compliance with it or does not result from the essence of an account, the rules concerning accounts which are provided for by this Code, in particular the rules of **Paragraph Seven of Item 1 of Article 64** of this Code, shall apply to the relations under an agreement of bank account in precious metals, as well as to the relations originating while making operations on the account.

The rules of **Item 1 of Article 840** of this Code for ensuring the return of citizens' deposit by way of insuring natural persons' deposits in compliance with law shall not apply to the relations under an agreement of bank account in precious metals, and a client being a natural person shall be notified of it in writing prior to making an agreement of bank account in precious metals while a bank shall receive from the citizen a confirmation that such notification has been made.

4. A joint account, nominal account, public depository account and other kinds of bank accounts provided for by law may be opened as accounts in precious metals.

Article 860. Applying General Provisions on a Bank Account to Individual Kinds of Bank Accounts

1. The general provisions on a bank account shall apply to individual kinds of bank accounts (joint account, nominal account, public depository account and other kinds of bank accounts provided for by law), unless otherwise established by the rules for these kinds of bank accounts provided for by **Chapter 45** of this Code and other laws.

2. The general provisions on a bank account shall apply to an escrow account agreement insofar as it is not regulated by the rules for the pledge of rights under a bank account agreement (**Article 358.9-358.14**).

§ 2. Nominal Account

Article 860.1. Nominal Account Agreement

1. The nominal account may be opened for the account holder for carrying out operations with the monetary assets the rights to which are possessed by another person, this being the beneficiary.

The rights to the monetary assets coming onto the nominal account, in particular as a result of their entry by the account holder, shall be held by the beneficiary.

The nominal account may be opened for carrying out operations with the monetary assets the rights to which are held by several persons being beneficiaries, except as established by law.

In the cases provided for by the law, the account holder can be simultaneously one of several beneficial owners, while in relations with the bank, such person is obliged to indicate that he/she acts as an account holder or as a beneficial owner each time.

2. As a major term of a nominal account agreement shall be deemed an indication of the beneficiary or of the procedure for receiving information from the account holder about the beneficiary or beneficiaries, as well as the ground for their participation in the relations under the nominal account agreement.

3. A bank may be charged by law or by a nominal account agreement with the duty of exercising control over the use by the account holder of monetary assets in the beneficiary's interests within the limits and in the procedure which are provided for by the law or the agreement.

Article 860.2. Making a Nominal Account Agreement

1. A nominal account agreement shall be made in written form by drawing up a single document (including, an electronic one) signed by the parties thereto, with mandatory indication of the date of its signing or of the exchange of electronic documents or of other data in compliance with the rules of **Paragraph Two of Item 1 of Article 160** of this Code.

2. A nominal account agreement may be concluded both with the beneficiary's participation and without such. A nominal account agreement with the beneficiary's participation shall be signed by the beneficiary as well.

3. Failure to observe the form of a nominal account agreement shall entail its invalidity. Such agreement shall be deemed null and void.

4. If monetary assets of several beneficiaries are kept on the nominal account, the monetary assets of each beneficiary shall be accounted by a bank, except when under law or a nominal account agreement the duty of accounting each beneficiary's assets is imposed upon the account's holder.

Article 860.3. Operations to Be made on the Nominal Account

A range of operations to be made on the instructions of the account holder may be limited by law or nominal account agreement, in particular by specifying the following:

1) the persons to which monetary assets may be remitted or issued;

2) the persons with whose consent operations on the account are made;

3) the documents serving as grounds for carrying out operations;

4) other circumstances.

Article 860.4. Providing Data That Constitute a Banking Secret to the Beneficiary under a Nominal Account Agreement

1. The beneficiary under a nominal account agreement is entitled to demand of a bank to provide the data constituting a banking secret, where such right is granted to the beneficiary under the agreement.

2. The beneficiary under a nominal account agreement with the participation of the beneficiary is entitled to demand of a bank the provision of the data constituting a banking secret.

Article 860.5. Arresting or Writing Off the Monetary Assets Kept on the Nominal Account

1. It is not allowed to suspend operations on the nominal account, to arrest or to write off the

monetary assets kept on the nominal account in connection with the account holder's liabilities, except for the circumstances provided for by **Articles 850** and **851** of this Code.

2. It is allowed to arrest or write monetary assets off the nominal account in connection with the beneficiary's liabilities by court decision. Monetary assets' writing-off is also allowed where it is provided for by law or a nominal account agreement.

Article 860.6. Amending or Dissolving a Nominal Account Agreement, Replacing the Holder of the Nominal Account

1. A nominal account agreement with the participation of the beneficiary may only be amended or dissolved by approbation of the beneficiary, unless otherwise provided for by law or by the nominal account agreement.

2. In the event of receiving by a bank an application of the account holder for dissolution of a nominal account agreement, the bank is bound to promptly inform the beneficiary about it.

3. If the holder of the nominal account is the beneficiary's guardian or trustee, such holder of the nominal account, should the guardian or trustee stop discharging the duties thereof, shall be replaced by another holder which is appointed the beneficiary's guardian or trustee in the established **procedure**. In the event of termination of guardianship or trusteeship where it is provided for by **law**, in particular when the beneficiary comes of age, a nominal account agreement shall be terminated, the balance of monetary assets on the basis of the beneficiary's application shall be issued thereto or remitted onto another bank account thereof.

4. In the event of dissolution of a nominal account agreement, the balance of monetary assets shall be remitted onto another nominal account of the holder, or shall be issued to the beneficiary or, unless otherwise provided for by law or a nominal account agreement or results from the essence of the relations, shall be remitted to another account on the beneficiary's instructions.

§ 3. Escrow Account

Article 860.7. Escrow Account Agreement

1. Under an escrow account agreement a bank (escrow agent) shall open a special escrow account for registering and blocking the monetary assets received by it from the account holder (the depositor) for the purpose of their transfer to another person (beneficiary) in the event of origination of the grounds provided for by the escrow account agreement. The rights to the monetary assets kept on an escrow account shall be held by the depositor pending the date of origination of the grounds for transfer of the monetary assets to the beneficiary and after the cited date by the beneficiary.

2. Liabilities under an escrow account agreement may be contained, along with the escrow account agreement, in another agreement under which a bank is an escrow agent.

3. A bank as an escrow agent may not be remunerated out of the monetary assets kept on the escrow account, unless otherwise provided for by an agreement.

4. The general provisions on a banking account and escrow account (**Chapter 47.1**) shall apply to the relations of the parties, unless otherwise provided for by this article and **Articles 860.8-860.10** of this Code or results from the essence of the parties' relations.

Article 860.8. Restrictions as to the Disposal of Monetary Assets and Use of the Escrow Account

1. Unless otherwise provided for by an agreement, neither the depositor nor the beneficiary are entitled to dispose of the monetary assets kept on the escrow account, except as cited in this article.

2. It is not allowed to enter onto the escrow account other depositor's assets, except for the deposited amount cited in an escrow agreement.

3. Should the grounds provided for by an escrow account originate, a bank at the time fixed by such agreement or, in the absence thereof, within ten days is bound to issue to the beneficiary the

deposited sum or to remit it onto the account specified by it.

4. The suspension of operations on an escrow account, arrest or writing off the monetary assets kept on the escrow account in connection with the depositor's liabilities towards third parties and in connection with the beneficiary's obligations shall not be allowed.

Article 860.9. Providing Data Constituting a Banking Secret under an Escrow Account Agreement

The right to demand a bank to provide data constituting a banking secret shall be enjoyed both by the depositor and the beneficiary.

Article 860.10. Closing an Escrow Account

1. Unless otherwise provided for by an escrow agreement, an escrow account shall be closed by a bank upon the expiry of the validity term or termination on some other grounds of the escrow agreement. The rules provided for by **Items 1** and **2 of Article 859** of this Code shall not apply to the relations concerning an escrow account.

2. Unless otherwise provided for by an agreement made by the depositor and beneficiary, when dissolving an escrow account agreement, the balance of monetary assets shall be remitted or issued to the depositor, or, where there are grounds for the transfer of monetary assets to the beneficiary, shall be remitted or issued to the beneficiary.";

§ 4. Public Deposit Account

Article 860.11. Public Deposit Account Agreement

1. Under a public deposit account agreement to be made for depositing monetary assets where it is provided for by law, a bank shall undertake to accept and enter for the benefit of the beneficiary the monetary assets coming from the debtor or from other person specified by law (depositor) onto the account opened for the account holder (notary, bailiff service, court or other bodies or persons which in compliance with law may accept monetary assets for depositing).

A public deposit account may be opened with Russian credit organisations whose own assets (capital) makes up at least 20 milliard roubles. Within a month from the date when it became known or had to become known to the holder of a public deposit account that the size of the capital of a credit organisation made up less than the cited amount, he is bound to close his public account opened with this credit organisation and to remit all the assets from it onto his other public account opened with another Russian credit organisation whose capital is not below the cited amount.

2. Under a public deposit account agreement, a bank is not entitled to control the compliance of operations of the holder of the public deposit account with the depositing rules established by law, unless otherwise provided for by law.

3. Depositing of monetary assets on a public deposit account shall entail the origination of a claim of the person for whose benefit monetary assets are deposited (of the beneficiary) against the account's holder in respect of these monetary assets. The beneficiary is not entitled to demand making operations with the monetary assets that have come onto a public depository account for the benefit thereof directly of the bank.

4. The beneficiary is entitled to demand of the account's holder the remittance (issuance) to the beneficiary monetary assets from a public deposit account on the grounds and in the procedure which are provided for by law.

Article 860.12. Operations on a Public Deposit Account Made by a Bank

1. On a public deposit account on the basis of instructions (order) of the account's holder the operations of remittance or issuance of deposited monetary assets to the beneficiary and repayment of these monetary assets to the depositor or to another person on the instructions thereof may be made.

It shall not be allowed to make other operations on a public deposit account and to credit the account (**Article 850**), unless otherwise provided for by law.

2. The holder of a public deposit account shall be held liable towards the beneficiary and depositor for making operations on such account in defiance of the depositing rules established by law.

3. A bank shall not be held liable towards the beneficiary and depositor for making operations on a public deposit account on the basis of the instructions (order) of the account holder in defiance of the depositing rules established by law, except when a bank has not discharged the duty established by law to exercise control over the use of the monetary assets kept on the account.

Article 860.13. Interest for the Use by a Bank of the Monetary Assets Kept on a Public Deposit Account

1. A bank shall pay interest for the use of the monetary assets kept on a public deposit account whose amount shall be entered onto the account.

2. The interest cited in **Item 1** of this article shall be paid by a bank in the amount which is normally paid by the bank on call deposits (**Article 838**), unless another amount of interest is provided for by a public deposit account agreement.

3. The monetary assets deposited for the beneficiary shall be paid, and shall be repaid to the depositor subject to the interest paid or to be paid by a bank for the period from the time when the deposited monetary assets come onto a public deposit account up to their payment to the beneficiary or repayment to the depositor, less the remuneration which is due to the bank under the public deposit account agreement.

Article 860.14. Disposing of the Monetary Assets Kept on a Public Deposit Account

1. It shall not be allowed to arrest, suspend operations and write off the monetary assets kept on a public deposit account in connection with obligations of the account holder towards creditors thereof and in respect of obligations of the beneficiary or depositor. Execution in connection with obligations of the beneficiary or depositor may be levied against their right of claim against the account holder.

2. In the event of failure of the account holder to discharge the duty of issuance and return of deposited monetary assets provided for by law, the beneficiary or depositor is entitled to demand of the account holder to make the appropriate actions judicially.

Article 860.15. The Replacement of the Holder of a Public Deposit Account and the Agreement's Termination

1. In the event of death of a notary (of other person authorized to open a public deposit account) or of divesting himself/herself of (terminating by him/her) the authority thereof, the holder of a public deposit account shall be replaced by another notary (another person) to whom in compliance with a law or other regulatory acts will be passed over the case-files of the notary (other person) being the account holder.

2. In the event of abolition or transformation of the body which is authorized to open a public deposit account, the holder of such account shall be replaced by another body whose scope of authority in compliance with a law or other legal acts comprises opening of a public deposit account for depositing monetary assets of appropriate depositors.

3. A public deposit account agreement may not be terminated on the grounds cited in **Items 2** and **4 of Article 859** of this Code.

Chapter 46. Payments

§ 1. General Provisions on Payments

Article 861. Cash and Cashless Payments

1. Payments with the participation of private persons, not connected with their business, may be effected in cash (**Article 140**) without the limitation of the sum of money or **non-cash**.

2. Settlements between legal entities, and also payments with the participation of individuals, associated with their business, shall be effected in **non-cash**. Settlements between these legal entities may be effected in **cash** subject to the restrictions established by law and banking rules adopted in compliance with it.

3. Non-cash settlements, except for payments using digital roubles, shall be made by way of transfer of monetary assets by banks and other credit organisations (hereinafter referred to as banks) with opening and without opening bank accounts in the **procedure** established by law and the **banking rules** adopted in compliance it and by an agreement.

4. Settlements in digital roubles shall be carried out by transferring digital roubles by the Bank of Russia within the digital rouble platform in accordance with the legislation of the Russian Federation on the national payment system.

Article 862. The Forms of Cashless Payments

1. Non-cash settlements, except for payments using digital roubles, may be made in the form of settlements by payment orders, settlements under a letter of credit, by encashment, by cheques, as well as in other forms provided for by **law**, **banking rules** or customs applied in banking practice.

Settlements in digital roubles may be carried out in the forms established by the legislation of the Russian Federation on the national payment system.

2. The parties to the contract shall have the right to choose and fix in this contract any form of payments, referred to in Item 1 of this Article.

§ 2. Payments by Written Order

Article 863. General Provisions on Making Settlements by Written Orders

1. In case of making settlements by written orders, a bank shall undertake to transfer on the payer's order the monetary assets kept on the account thereof onto the recipient's account in this or another bank within the period of time, prescribed by **law**, unless a bank account agreement provides for a shorter time period or the customs used in banking practice define it.

2. A procedure for making settlements by written orders shall be regulated by law, by **banking rules**, the customs used in banking practice or by law.

3. The payer's bank is entitled to engage other banks (intermediary banks) for execution of the payer's payment orders.

4. The rules of this paragraph shall apply to the relations connected with making settlements by orders to transfer monetary assets without opening a bank account, subject to the specifics provided for by **Article 866.1** of this Code.

Article 864. Acceptance by a Bank of a Payment Order for Execution

1. The content (requisite elements) of a payment order and the form thereof shall satisfy the requirements provided for by law and **banking rules**.

2. When accepting a payment order for execution, a bank is bound to make sure that the payer is entitled to dispose of the monetary assets, to verify the compliance of the payment order with the established requirements, that there are enough monetary assets for the payment order's execution, as well as to follow other procedures for acceptance of orders for execution which are provided for by law, banking rules and agreement.

Where there are no grounds for execution of a payment order, a bank shall refuse to accept such payment order for execution, with the taxpayer to be notified of it at the latest on the day following the

date of acceptance of the payment order, unless a shorter time period is fixed by banking rules or agreement.

3. The sufficiency of the monetary assets kept on the payer's banking account for execution of a payment order shall be defined in the procedure established by law, banking rules and agreement subject to the requirements of **Article 855** of this Code.

Unless otherwise provided for by law, banking rules and agreement, if the monetary assets kept on the payer's banking account are not enough for execution of a payment order, a bank shall not accept the payment order for execution and shall notify the payer of it at the latest on the day following the date when the payment order comes to the bank.

4. The acceptance of a payment order for execution shall be confirmed by a bank in the procedure provided for by law, **banking rules** and agreement.

5. A payment order may be withdrawn by the payer prior to the time when the transfer of monetary assets becomes irrevocable, this to be fixed in compliance with law.

Article 865. Execution of a Payment Order by a Bank

1. The payer's bank that has accepted a payment order for execution is bound in compliance with the payer's order to execute it in one of the following ways:

1) entry of monetary assets onto the bank account of the assets' recipient opened with the same bank;

2) entry of monetary assets onto the bank account of the recipient's bank opened with the payer's bank, or transfer of a payment order to the bank of the assets' recipient for writing monetary assets off the bank account of the payer's bank opened with the bank of the assets' recipient;

3) transfer of a payment order to an intermediary bank for the purpose of entry of monetary assets onto the bank account of the bank of the assets' recipient;

4) other ways provided for by banking rules and agreement.

2. A bank is bound to inform the payer about execution of the payment order thereof at the latest on the day following the date of the payment order's execution, unless a shorter time period is fixed by banking rules and agreement. The procedure for such informing shall be determined by banking rules and agreement.

Article 866. Bank's Liability for Failure to Discharge or to Discharge Properly a Payment Order

1. In the event of failure to discharge or to discharge properly a payment order, a bank shall be held liable toward the payer in compliance with **Chapter 25** of this Code, subject to the provisions stipulated by this article.

2. Where a failure to discharge or to discharge properly a payment order has taken place in connection with violation by an intermediary bank or by the bank being the recipient of the rules for transfer of monetary assets or of the agreement made between banks, the liability towards the payer may be imposed by court upon the intermediary bank or the bank being the assets' recipient which on such occasion shall be jointly liable to the payer. The payer's bank may be brought to joint liability on the cited occasions, if the intermediary bank has been selected by it.

3. Where the violation of the rules for transfer of monetary assets or of the contractual terms has entailed an untimely transfer of monetary assets, banks are obliged to pay interest in the procedure and at the rate which are provided for by **Article 395** of this Code.

Article 866.1. The Specifics of Settlements without Opening a Bank Account

1. When transferring monetary assets without opening a bank account, the payer's bank shall undertake to transfer without opening a bank account to the payer being a citizen on the basis of instructions thereof the monetary asset in cash provided by him to the assets' recipient at this or other bank.

2. The sufficiency of monetary assets for execution of a transfer order without opening a bank account shall be determined on the basis of the amount of the monetary assets in cash provided by the

payer to the bank.

§ 3. Payments by Letters of Credit

Article 867. General Provisions on Settlements under a Letter of Credit

1. When making settlements under a letter of credit, the issuing bank acting on the payer's instructions shall assume the obligation with respect to the assets' recipient to make payment or to accept and pay the bill of exchange drawn by the assets' recipient or to make other actions involved in the execution of a letter of credit upon filing by the assets' recipient the documents provided for by the letter of credit and in compliance with the terms of the letter of credit.

2. The issuing bank may authorize another bank (the executing bank) to make payments or to accept and pay the bill of exchange drawn by the assets' recipient, or to make other actions involved in execution of a letter of credit upon filing by the assets' recipient the documents provided for by the letter of credit and in compliance with the terms of the letter of credit.

The executing bank is entitled to accept an order of the issuing bank or to reject such order, having forwarded an appropriate notice to the issuing bank. A partial refusal of the executing bank to execute an order shall not be allowed. The executing bank shall be deemed having accepted an order of the issuing bank, if it has expressly showed its consent to do it, in particular by way of making actions in compliance with the terms of the letter of credit. The consent of the executing bank to execute a letter of credit shall not impede its execution by the issuing bank.

3. In the event of opening a covered (deposited) letter of credit, the issuing bank is bound to remit the amount of the letter of credit (the coverage) onto the payer's account or of the credit granted to it to the executing bank at the disposal thereof for the total period while the obligation of the issuing bank is valid.

In the event of opening a non-covered (guaranteed) letter of credit, the issuing bank may grant to the executing bank that has accepted an order of the issuing bank while making actions involved in execution of the letter of credit the right to write assets off the account of the issuing bank opened with the executing bank within the limits of the amount of the letter of credit or may specify in the letter of credit a different way of reimbursement to the executing bank of the amounts paid by it under the letter of credit. While executing a non-covered letter of credit, the executing bank is entitled not to execute the letter of credit pending the receipt of monetary assets from the issuing bank, except when a letter of credit is confirmed by the executing bank.

4. A letter of credit shall be deemed opened from the date of its opening cited in the letter of credit, unless otherwise provided for by law, banking rules and agreement.

The bank giving instructions to another bank as to making actions in respect of a letter of credit is bound to cover or compensate for any commission fees or the outlays of such bank connected with following the instructions received by it. The issuing bank employing the services of another bank for following the payer's instructions shall do it on the payer's account and at the risk thereof. The payer is bound to compensate to the issuing bank for all the expenses that have been borne by it in connection with following the instructions thereof in respect of a letter of credit.

5. The settlements in respect of a letter of credit shall be regulated by this Code, **banking rules** and the terms of the letter of credit and in the part thereof which is not regulated by them it shall be done by the customs applied in banking practice.

Article 868. A Revocable Letter of Credit

1. A letter of credit which may be changed or cancelled on the payer's instructions by the issuing bank at any time without a preliminary notification of the monetary assets' recipient.

2. The executing bank shall make payments or carry out other operations with a revocable letter of credit, if by the time of their making it has not received a notice of the issuing bank about the change or cancellation of the letter of credit.

Article 869. An Irrevocable Letter of Credit

1. An irrevocable letter of credit may not be cancelled by the issuing bank without the consent of the assets' recipient and of the bank that has confirmed the letter of credit.

2. To change or cancel an irrevocable letter of credit on the payer's instructions, the issuing bank shall forward an appropriate notice to the assets' recipient. A letter of credit shall be deemed cancelled or changed from the time when the issuing bank receives the consent of the assets' recipient.

3. If a letter of credit has been confirmed by another bank (**Article 870**), such bank is entitled not to agree with changing the irrevocable letter of credit and, in so doing, it is bound to report immediately about it to the issuing bank and the assets' recipient.

4. A letter of credit shall be deemed irrevocable, unless otherwise provided for in the text thereof.

Article 870. A Confirmed Letter of Credit

1. At the request of the issuing bank an irrevocable letter of credit may be confirmed by another bank (the confirming bank). After confirming a letter of credit the confirming bank shall become bound towards the beneficiary in respect of the letter of credit within the limits of the amount confirmed by it jointly with the issuing bank.

The obligation of the confirming bank shall originate from the time of forwarding to the assets' recipient or to the recipient's bank a notice on confirmation of a letter of credit, unless otherwise provided for by the notice.

2. In the event of changing a letter of credit, the confirming bank shall become bound under the changed terms of the letter of credit, if it has given its consent to it. Otherwise the confirming bank shall be deemed bound under the previous terms of the letter of credit.

The obligation of the confirming ban in respect of a letter of credit subject to the changes made in it shall originate from the time of forwarding to the recipient or the recipient's bank a notice on it, unless otherwise provided for by the notice.

Article 870.1. A Transferable Letter of Credit

1. A letter of credit may be executed for the person specified by the assets' recipient, if the possibility of such execution is provided for by the terms of the letter of credit and the executing bank has expressed its consent to such execution (hereinafter referred to as a transferable letter of credit). In so doing, the assets' recipient is entitled to specify the documents which must be filed by the person cited by him for execution of a transferable letter of credit. These documents may not be provided for by the terms of a transferable letter of credit.

The provisions of **Paragraph 1 of Chapter 24** of this Code shall not apply to the relations originating in the course of execution of a letter of credit in compliance with this article.

2. The assets' recipient is entitled to specify the person for which a transferable letter of credit is executed (hereinafter referred to as the second assets' recipient) prior to the time of filing by him the documents corresponding to the terms of the letter of credit opened for the benefit thereof in the application to be filed with the executing bank. The assets' recipient is entitled to cite several second recipients of assets.

3. The second assets' recipient is not entitled to specify another person for which a transferable letter of credit is to be executed, except for the assets' recipient.

4. A procedure for and terms of execution of a transferable letter of credit shall be defined by law, banking rules and terms of the letter of credit.

Article 871. The Execution of a Letter of Credit

1. A letter of credit may be executed by way of the following:

1) payment to the assets' recipient to be made by a bank upon presenting thereto the documents corresponding to the terms of the letter of credit directly or at the date or dates provided for by the terms of the letter of credit;

2) acceptance of a transferable bill of exchange to be paid upon the maturity time thereof;

3) in other ways cited in a letter of credit.

2. To execute a letter of credit, the assets' recipient shall present the documents, in particular in electronic form, provided for by the terms of the letter of credit to the executing bank or the issuing bank. The executing bank or the issuing bank that have received the cited documents shall check them at most within five working days from the date when they are received and shall render the decision on payment or on the refusal to pay.

3. A letter of credit shall be executed on condition that the presented documents have the external features corresponding to the terms of a letter of credit, and it may not be conditional on the payer's obligation or obligations or on those of the assets' recipient, even if a letter of credit contains a reference to such obligation or such obligations.`

4. A bank shall **check** the presented documents on the basis of external features thereof.

If the external features of presented documents do not correspond to the terms of a letter of credit, a bank is entitled not to execute the letter of credit. The documents whose external features do not correspond to each other shall be deemed not corresponding to the terms of a letter of credit.

5. In the event of opening a covered (deposited) letter of credit, the executing bank shall execute the letter of credit on account of the coverage of such letter of credit.

If the executing bank has executed a non-covered (guaranteed) letter of credit, the issuing bank or confirming bank shall be bound to reimburse the outlays borne by them. The cited outlays shall be reimbursed to the confirming bank by the issuing bank and to the issuing bank by the payer. The payer is bound to pay to the issuing bank the amounts paid under a letter of credit, irrespective of the discharge by the issuing bank of the obligations thereof towards the executing bank and the confirming bank, in particular if the executing bank or the confirming bank have granted a delay to the issuing bank.

6. The documents accepted by the executing bank shall be presented by it to the issuing bank or confirming bank (if any). The documents accepted by the confirming bank shall be presented by it to the issuing bank. The bank that has received the presented documents shall check them within at most five working days from the date when they are received and shall reimburse the outlays on execution of a non-covered (guaranteed) letter of credit or shall refuse to reimburse such outlays. In the event of detecting by the bank that has received the presented documents the non-compliance of the presented documents with the terms of the covered (deposited) letter of credit, the bank that has received the presented documents is entitled to demand of the executing bank the amount of the monetary assets remitted under the executed letter of credit.

7. The assets' recipient is not entitled to assign in full or in part the right (claim) under a letter for credit, unless otherwise provided for by the terms of the letter of credit.

Article 872. Banks' Liability

1. The issuing bank and the confirming bank that have assumed obligations under a letter of credit shall be held jointly and severally liable to the assets' recipient for failure to execute or to execute properly the letter of credit on condition of presenting the documents corresponding to the terms of the letter of credit and satisfaction of other terms of the letter of credit.

Should the executing bank unfoundedly refuse to pay monetary assets under a letter of credit, a court may impose the liability towards the assets' recipient upon the executing bank.

2. The executing bank that has accepted the instructions to execute a letter of credit shall be held liable for failure to discharge or to discharge properly the letter of credit towards the issuing bank.

3. The issuing bank that has accepted for execution the payer's instructions to open and execute a letter of credit, shall be held liable towards him for failure to execute or to execute properly these instructions. The confirming bank that has accepted for execution the instructions of the issuing bank to confirm and execute a letter of credit shall be held liable for failure to execute or to execute properly these instructions to the issuing bank.

Article 873. Closing a Letter of Credit

1. A letter of credit shall be closed at the executing bank:

1) upon the expiry of the term of validity of the letter of credit, except when the documents in respect of the letter of credit were filed within the limits of the validity term of the letter of credit;

2) when the letter of credit is fully executed;

3) on the basis of the application of the assets' recipient about the refusal to use the letter of credit prior to the expiry of the validity term thereof;

4) on the basis of the payer's application for the cancellation or withdrawal of the letter of credit.

2. The executing bank shall notify the issuing bank about closing a letter of credit.

3. The non-used amount of a letter of credit is subject to return to the issuing bank concurrently with closing the letter of credit. The issuing bank is bound to enter the returned sum of money onto the payer's bank account from which these assets have been deposited.

§ 4. Payments for Collection

Article 874. General Provisions on Payments for Collection

1. In payment for collection the bank (the issuing bank) shall undertake to carry out actions involved in the receipt of payment and/or acceptance of payment on the order of the client and at his expense.

2. The issuing bank which has received the client's order shall have the right to draw another bank (executing bank) for its implementation.

Procedure for making payment for collection shall be regulated by the law, the **bank rules** and by the customs applicable in banking practice.

3. In case of default on the client's order or improper execution the issuing bank shall bear liability to it on the grounds and in the amount, prescribed by **Chapter 25** of this Code.

If the client's order has not been executed or executed improperly due to the infringement of the rules for payment operations by the executing bank, the liability to the client may be placed on this bank.

Article 875. The Execution of a Collection Order

1. In the absence of any document or in case of the non-conformity of documents with the collection order by their external signs the executing bank shall be obliged forthwith to inform about this the person from whom it has received the collection order. In the event of non-removal of said drawbacks the bank shall have the right to return the documents without execution.

2. Documents shall be submitted to the payer in the form in which they have been received with the exception of bank notes and endorsements needed for the formalization of a collection transaction.

3. If documents are subject to payment at sign, the executing bank shall present them for payment immediately upon the receipt of a collection order.

If documents are subject to payment at other time, the executing bank shall present documents for acceptance for the receipt of the payer's acceptance immediately upon the receipt of the collection order, while the claim for payment shall be made not later than the day of the onset of the payment date, indicated in the document.

4. Partial payments may be accepted in cases where this is provided for by the **bank rules** or in the presence of a special permit in the collection order.

5. The received (collected) amounts shall be remitted to by the executing bank the issuing bank which is duty-bound to charge these amounts to the client's banking account. The executing bank shall have the right to withhold from the collected amounts the fees due to it and the compensation for expenses.

Article 876. Notice of Transactions Made

1. If payment and/or acceptance have not been received, the executing bank shall be obliged to inform at once the issuing bank about the reasons for non-payment or for the refusal from acceptance.

The issuing bank shall be obliged to inform the client about this immediately and inquire about its directions on further actions.

2. In the event it has failed to receive directions about further actions within the time-limit fixed by the bank rules or within a reasonable period in the absence of this time-limit the executing bank shall have the right to return the documents to the issuing bank.

§ 5. Payments by Cheques

Article 877. General Provisions on Payments by Cheques

1. A cheque shall be recognized to be the security containing the non-stipulated cheque drawer's order to the respective bank to effect the payment of the amount of money, indicated in it to the cheque holder.

2. Only the bank where the cheque drawer has money to be disposed of by drawing cheques may be indicated as a payer by cheque.

3. A cheque may not be withdrawn before the expiry of the time for its presentation.

4. The drawing of a cheque shall not cancel the obligation in the fulfilment of which it has been written.

5. Procedure and conditions for the use of cheques in payment transactions shall be regulated by this Code and in the part which is not regulated by it they shall be regulated by other laws and the **bank rules** established in accordance with them.

Article 878. The Essential Elements of the Cheque

1. The cheque shall contain:

1) the name "cheque", included in the text of the document;

2) the order to the payer to pay out a certain sum of money;

3) the name of the payer and reference to the account from which payment is to be made;

4) reference to the currency of the payment;

5) reference to the date and place of writing the cheque;

6) the signature of the person who has drawn the cheque (cheque drawer).

The absence of any of said essential elements in the document shall invalidate the cheque.

A cheque that does not contain the place of its writing shall be regarded as that signed at the place of the location of the cheque drawer.

Reference to interest shall be deemed to be unwritten.

2. The form of cheques and procedure for its filling in shall be determined by the law and the **bank rules** introduced in keeping with it.

Article 879. Cheque Payment

1. A cheque shall be paid at the expense of the cheque drawer's resources.

If cash is deposited, procedure and conditions for depositing cash to cover cheques shall be established by the bank rules.

2. A cheque shall be liable to payment by the payer, provided that is presented for payment within the time-limit fixed by the law.

3. The payer by cheque shall be obliged to assure himself of the authenticity of the cheque with all means at his disposal, and also of the fact that the cheque bearer is a person authorized therefor.

During the payment of the endorsed cheque the payer shall be obliged to verify whether endorsements are correct but shall not check the signatures of endorsers.

4. The losses incurred due to the payment by the payer for a forged, pilfered or lost cheque shall be covered by the payer or the cheque drawer depending through whose fault they have been caused.

5. A person who has paid the cheque shall have the right to demand it with the receipt for the sum

of money.

Article 880. The Assignment of Rights by a Cheque

1. The rights by a cheque shall be assigned in the order, prescribed by **Article 146** of this Code with the observance of the rules, provided for by this Article.

2. A cheque to bearer shall not be subject to transfer.

3. In an assigned cheque the endorsement in full shall have the force of receipt for the sum of money.

The endorsement made by the payer shall be null and void.

A person who possesses the assigned cheque, received under the endorsement, shall be deemed to be its legitimate holder, if he bases his right on the continuous numbers of endorsements.

Article 881. Guarantee of Payment

1. Payment of a cheque may be guaranteed in full or in part by means of its surety.

The guarantee of payment of a cheque (surety) may be given by any person, except for the payer.

2. The guarantee shall be put down on the face side of a cheque or on the additional sheet by means of endorsement ("regard as guarantee") and the indication of who and for whom it has been given. Unless there is no such indication, the guarantee shall be deemed to be given in place of the cheque drawer.

The guarantee shall be signed by the guarantor with an indication of the place of his residence and the date of making an endorsement, and if the guarantor is represented by a legal entity, the guarantee shall signed with an indication of its location and the date of making an endorsement.

3. The guarantee shall be liable just as the person in place of whom he/she has given the guarantee.

His obligation shall be valid even in the event if the obligation guarantee by him/her proves to be void on any ground other than the non-observance of the form.

4. The guarantor who has paid the cheque shall acquire the rights that follow from the cheque against the person in place of whom he has given the guarantee and against those persons who are obligated to the latter.

Article 882. Collection of a Cheque

1. The submission of a cheque to the bank which serves the cheque holder for collection in order to get payment shall be deemed to be the presentation for payment.

Cheque payment shall be made in the order, prescribed by **Article 875** of this Code.

2. Cash shall be entered to the cheque holder's account under the collected cheque after the receipt of payment from the payer, unless otherwise stipulated by the agreement between the cheque holder and the bank.

Article 883. Certification of the Refusal to Pay a Cheque

1. A refusal to pay a cheque shall be certified by one of the following methods:

1) by making a protest by the notary or by drawing up an equivalent report in the statutory manner;

2) by putting down a note by the payer on the cheque to the effect that her refuses to pay it with an indication of the date for presenting the cheque for payment;

3) by putting down a note by the collecting bank with an indication of the date to the effect that the cheque has been drawn in due time and dishonored.

2. A protest or an equivalent report shall be made before the expiry of the time for presenting the cheque.

If the cheque was presented on the last day of the time-limit, a protest or an equivalent report may be made on the next working day.

Article 884. Notification About the Non-payment of a Cheque

The cheque holder shall be obliged to inform his endorser and cheque drawer about non-payment

during two working days that follow the day of making the protest or the equivalent report.

During two working days that follows the day of the receipt of the notification by it every endorser shall be obliged to bring to the notice of his endorser the received notification. During the same period of time the notification shall be sent to the one who has given the guarantee for this person.

The person who has not sent a notification within the said period shall not lose his rights. He shall indemnify for the losses that can be caused by the non-notification about cheque non-payment. The amount of the indemnified losses may not exceed the cheque amount.

Article 885. The Consequences of Cheque Non-Payment

1. If the payer refuses to pay a cheque, the cheque holder shall have the right to bring an action to one, several or all the persons bound by the cheque (cheque drawer, guarantors and endorsers), who bear joint and several liability to him.

2. The cheque drawer shall have the right to demand from said persons the payment of the cheque amount, his costs involved in the cashing of the cheque, and also interest in keeping with **Item 1** of Article 395 of this Code.

The same right shall belong to the person bound by the cheque after it has paid the cheque.

3. The cheque holder's claim against the persons, referred to in Item 1 of this Article, may be brought during six months since the day of the expiry of the period of presenting the cheque for payment. Claim resources of bound persons to each other shall be cancelled upon the expiry of six months since the day when the relevant bound person has satisfied the claim or since the day of bringing the action against him.

Chapter 47. Storage

§ 1. General Provisions on Storage

Article 886. The Storage Agreement

1. Under the storage agreement one party (depository) shall undertake to keep the thing given to it by the other party (depositor) and to return this thing perfectly safe.

2. The storage agreement in which the depository is represented by a profit-making or an non-profit organisation, which ensures storage as one of the goals of its professional activity (professional depository), may provide for the depository's obligation of accepting a thing for storage from the depositor within the period fixed by the agreement.

Article 887. The Form of the Storage Agreement

1. A storage agreement shall be concluded in writing in cases, indicated in **Article 161** of this Code. For the storage agreement concluded between individuals (**Subitem 2 of Item 1 of Article 161**) the written form shall be observed, if the value of the thing put in storage exceeds ten thousand roubles.

The storage agreement, which provides for the depository's obligation of accepting a thing for storage, shall be concluded in writing, regardless of the number of the parties to this agreement and the value of the thing put in storage.

The delivery of a thing for storage under extraordinary circumstances (a fire, natural disaster, sudden illness, threat of assault, etc.) may be proved by the witness's testimony.

2. The single written form of the storage agreement shall be deemed to be observed, if the acceptance of a thing for storage is certified by the issue of the following documents by the depository to the depositor:

the trust receipt, storage receipt, certificate or other document signed by the depository;

the numbered counter (check) and other sign that certifies the acceptance of things for storage, if

such form of acknowledgment of the acceptance of things for storage is provided for by the law or any other legal act, or is common for this type of storage.

3. Non-observance of the simple written form of the storage agreement shall not deprive the parties of the right to refer to testimonies by witnesses in case of a dispute over the identify of the thing accepted for storage and the thing returned by the depositor.

Article 888. The Execution of the Obligation to Accept a Thing for Storage

1. The depository who has undertaken under the storage agreement the obligation of accepting a thing for storage (**Item 2 of Article 886**) shall have no right to demand the transfer of this thing for storage.

However, the depositor who has failed to transfer a thing for storage within the period fixed by the agreement shall bear liability to the depository for the losses caused in connection with coming off storage, unless otherwise stipulated by the law or the storage agreement. The depositor shall be released from this liability, if he states to the depository that he refuses to accept his services within a reasonable period of time.

2. Unless otherwise stipulated by the storage agreement, the depository shall be released from the obligation of accepting a thing for storage in case when the thing will not be given to him in the period of time specified by the agreement.

Article 889. The Period of Storage

1. The depository shall be obliged to keep a thing during the time-limit specified by the agreement.

2. Unless the period of storage is provided for by the agreement and if it cannot be defined by proceeding from its terms and conditions, the depository shall be obliged to keep the thing until it is claimed by its depositor.

3. If the period of storage is determined by the time of claiming a thing by the depositor, the depository shall have the right to demand that the depositor should take back the thing upon the expiry of the period of storage which is usual under given circumstances and to provide to him a reasonable period of time for this. The non-execution by the depositor of this obligation shall involve the consequences, envisaged by **Article 899** of this Code.

Article 890. The Storage of Things with Deprivation of Individuality

In cases, expressly provided for by the storage agreement, the things of one depositor accepted for storage may be mixed with the things of the same kind and quality belonging to other depositors (storage with deprivation of individuality). The quantity of things of the same kind and quality shall be returned to the depositor in equal amounts as specified by the parties.

Article 891. The Depository's Obligation to Ensure the Safety of a Thing

1. The depository shall be obliged to take all the measures envisaged by the storage agreement in order to ensure the safety of the thing put in storage.

In the absence in the agreement of the conditions for such measures or in case of incompleteness of these conditions the depository shall also be obliged to take for the preservation of the thing measures corresponding to the business turnover usages and the substance of the obligation, including the properties of the thing put in storage, unless the necessity for taking these measures is excluded by the agreement.

2. The depository shall take measures in any case for the preservation of the thing given to him, if they are provided for by the law, other legal acts or in the manner stipulated by them (fire prevention, sanitary, protective and other measures).

3. If storage is carried out gratuitously, the depository shall be obliged to take care of the thing accepted for storage to no less extent than of his own things.

Article 892. Use of the Thing Put in Storage

The depository shall have no right to make use of the thing put in storage without the consent of the depositor and likewise to give the opportunity for its use by third parties with the exception of the case when the use of the kept thing is necessary for its preservation and does not contradict the storage agreement.

Article 893. Changes in the Conditions of Storage

1. If it is necessary to change the conditions of the storage of a thing, envisaged by the storage agreement, the depository shall be obliged to notify the depositor about this without delay and to wait for his answer.

If changes in the conditions of storage are essential for the removal of the danger of the loss, shortage of, or damage to, a thing, the depository shall have the right to change the method, place and other conditions of storage without waiting for the depositor's answer.

2. If during storage there is a real threat of damage to a thing or the thing has already been damaged, or there are circumstances that do not make it possible to preserve it and if the depositor is unable to take measures in due time, the depository shall have the right to sell the thing on its own or its part thereof at the price that have formed in the place of storage. If said circumstances have arisen for the reasons for which the depository is not answerable, he shall have the right to recompense his costs of the sale at the expense of the purchase price.

Article 894. The Storage of Things with Hazardous Properties

1. Highly inflammable, explosion risky or generally dangerous things may be at any time rendered harmless or destroyed by the depository without compensation of the depositor's losses, unless the depositor failed to warn the depository about these properties when he put them in storage. The depositor shall be liable for the losses caused to the depository and third parties in connection with the storage of these things.

When things with dangerous properties are transferred for storage to the professional depository, the rules envisaged by the first paragraph of this point shall be applied in case when such things were put in storage under the wrong name and the depository could not make sure of their dangerous properties by means of an external inspection.

In the event of remunerated storage in cases, provided for by this Item, the paid remuneration for the storage of things shall not be returned, and if it has not been paid, the depository may recover it in full.

2. If things accepted for storage with the knowledge and consent of the depository and indicated in the first paragraph of Item 1 of this Article, have become dangerous for people around or for the depositor's property or that of third parties, despite the observance of the conditions of their storage, and if circumstances make it possible for the depository to demand that the depositor should take them, at once or if he does not meet this demand, these things may be rendered harmless or destroyed by the depository without compensation of the depositor's losses. In such case the depositor shall bear no liability to the depository and third parties for the losses caused in view of the storage of these things.

Article 895. The Transfer of a Thing to a Third Party

Unless the storage agreement stipulates otherwise, the depository shall have no right to transfer a thing for storage to a third party without the consent of the depositor with the exception of cases where he is compelled to do so by force of circumstances in the interest of the depositor and is deprived of the possibility to get his consent.

The depository shall be obliged to inform the depositor at once about the transfer of a thing for storage to a third party.

In case of the transfer of a thing for storage to a third party the terms and conditions of the agreement between the depositor and the original depository shall retain their force and the latter shall be answerable for the actions of the third party to whom he has given the thing as for his own actions.

Article 896. Remuneration for Storage

1. Remuneration for storage shall be paid to the depository as soon as storage is over, and if payment for storage is envisaged by persons of time, it shall be paid out in appropriate portions upon the expiry of each period.

2. In case of delay in the payment of remuneration for storage for over than half of the period, for which it should be paid, the depository shall have the right to refuse the execute the agreement and demand that the depositor should immediately take the thing put in storage.

3. If storage is terminated before the expiry of the stipulated period of time due to the circumstances for which the depository is not answerable, he shall have the right to a proportionate part of remuneration and in case, specified by **Item 1 of Article 894** of this Code, to the entire sum of this remuneration.

If storage is terminated short of the term due to the circumstances for which the depository is answerable, he shall not have the right to demand remuneration for storage and shall be obliged to return the sum of money received on account of this remuneration to the depositor.

4. If the thing held in custody has not been taken back by the depositor upon the expiry of the period of storage, he shall be obliged to pay to the depository adequate remuneration for the further storage of the thing. This rule shall also be applied in case where the depositor is obliged to take the thing before the expiry of the period of storage.

5. The rules of this Article shall be applied, unless the storage agreement provides for otherwise.

Article 897. The Reimbursement of Storage Expenses

1. Unless otherwise stipulated by the storage agreement, the depository's expenses on the storage of a thing shall be included in remuneration for storage.

2. In case of unremunerated storage the depositor shall be obliged to compensate for the depository's necessary expenses on the storage of the thing, unless the law or the storage agreement provides otherwise.

Article 898. Extraordinary Storage Expenses

1. Expenses on the storage of things which exceed the usual expenses of this kind and which could not be foreseen by the parties during the conclusion of a storage agreement (extraordinary expenses) shall be reimbursed to the depository, if the depositor has given his consent to these expenses or has approved them afterwards, and also in other cases stipulated by the law, other legal acts or the storage agreement.

2. If there is a need for making extraordinary expenses, the depository shall be obliged to inquire about the depositor's consent to these expenses. If the depositor fails to state his disagreement within the period of time, indicated by the depository or during the normally essential time for reply, it shall be held that he agrees with the extraordinary expenses.

When the depository made extraordinary storage expenses without the preliminary consent of the depositor, although this was possible thanks to the circumstances of the case and the depositor failed to approve them afterwards, the depository may demand the compensation for the extraordinary expenses only within the limits of the damage which could be caused to the thing, had not these expenses been made.

3. Unless otherwise stipulated by the storage agreement, extraordinary expenses shall be reimbursed over and above remuneration for storage.

Article 899. The Depositor's Obligation to Take a Thing Back

1. Upon the expiry of the stipulated period of storage or the period granted by the depository for the receipt of a thing back on the strength of **Item 3 of Article 889** of this Code, the depositor shall be obliged to take the thing put in storage without delay.

2. In case of default on his obligation by the depositor to take back the thing transferred for storage, including in case of his evasion from obtaining the thing, the depository shall have the right, unless

otherwise stipulated by the storage agreement, after the written warning of the depositor to sell the thing on his own at the price formed in the place of storage, and if the cost of the thing exceeds fifty thousand roubles to sell the thing at an auction in the order, prescribed by **Articles 447-449** of this Code.

The sum of money received from the sale of the thing shall be transferred to the depositor minus the amount due to the depository, including his expenses on the sale of the thing.

Article 900. The Depository's Obligation to Return a Thing

1. The depository shall be obliged to return to the depositor or the person, indicated by him as a recipient, the very thing which was put in storage, unless the agreement provides for storage with deprivation of individuality (**Article 890**).

2. The thing shall be returned by the depository in the condition in which it was accepted for storage with due account of its natural deterioration, natural properties.

3. The depository shall be obliged, simultaneously with the return of a thing, to transfer the fruits and incomes obtained during its storage, unless otherwise stipulated by the storage agreement.

Article 901. Grounds for the Depository's Liability

1. The depository shall be liable for the loss and shortage of, or damage to, things accepted for storage on the grounds, provided for by **Article 401** of this Code.

A professional depository shall be liable for the loss and shortage of, or damage to, things, unless he proves that the loss, shortage or damage have taken place due to force majeure or to the properties of the thing about which the depository did not know and should nor know when he accepted it for storage or as a result of malice or gross negligence on the part of the depositor.

2. The depository shall be liable for the loss and shortage of, damage to, the things accepted for storage only in the presence of the depositor's malice or gross negligence after the onset of the latter's obligation to take these things back (**Item 1 of Article 899**).

Article 902. The Extent of the Depository's Liability

1. Losses caused to the depositor by the loss and shortage of, or damage to, things shall be reimbursed by the depository in keeping with **Article 393** of this Code, unless otherwise stipulated by the law or the storage agreement.

2. In case of remunerated storage the losses caused to the depositor by the loss and shortage of, or damage to, things shall be reimbursed as follows:

1) for the loss and shortage of things - in the amount of the value of the lost or missing things;

2) for the damage to things - in the amount of the sum of money by which their value has been reduced.

3. In case where as a result of damage, for which the depository is liable, the quality of the thing has changed so much that it cannot be used according to the original designation, the depositor shall have the right to waive it and demand that the depository should replace the value of this thing, and also should reimburse other losses, unless otherwise stipulated by the law or the storage agreement.

Article 903. The Reparation of Losses Caused to the Depository

The depositor shall be obliged to compensate for the depository's losses caused by the properties of the thing put in storage, if the depository did not know or should not know about these properties when he accepted the thing for storage.

Article 904. The Termination of Storage on the Depositor's Demand

The depository shall be obliged to return the thing accepted for storage on the depositor's demand, although the period of storage fixed by the agreement is not over as yet.

Article 905. The Application of the General Provisions on Storage to Some of Its Kinds

The general provisions on storage (**Articles 886-904**) shall be applicable to some of its kinds, unless otherwise stipulated by the rules for particular kinds of storage, contained in **Articles 907-926** of this Code and in other laws.

Article 906. Storage in Virtue of Law

The rules of this Chapter shall be applicable to the obligations of storage that arise by dint of law, unless the law establishes different rules.

§ 2. Warehousing

Article 907. Warehouse Storage Agreement

1. Under the warehouse storage agreement the commodity warehouse (depository) shall undertake to keep in store for remuneration goods given to it by the commodity owner (depositor) and to return these goods perfectly safe.

A commodity warehouse shall be deemed to be the organisation which keeps goods in store as business and which renders services relating to storage.

2. The written form of the warehouse storage agreement shall be deemed to be observed, if its conclusion and acceptance of goods for warehouse have been certified by the warehouse document (**Article 912**).

Article 908. Storage of Goods at the Public Warehouse

1. A commodity warehouse shall be recognised as a public warehouse, if it follows from the law, other legal acts that it must accept goods for storage from any commodity owner.

2. A warehouse storage agreement, concluded by the public warehouse shall be recognized as a public agreement (**Article 426**).

Article 909. Inspection of Goods When the Commodity Warehouse Accepts Them and During Their Storage

1. Unless otherwise stipulated by the warehouse storage agreement, the commodity warehouse shall be obliged, when it accepts goods for storage, to inspect them as its own expense and to estimate their quantity (number of units or places of storage, or measure: weight or volume) and their external appearance.

2. The commodity warehouse shall be obliged to enable the commodity owner to inspect goods or heir sapless during storage, if storage is carried our with deprivation of individuality, to take on trial and adopt measures necessary for the safety of goods.

Article 910. Changes in the Conditions of Storage and the State of Goods

1. In case where it is necessary to change the conditions of storage of goods in order to keep them safe, the commodity warehouse shall have the right to take the required measures on its own. However, it shall be obliged to notify the commodity owner about the adopted measures, if it was necessary to make essential changes in the conditions of storage of goods, envisaged by the warehouse storage agreement.

2. Upon the discovery, during storage, of damage inflicted on goods and transcending the usual norms of natural spoiling or such norms agreed upon in the warehouse storage agreement, the commodity warehouse shall be obliged to draw up a report about this without delay and on the same day inform the commodity owner about this.

Article 911. The Checking of the Quantity and the State of Goods When They Are Returned to the Commodity Owner

1. The commodity owner and the commodity warehouse shall each have the right to demand that

they should be inspected and their quantity checked during their return. Expenses incurred by this shall be borne by the person who demanded the inspection of goods and their quantity check.

2. If during the return of goods to the commodity owner by the warehouse goods have not been inspected and checked by them jointly, a written application on the shortage of, or damage to, goods owning to their improper storage shall be failed with the warehouse upon the receipt of goods. As for shortage of goods or damage to them, which could not be detected with the usual method of accepting goods an application shall be failed during three days after their acceptance.

In the absence of the application, referred to in the first paragraph of this Item, it shall be held, unless the contrary is proved, that goods have been returned by the warehouse in keeping with the terms and conditions of the warehouse storage agreement.

Article 912. Warehouse Documents

1. The commodity warehouse shall issue one of the following warehouse documents in the acknowledgement of accepting goods for storage:

the twofold warehouse certificate;

the single warehouse certificate;

the warehouse receipt.

2. The twofold warehouse certificate consists of two parts - the warehouse certificate and the mortgage certificate (warrant), which can be separated from each other.

3. The twofold warehouse certificate, each of its two parts and the single warehouse certificate shall be securities.

4. Goods accepted for storage under the twofold or single warehouse certificate may be a subject of mortgage during their storage by means of pledge of the corresponding certificate.

Article 913. The Twofold Warehouse Certificate

1. Each part of the twofold warehouse certificate shall equally indicate:

1) the name and location of the commodity warehouse that has accepted goods for storage;

2) the current number of the warehouse certificate in the warehouse's register;

3) the name of the legal entity or the name of the individual from whom goods have been accepted for storage, and also the location (place of residence) of the commodity owner;

4) the name and quantity of goods accepted for storage - the number of units and/or commodity places and/or the measure of goods (weight or volume);

5) the period of time for which goods have been accepted for storage, if such period is fixed, or the reference to the effect that goods have been accepted for storage until to be called for;

6) the amount of remuneration for storage or the rates on the basis of which it is reckoned and the procedure for payment for storage;

7) the date of the issue of the warehouse certificate.

Both parts of the twofold warehouse certificate shall have the individual signatures of the authorized representative and the warehouse seal (if seals are available).

2. The document which does not comply with the requirements of this Article shall not be a twofold warehouse certificate.

Article 914. The Rights of the Holders of the Warehouse and Mortgage Certificates

1. The holder of the warehouse and mortgage certificates shall have the right to dispose of goods kept in a warehouse in full measure.

2. The holder of the warehouse certificate separated from the mortgage certificate shall have the right to dispose of goods, but may not take them from the warehouse until he repays the credit granted under the mortgage certificate.

3. The holder of the mortgage certificate who differs from the holder of the warehouse certificate shall have the right to pledge to goods in the amount of the credit given under the mortgage certificate and

interest on it. When goods are put in pledge, a note on this shall be made in the warehouse certificate.

Article 915. The Transfer of Warehouse and Mortgage Certificates

A warehouse certificate and a mortgage certificate may be transferred together or separately according to endorsements.

Article 916. The Issue of Goods under the Two-fold Warehouse Certificate

1. The commodity warehouse shall issue goods to the holder of the warehouse and mortgage certificates (twofold warehouse certificate) precisely in exchange for both these certificates together.

2. The holder of a warehouse certificate who does not possess a mortgage certificate, but has contributed the entire sum of debt under it shall receive goods from the warehouse precisely in exchange for the warehouse certificate and provided that he has submitted together with it the receipt of the payment of the entire sum of debt under the mortgage certificate.

3. The commodity warehouse, which has issued goods to the holder of a warehouse certificate who does not possess a mortgage certificate and has failed to bring in the amount of debt under it contrary to the requirements of this Article, shall bear liability to the holder of the mortgage certificate for payment of the entire sum of money secured by it.

4. The holder of the warehouse and mortgage certificates shall have the right to demand the issue of goods in parts. In exchange for the original certificates he shall be given new certificates for goods that remained in the warehouse.

Article 917. The Simple Warehouse Certificate

1. A simple warehouse certificate shall be issued to the bearer.

2. The simple warehouse certificate shall contain information, specified by **Subitems 1**, **2**, **4-7 of Item 1** and the **last paragraph of Article 913** of this Code, and also reference to the fact that it has been issued to the bearer.

3. The document which does not comply with the requirements of this Article shall not be a simple warehouse certificate.

Article 918. The Storage of Things with the Right to Dispose of Them

If it follows from the law, other legal acts or the agreement that the commodity warehouse can dispose of goods put in storage, the relations between the parties shall be governed by the rules of **Chapter 42** of this Code on Loans, but the time and place of the return of goods shall be determined by the rules of this Chapter.

§ 3. Special Kinds of Storage

Article 919. Storage in a Pawn Shop

1. The agreement of pawn shop storage of things belonging to an individual shall be a public agreement (**Article 426**).

2. The conclusion of a pawn shop storage agreement shall be certified by the issue by the pawn shop to the depositor of a registered **deposit receipt**.

3. A thing to be put in storage in a pawn shop shall be subject to valuation under the agreement of the parties in accordance with prices for things of this kind and quality, usually adopted in trade at the time and place of their acceptance for storage.

4. The pawn shop shall be obliged to insure the things accepted for storage in favour of the depositor at its expense in the full amount of the valuation made in keeping with Item 3 of this Article.

Article 920. Things Not Reclaimed from the Pawn Shop

1. If a thing out in storage in a pawn shop has not been reclaimed by the depositor within the time specified by the agreement, the pawn shop shall be obliged to keep it during two months and to charge payment, provided for by the storage agreement. Upon the expiry of this time the non-reclaimed thing may be sold by the pawn shop in the procedure, established by **Item 5 of Article 358** of this Code.

2. Payment for the storage of the non-reclaimed thing shall be repayed from the sum of money, received from the sale of this thing. The remainder of the sum shall be returned by the pawn shop to the depositor in question.

Article 921. The Custody of Valuables in a Bank

1. The bank may receive securities, precious metals and stones, other valuables and values, including documents, into its custody.

2. The conclusion of an agreement on the custody of valuables in a bank shall be certified by the issue by it to the depositor of a registered protection document whose presentation is a ground for the issue of kept valuables to the depositor.

Article 922. The Custody of Valuables in the Individual Bank Safe-deposit Box

1. The valuables bank custody agreement may provide for their custody with the use of an individual bank safe-deposit box (safe cell or isolated bank premise) by the depositor (client) or with the provision of such safe-deposit box protected by the bank.

Under the valuables bank custody agreement the client shall be provided with the right to put valuables in an individual bank safe-deposit box and withdraw them from it. For this purpose he shall be given a key to the safe and the card that makes it possible to identify the client or any other sign or document certifying the client's right to have access to the safe and its contents.

The agreement terms may provide for the client's right to work in the bank with valuables kept in the individual safe.

2. Under the valuables bank custody agreement with the use by the client of an individual date-deposit box the bank shall accept from the client the valuables which should be kept in the safe and exercise control over their placement by the client in the safe-deposit box, over their withdrawal from the safe and return them to the client after the withdrawal.

3. Under the valuables bank custody agreement with the provision of the client with an individual safe-deposit box the bank shall enable the client to place valuables in the safe and to withdraw them from the safe outside anybody's control, including bank control.

The bank shall be obliged to exercise control over the access to the premise where the safe-deposit box given to the client is situated.

Unless the valuables bank custody agreement with the provision of the client with an individual safe-deposit box provides for otherwise, the bank shall be released from the liability for the non-safety of the safe's contents, if it proves that access by anybody to the safe was impossible under the custody terms without the knowledge of the client or was possible due to force majeure.

4. The rules of this Code on the **lease agreement** shall be applicable to the agreement on the provision of another person with a bank safe-deposit box for his use without the bank's liability for the safe's contents.

Article 923. Storage in Cloak-Rooms of Transport Organisations

1. The cloak-rooms under the authority of transport organisations of public use shall be obliged to accept for storage the things of passengers and other private persons, regardless of the possession of travel documents. The agreement on the storage of things in the cloak-rooms of transport organisations shall be recognized as a public agreement (**Article 426**).

2. A receipt or numbered counter shall be issued to the depositor in acknowledgement of the acceptance of a thing for storage in a cloak-room (except for automated cloak-rooms). In case of the loss of a receipt or counter, the thing left in the cloak-room shall be issued to the depositor upon the submission

of evidence that this thing belongs to him.

3. The period of time during which the cloak-room is obliged to keep things in store shall be determined by the rules, introduced in keeping with the second paragraph of **Item 2 of Article 784** of this Code, unless the agreement between the parties stipulates a longer period. Things which have not been reclaimed in said period of time shall be kept by the cloak-room for 30 days more. With the expiry of this period non-reclaimed things may be sold in the procedure, envisaged by **Item 2 of Article 899** of this Code.

4. The losses of the depositor owing to the loss and shortage of, or damage to, the things deposited in a cloak-room shall be reimbursed by the custodian during 24 hours since the time of presenting a claim for these things within the sum of their appraisal by the depositor at the time of depositing.

Article 924. Storage in the Wardrobes of Organisations

1. The storage of things in the wardrobes of organisations shall be gratuitous, unless money reward is specified or stipulated in any other way when things were put in storage.

The custodian of the thing left in a wardrobe shall be obliged to take all the measures, provided for by **Items 1** and **2 of Article 891** of this Code, in order to preserve the thing, regardless of the fact whether its storage was gratuitous or remunerated.

2. The rules of this Article shall also be applied to the custody of outwear, head gear and other similar things left without putting them in storage by private persons in places used for these purposes in transport organisations and facilities.

Article 925. The Custody of Things in Hotels

1. The hotel shall also be liable as a custodian without the conclusion of a relevant agreement with its guest residing in it for the loss and shortage of, or damage to, his things brought into the hotel with the except of money, other currency values, securities and other valuables.

The thing entrusted to hotel attendants or the thing deposited in a hotel room or in any other specially assigned place shall be regarded as the one brought into the hotel.

2. The hotel shall be liable for the loss of money, other currency values, securities and other valuables of a guest, provided they have been accepted by the hotel safe, regardless of the fact whether this safe is to be found in his room or in another hotel premise. The hotel shall be released from liability for the non-safety of the safe's contents, if it proves that under the storage terms the access of any body to the safe was impossible without the guest's knowledge or became possible owing to force majeure.

3. The guest who has discovered that his things were lost or damaged shall be obliged to state about this to the hotel management without delay. Otherwise the hotel shall be released from its liability for the non-safety of things.

4. The hotel's notice to the effect that it does not assume the responsibility for the non-safety of things belonging to guests shall not absolve it from liability.

5. The rules of this Article shall be applied accordingly to the custody of things belonging to private persons in motels, holiday homes, holiday hotels, sanatoria, public baths and other similar organisations.

Article 926. The Custody of Things Which Are the Subject of Disputes (Sequestration)

1. Under the agreement on sequestration two or several persons who have started an argument over the right to a thing shall pass this thing to a third party who assumes the obligation of returning, upon the settlement of the dispute, of the thing to that person to whom it will be adjudged or given under the agreement of all the persons in dispute (contractual sequestration).

2. A thing that is the subject of argument between two or several persons may be put in storage by way of sequestration by a court decision (judicial sequestration).

Both the person appointed by a court of law and the person, chosen by the mutual agreement of the persons in dispute, may act as a custodian under the judicial sequestration. The custodian's consent shall be

required in both cases, unless the law establishes otherwise.

3. Both movable and immovable things may be put in storage by way of sequestration.

4. The custodian who keeps a thing in store by way of sequestration shall have the right to receive remuneration at the expense of the persons in dispute, unless the agreement or the court decision responsible for sequestration provides for otherwise.

Chapter 47.1. Conditional Depositing (Escrow)

Article 926.1. Conditional Depositing (Escrow) Agreement

1. Under a conditional depositing (escrow) agreement, the depositor shall undertake to transfer property for depositing to the escrow agent for the purpose of discharging the depositor's obligation as to its transfer to another person to whose benefit the property is deposited (to the beneficiary), while the escrow agent shall undertake to ensure the safekeeping of this property and to transfer it to the beneficiary, should the grounds cited in the agreement originate.

An escrow agreement shall be made between the depositor, beneficiary and escrow agent and shall provide for the time period of the property's depositing. The validity term of an escrow agreement may not exceed five years. An escrow agreement made for a longer term or without specifying the term thereof shall be deemed made for a five-year term.

An escrow agreement is subject to certification by a notary, except if non-cash monetary assets and/or uncertified securities are deposited.

2. Should the grounds for the property's transfer to the beneficiary cited in an escrow agreement originate (in particular when the beneficiary or a third party make the actions provided for the agreement or the time or event fixed or established by the agreement comes or occurs), the escrow agent is bound to transfer the deposited property to the beneficiary in compliance with the terms of the escrow agreement. If the grounds for transfer of property to the beneficiary cited in an escrow agreement do not originate within the validity term of the escrow agreement, the escrow agent is bound to return the received property to the depositor.

3. Seen as the object of depositing may be movable articles (including cash money, certified securities and documents), non-cash monetary assets and uncertified securities.

4. After the transfer of the object of depositing to the escrow agent and within the whole term of validity of an escrow agreement the depositor is not entitled to dispose of the given property, unless otherwise provided for by the agreement.

5. The depositor's obligation to transfer property to the beneficiary shall be deemed discharged from the time of transfer of this property to the escrow agent.

6. The parties may conclude the agreement under which the property which is subject to transfer by the parties to the bilateral agreement to each other (mutual escrow) shall be deposited with the escrow agent.

Article 926.2. The Remuneration for an Escrow Agent

1. An escrow agent is entitled to demand payment of remuneration thereto for the discharge of his obligations, unless otherwise provided for by an agreement.

The obligation of the depositor and beneficiary as to payment of remuneration to the escrow agent shall be deemed joint, unless otherwise provided for by an agreement.

2. An escrow agent is not entitled to count or withhold the property received from the depositor on account of payment or of securing payment of his remuneration, unless otherwise provided for by an agreement.

Article 926.3. Verifying the Grounds for Property Transfer to the Beneficiary

1. If an escrow agreement provides for the need for presenting by the beneficiary the documents

proving origination of the grounds for the transfer of property thereto, the escrow agent is bound to verify them on the basis of external features and in the presence of reasonable grounds to believe that the presented documents are unreliable to abstain from the property transfer, unless otherwise provided for by an agreement.

2. An escrow agreement may provide for the duty of an escrow agent to verify the availability of grounds for the property's transfer to the beneficiary.

Article 926.4. Ringfencing of Deposited Property

1. The property transferred for depositing with the escrow agent shall be ringfenced from the property thereof. This property shall be shown in a separate balance sheet and/or separate records shall be kept in respect of it.

2. If the escrow agent mixes the property transferred thereto for depositing with other property of the same type (including his own property), it shall not terminate the escrow agent's obligations towards the depositor and beneficiary.

3. Unless otherwise provided for by an agreement or results from the essence of an obligation, the escrow agent is not entitled to use the property transferred thereto for depositing and to dispose of it.

Article 928.5. The Specifics of Depositing Articles

1. Unless otherwise provided for by law, if articles are transferred for depositing, the depositor shall preserve the right of ownership to them up to the date of origination of the grounds for their transfer to the beneficiary and after the cited date the right of ownership to deposited articles shall pass over to the beneficiary.

2. The escrow agent shall be held liable for the loss, shortage or damage of the articles transferred thereto for depositing, unless he proves that these circumstances have occurred because of acts of God or because of the articles' properties about which the escrow agent did not know and could not know when accepting them for depositing, or as a result of the depositor's criminal intent or gross negligence.

3. The provisions of **Chapter 47** of this Code shall apply to the relations under the escrow agreement stipulating the transfer for depositing the articles the depositor's right of ownership to which is preserved, unless otherwise provided for by the rules of this chapter, agreement or results from the essence of obligations.

Article 926.6. The Specifics of Depositing Uncertified Securities and Non-Cash Monetary Assets

1. When depositing uncertified securities, an entry about charging such securities shall be made in compliance with the rules of **Item 3 of Article 149.2** of this Code. A different procedure for and specifics of depositing uncertified securities may be established by the **law** on the securities market.

2. An escrow agent is not entitled to dispose of deposited uncertified securities and exercise the rights in respect of such securities, unless otherwise provided for by an agreement.

3. If the escrow agent is not a bank, non-cash monetary assets shall be deposited on the nominal account thereof. As the beneficiary in respect of the nominal account opened for the escrow agent shall be deemed the depositor pending the date of origination of the grounds for the property's transfer to the beneficiary which are provided for by the escrow agreement and after the cited date as the beneficiary in respect of the nominal account shall be deemed the beneficiary in respect of the escrow agreement.

Article 926.7. The Specifics of Levying Execution Against Property on the Basis of Claims Against the Parties to an Escrow Agreement

1. It shall not be allowed to levy execution against deposited property, to attach such property or to take security measures in respect of it, as regards debts of the escrow agent or depositor.

2. Execution in respect of the depositor's debts may be levied against the depositor's right (claim) against the beneficiary or the escrow agent in the event of termination of the escrow agreement or violation of obligations under it. When opening the nominal account for the purpose of depositing non-cash

monetary assets (**Item 3 of Article 926.6**), the rules of **Article 860.5** for attachment or writing off monetary assets shall not apply.

3. In respect of the beneficiary's debts execution may be levied against the right (claim) thereof against the escrow agent for transfer of deposited property.

Article 926.8. The Termination of an Escrow Agreement

1. The escrow agreement shall be terminated as a result of death of the citizen being the escrow agent, declaring him/her legally incapable, having limited legal capacity or missing, termination of authority of the notary being the escrow agent, liquidation of the escrow agent being a legal entity, expiry of the validity term of an escrow agreement, as well as on other grounds provided for by this Code.

The depositor and beneficiary may withdraw from the escrow agreement, having forwarded a joint notice about it to the escrow agent in writing or in some other way provided for by the escrow agreement.

2. In the event of termination of the escrow agreement, the deposited property, unless otherwise provided for by the agreement of the depositor and beneficiary, is subject to return to the depositor and, should the grounds arise for transfer of this property to the beneficiary, is subject to transfer to the beneficiary.

3. If an escrow agreement prior to the occurrence of the circumstances provided for by this article had not been transferred to another person (**Article 392.3**), the deposited property is subject to return to the depositor or, should the grounds arise for transfer of this property to the beneficiary, is subject to transfer to the beneficiary.

Chapter 48. Insurance

Article 927. Voluntary and Obligatory Insurance

1. Insurance shall be effected on the basis of contracts of property or personal insurance, concluded by the individual or legal entity (insurant) with the insurer.

This paragraph is invalid from September 12, 2023 - **Federal Law** No. 209-FZ of June 13, 2023

2. In cases where the law entrusts the obligation of insurance cover to the persons referred to in it of the lives, health or property of other persons or of their civil liability to other persons at their expense or at the expense of interested persons (obligatory insurance), insurance shall be effected by concluding contracts in keeping with the rules of this Chapter. For the insurers the conclusion of contracts of insurance shall not be obligatory on the terms offered by the insurant.

3. The law may provide for cases of obligatory insurance of the lives, health and property of individuals at the expense of the resources allocated from the appropriate budget (obligatory state insurance).

Article 928. Interests Whose Insurance Is Not Allowed

1. No insurance of interests contrary to law shall be allowed.

2. No insurance of losses from the participation in games, lotteries and bets shall be allowed.

3. No insurance of expenditure to which a person can be compelled for the purpose of setting hostages free shall be allowed.

4. The terms and conditions of the contracts of insurance which contradict Items 1-3 of this Article shall be null and void.

Article 929. The Contract of Property Insurance

1. Under the contract of property insurance one part (insurer) shall undertake, for the charge stipulated by the contract (insurance premium) and upon the onset of an event (insured accident), stipulated by the contract, to reimburse to the other party (insurant) or another person in favour of whom the contract has been concluded (beneficiary) the losses inflicted in consequence of this event in the insured property or the losses sustained in connection with other property interests of the insurant (to pay

insurance compensation) within the amount specified by the contract (insured sum).

2. The following property interests may be insured in particular under the contract of property insurance:

1) the risk of loss (destruction), shortage of, or damage to, property (**Article 930**);

2) the liability risk under the obligations arising due to the infliction of harm on the lives, health or property of other persons, and also the civil liability risk (**Articles 931** and **932**), or liability under contracts in cases, provided for by the law;

3) the risk of losses from business activity because of the violation of their obligations by the contracting parties of the businessman or the change in the conditions of this activity due to the circumstances beyond the businessman's control, including the risk of non-receipt of expected incomes - the entrepreneur's risk (**Article 933**).

Article 930. Insurance of Property

1. Property may be insured under the contract of insurance in favour of the person (insurant or beneficiary) who has the interest in the preservation of the property, based on the law, other legal act or the contract.

2. The contract of insurance of property, concluded in the absence of the insurant's or the beneficiary's interest in the preservation of insured property, shall be void.

3. A contract of insurance of property in favour of a beneficiary may be concluded without reference to the name of the beneficiary (insurance at the expense of the one who pays).

Upon the conclusion of such contract the insurant shall be given an insurance policy to bearer. When the insurant or the beneficiary exercises the rights under such contract this policy shall be given to the insurer.

Article 931. Insurance of Liability for the Infliction of Harm

1. Under the contract of insurance of liability risk under the obligations following in consequence of the infliction of harm on the lives, health or property of other persons, the liability risk of the insurant himself or any other person who bears such liability may be insured.

2. A person whose risk of liability for the infliction of harm has been insured shall be named in the insurance contract. If this person is not named in the contract, the liability risk of the insurant himself shall be deemed to be insured.

3. A contract of insurance of the risk of liability for the infliction of harm shall be deemed to be concluded, even of the contract has been concluded in favour of the insurant or any other person liable for the infliction of harm or the contract fails to state in whose favour it has been concluded.

4. In case where the liability for the infliction of harm is insured because its insurance is compulsory, and also in other cases, stipulated by the law or the contract of insurance of such liability, the person in favour of whom the insurance contract is deemed to be concluded shall have the right to present directly to the insurer his claim on the reparation of harm within the insured amount.

Article 932. Insurance of Liability under the Contract

1. Insurance of the risk of liability for the contravention of the contract shall be allowed in cases, provided for by the law.

2. Under the contract of insurance of the risk of liability for the contravention of the contract only the liability risk of the insurant himself may be insured. The insurance contract that does not comply with such requirements shall be void.

3. This risk of liability for the violation of the contract shall be deemed to be insured in favour of the party to whom the insurant should bear liability under the terms and conditions of this contract, that is the beneficiary, even if the insurance contract has been concluded in favour of another person or if the contract does not say in whose favour it is concluded.

Article 933. Insurance of Entrepreneurial Risk

Under the contract of insurance of entrepreneurial risk only the entrepreneurial risk of th insurant himself may be insured and only in his favour.

The contract of insurance of the entrepreneurial risk of the person who is not an insurant shall be void.

The contract of insurance of entrepreneurial risk is favour of the person who is not an insurant shall be concluded in favour of the insurant.

Article 934. The Contract of Personal Insurance

1. Under the contract of personal insurance one party (insurer) shall undertake to pay for the charge, stipulated by the contract (insurance premium) and paid by the other party (insurant), in the lump or periodically the sum of money, specified by the contract (insured amount) in case of the infliction of harm on the life or health of the insurant himself or any other individual named in the contract (insured person), of the attainment of a certain age or the onset of another event, provided for by the contract (insured accident).

The right to receive the insured amount shall belong to the person in favour of whom the contract has been concluded.

2. A contract of personal insurance shall be deemed to be concluded in favour of the insured person, if the contract fails to name another person as a beneficiary. In the event of death of the person insured under the contract, in which a different beneficiary is not named, the heirs of the insured person shall be recognized as beneficiaries.

A contract of personal insurance in favour of the person who is not insured, including in favour of the insurant who is not an insured person, may be concluded only with the written consent of the insured person. In the absence of such consent a contract may be recognized as invalid upon the lawsuit of the insured person and in the event of death of this person - upon the lawsuit brought by his heirs.

Article 935. Obligatory Insurance

1. The law may entrust the obligation of insurance to the persons referred to in it:

the lives, health and property of other persons, defined in the law, in case of the infliction of harm to their lives, health and property;

the risk of their civil liability which can competence in consequence of the infliction of harm on the lives, health or property of other persons or the contravention of contracts concluded with other persons.

2. The obligation of insuring his life and health may not be entrusted to the individual under the law.

3. In cases stipulated by the law or established in the statutory procedure the legal entities, which possess state or municipal property in their economic or operative management, may be entrusted with the obligation of insuring this property.

4. In case where the obligation of insurance does not follow from the law is based on the contract, including the obligation of insuring property, on the contract with the owner of property or on the constituent document of the legal entity which owns property, such insurance shall not be obligatory in the meaning of this Article and shall not entail the consequences, provided for by **Article 937** of this Code.

Article 936. The Conduct of Obligatory Insurance

1. Obligatory insurance shall be effected by means of concluding an insurance contract with the person charged with the obligation of such insurance (the insurant) and the insurer.

2. Obligatory insurance shall be effected at the expense of the insurant.

3. Facilities subject to obligatory insurance, the risks against which they should be insured and the minimum amounts of insured sums shall be determined by the law and in the case, specified by **Item 3 of Article 935** of this Code, by the law or in the statutory procedure.

Article 937. The Consequences of the Violation of the Rules for Obligatory Insurance

1. The person in favour of whom obligatory insurance should be effected shall have the right, if he knows that insurance is not effected, to demand in due course of law its implementation by the person charged with the obligation of insurance.

2. If the person who is entrusted with the obligation of insurance has not effected it or has concluded an insurance contract on the terms deteriorating the position of the beneficiary as compared with the terms defined by the law, he shall bear liability to the beneficiary with the onset of an insured accident on the same terms on which the insured compensation should have been paid in case of proper insurance.

3. The sums of money saved groundlessly by the person charged with the obligation of insurance due to the fact that he has not fulfilled this obligation or has fulfilled it improperly, shall be recovered on the claim lodged by state authorities performing supervision in the corresponding field of activities, for the benefit of the Russian Federation with the addition of interest to these sums of money in keeping with **Article 395** of this Code.

Article 938. The Insurer

Legal entities with a permit (license) appropriate insurance may conclude insurance contracts as insurers.

The requirements made to insurers and the procedure for licensing their activity and exercising supervision over this activity shall be determined by the laws on insurance.

Article 939. The Performance of he Obligations under the Insurance Contract by the Insurant and the Beneficiary

1. The conclusion of an insurance contract in favour of the beneficiary, especially at a time when the insured person is the beneficiary shall not absolve the insurant from the obligations under this contract, unless the latter provides for otherwise or if the insurant's obligations have been fulfilled by the person, in favour of whom the contract was concluded.

2. The insurer shall have the right to demand from the beneficiary, especially at a time when the beneficiary is represented by the insured person, that the latter should perform the obligations under the insurance contract, including the obligations entrusted to the insurant but not fulfilled by him, upon the presentation by the beneficiary of the claim for the payment of insurance compensation under the contract of property insurance or of the insured amount under the contract of personal insurance. The risk of the consequences of non-fulfilment or untimely fulfilment of the obligations, which should have been fulfilled earlier, shall be borne by the beneficiary.

Article 940. The Form of the Insurance Contract

1. An insurance contract may be concluded in writing.

Non-observance of the written form shall invalidate an insurance contract, exception being made for the contract of obligatory state insurance (**Article 969**).

2. An insurance contract may be concluded by means of drawing up one document or handing over by the insurer to the insurant on the basis of his written or oral statement an customer policy (certificate or receipt) signed by the insurer.

In the latter case the insurant's consent to conclude a contract on the terms proposed by the insurer shall be confirmed by the acceptance from the insurer of the documents, referred to in the first paragraph of this Item.

An insurance contract may be also made by drawing up a single electronic document signed by the parties thereto or of an exchange of electronic documents or other data in compliance with the rules of **Paragraph Two of Item 1 of Article 160** of this Code.

3. At the time of concluding an insurance contract the insurer shall have the right to apply the standard forms of the contract (insurance policy), elaborated by him or the association of insurers for

particular types of insurance.

Article 941. Insurance Under the General Policy

1. Systematic insurance of different lots of similar property (goods, cargoes, etc.) on acceptable terms during a definite period of time may be effected by agreement between the insurant and the insurer on the basis of one insurance contract, that is, general policy.

2. The insurant shall be obliged to provide the insurer with information specified by such policy in respect of each lot of property subject to the operation of the general policy within the period of time, envisaged by it, and if this period is not provided for by it, at once upon their receipt. The insurant shall not be released from this duty, even if by the time of the receipt of such information, the possibility of losses liable to compensation by the insurer has already passed.

3. On the demand of the insurant the insurer shall be obliged to issue insurance policies for particular lots of property liable to the operation of the general policy.

In the event of inconsistency of the insurance policy with the general policy in terms of content, preference shall be given to insurance policy.

Article 942. The Essential Terms and Conditions of the Insurance Contract

1. During the conclusion of a contract of property insurance the insurant and the insurer shall reach agreement on:

1) definite property or any other property interest as the object of insurance;

2) the character of the event that entails insurance (insured accident);

3) the amount of the insurance sum;

4) the validity terms of the contract.

2. During the conclusion of a contract of personal insurance the insurant and the insurer shall reach understanding on:

1) the insured person;

2) the character of the event (insured accident) that entails insurance in the life of the insured person;

3) the amount of the insurance sum;

4) the validity term of the contract.

Article 943. The Definition of the Terms and Conditions of the Insurance Contract in the Insurance Rules

1. The terms and conditions on which an insurance contract is concluded may be defined in the standard insurance rules, adopted, approved or endorsed by the insurer or by the association of insurers (insurance rules).

2. The conditions contained in the insurance rules and not included in the text of the insurance contract (insurance policy) shall be compulsory for the insurant (beneficiary), if the contract (insurance policy) expressly indicated the application of such rules and the rules are set forth in one document with the contract (insurance policy) or on its reverse side or are appended to it. In the latter case the delivery of the insurance rules to the insurant during the conclusion of a contract shall be certified with an entry in the contract.

3. During the conclusion of an insurance contract the insurant and the insurer may come to terms on the modification or exclusion of some provisions in the insurance rules and on the supplementing of the rules.

4. The insurant (beneficial) shall have the right to refer in defence of its interests to the insurance rules to which there is a reference in the insurance contract (insurance policy), even if there rules are not compulsory for it by virtue of this Article.

Article 944. Information Given by the Insurant During the Conclusion of an Insurance Contract

1. During the conclusion of an insurance contract the insurant shall be obliged to communicate to the insurant the circumstances known to him and of relevance for the definition of the possible onset of an insured accident and the extent of possible losses from its commencement (insurance risk), if these circumstances are not known and should not be known to the insurer.

The circumstances definitely specified by the insurer in the standard form of the insurance contract (insurance policy) or in its written inquiry shall be recognized as essential in any case.

2. If an insurance contract has been concluded in the absence of the insurant's replies to any questions put by the insurer, the latter may not demand afterwards the dissolution of the contract or its recognition as invalid on the ground that relevant circumstances have not been communicated by the insurant.

3. If it is ascertained after the conclusion of an insurance contract that the insurant has given to the insurer information known to be false about the circumstances, referred to in Item 1 of this Article, the insurer has the right to demand that the contract should be recognized as invalid and that the consequences, stipulated by **Item 2** of Article 179 of this Code should be applied.

The insurer may not demand the recognition of the insurance contract as invalid, if the circumstances about which the insurant has concealed have already disappeared.

Article 945. The Insurer's Right to the Appraisal of Insurance Risk

1. During the conclusion of a property insurance contract the insurer shall have the right to inspect the insurable property and in case of need to schedule an expert examination in order to estimate its actual value.

2. During the conclusion of a personal insurance contract the insurer shall have the right to examine the insurable person for the appraisal of the actual state of his health.

3. The appraisal of insurance risk by the insurer shall not be compulsory on the strength of this Article for the insurant, who has the right to prove something different.

Article 946. Secrecy of Insurance

The insurer shall have no right to disclose information about the insurant, the insured person and the beneficiary, the state of their health and about their property status, which he obtained as a result of his professional activity. For the divulgence of secrecy of insurance the insurer shall bear liability depending on the kind of the infringed rights and the nature of divulgence in accordance with the rules, envisaged by **Article 139** or **Article 150** of this Code.

Article 947. The Insurance Sum

1. The sum of money, within the limits of which the insurer undertakes to pay out insurance compensation under the property insurance contract or which he undertakes to pay out under the personal insurance contract (insurance sum) shall be determined by the agreement between the insurant and the insurer in keeping with the rules, provided for by this Article.

2. In case of insurance of property or entrepreneurial risk, unless the insurance contract stipulates otherwise, the insurance sum shall not exceed their actual value (insurance sum). It shall be held as such value:

for property its actual value in the place of its location on the day of concluding an insurance contract;

for entrepreneurial risk the losses from business activity, which the insurant, as is to be expected, would sustain with the onset of an insured accident.

3. In contracts of personal insurance and contracts of civil liability insurance the insurance sum shall be determined by the parties at their discretion.

Article 948. The Contestation of the Insured Value of Assets

The insured value of assets, referred to in the insurance contract, may not be contested afterwards,

except for the case when the insurer, who before the conclusion of the contract has not availed himself of his right to the appraisal of insurance risk (**Item 1 of Article 945**) was deliberately misled with regard to this value.

Article 949. Incomplete Property Insurance

If the contract of property insurance or entrepreneurial risk has fixed the insurance sum below the insured value, the insurer shall be obliged on the onset of an insured accident to compensate for the part of the losses sustained by the insurant (beneficiary) in proportion to the ratio between the insurance sum and the insured value.

The contract may provide for a higher amount of insurance compensation but not higher than the insured value.

Article 950. Additional Property Insurance

1. In case where property or entrepreneurial risk is insured only in terms of the part of insured value, the insurant (beneficiary) shall have the right to effect additional insurance, including with another insurer, with the proviso that total insurance sum should not exceed the insured value in all insurance contracts.

2. The non-observance of the provisions of Item 1 of this Article shall entail the consequences, envisaged by **Item 4 of Article 951** of this Code.

Article 951. The Consequences of Insurance Over and Above the Insured Value

1. If the insurance sum, referred to in the contract of property insurance or entrepreneurial risk, exceeds the insured value, the contract shall be void in that part of the sum which exceeds the insured value.

The excessively paid part of the insurance premium shall not be subject to return in this case.

2. If in accordance with the insurance contract the insurance premium is contributed by instalments and by the time of ascertaining the circumstances, referred to in Item 1 of this Article, it has not been contributed in full, the remaining insurance contributions shall be paid in the amount reduced in proportion to the decrease in the amount of the insurance sum.

3. If the overestimation of the insurance sum in an insurance contract has been the consequence of deceit on the part of the insurant, the insurer shall have the right to demand that the contract be recognized as invalid and the related losses caused to him be compensated in the amount that exceeds the sum of the insurance premium received by him from the insurant.

4. The rules, envisaged in Items 1-3 of this Article, shall also be accordingly applied in the case where the insurance sum has exceeded the insured as a result of insurance of one and the same facility by two or several insurers (double insurance).

The amount of insurance compensation subject to payment in this case by each insurer shall be cut down in proportion to the decrease in the original insurance sum under the relevant insurance contract.

Article 952. Property Insurance Against Different Insurance Risks

1. Property and entrepreneurial risk may be insured against different insurance risks both under one and several insurance contracts, including contracts with different insurers.

In these cases the amount of the total insurance sum may exceed the insured value in all contracts.

2. If the obligation of insurers to pay the insurance compensation for the same consequences of the onset of one and the same insured accident follows from two or several contracts, concluded in keeping with Item 1 of this Article, the rules, stipulated by **Item 4 of Article 951** of this Code, shall be applied to such contracts in the respective part.

Article 953. Coinsurance

An insurance object may be jointly insured under one insurance contract by several insurers

(coinsurance). If such contract does not define the rights and obligations of each insurer, they shall be liable jointly and severally to the insurant (beneficiary) for the payment of insurance compensation under the property insurance contract or of the insurance sum under the personal insurance contract.

Article 954. Insurance Premium and Insurance Instalments

1. Insurance premium shall be understood to mean the payment for insurance which the insurant (beneficiary) shall be obliged to make to the insurer in the procedure and in time-limits fixed of the insurance contract.

2. In estimating the amount of the insurance premium subject to payment under the insurance contract the insurer shall have the right to apply the insurance rates elaborated by him which determine the premium, collected from the unit of the insurance sum with due account of the object of insurance and the character of insurance risk.

In cases provided for by the law the amount of the insurance premium shall be estimate in keeping with insurance rates, established or regulated by insurance supervision bodies.

3. If the insurance contract provides for the payment of the insurance premium by instalments, the contract may determine the consequences of the non-payment of regular insurance instalments within the established time-limits.

4. If an insured accident took place before the payment of a regular insurance instalment which is overdue, the insurer shall have the right to offset the amount of the overdue insurance instalment at a time of estimating the amount of insurance compensation subject to payment under the property insurance contract or the insurance sum under the personal insurance contract.

Article 955. Replacement of the Insured Person

1. In case where the contract of insurance of the risk of liability for the infliction of harm (**Article 931**) has insured the liability of a person other than the insurant, the latter shall have the right, unless otherwise stipulated by the contract, to replace this person by another one at any time before the onset of the insured accident by notifying the insurer about this in writing.

2. The insured person, named in a personal insurance contract, may be replaced by another person on the initiative of the insurant and with the consent of the insured person and the insurer.

Article 956. The Replacement of the Beneficiary

The insurant shall have the right to replace the beneficiary, named in the insurance contract, by another person while notifying the insurer about this in writing. The beneficiary, appointed with the consent of the insured person (**Item 2 of Article 934**), may be replaced under the personal insurance contract only with the consent of this person.

The beneficiary may not be replaced by another person after he has fulfilled any obligation under the insurance contract or has presented to the insurer his claim for the payment of insurance compensation or the insurance sum.

Article 957. The Beginning of the Validity of the Insurance Contract

1. An insurance contract, unless it provides for otherwise, shall enter into force at the time of payment of the insurance premium or its first instalment.

2. Insurance, stipulated by the insurance contract, shall extend to the insured accidents which have taken place after the entry of the insurance contract into force, unless the contract provides for a different period of the started operation of insurance.

Article 958. The Termination of an Insurance Contract Short of the Term

1. An insurance contract shall cease to be valid before the beginning of the period for which it was concluded, if after its entry into force the possibility of the onset of an insured accident disappeared and insurance risk ceased to exist due to the circumstances other than the insured accident. Such circumstances

include in particular:

the destruction of insured property for reasons other than the onset of an insured accident;

the termination of business activity in the statutory order by the person who has insured the entrepreneurial risk or civil liability risk, associated with this activity.

2. The insurant (beneficiary) shall have the right to waive the insurance contract at any time, if by the time of his refusal the possibility of the onset of an insured accident had not disappeared to the circumstances, referred to in Item 1 of this Article.

3. If the insurance contract ceases to be valid short of the term due to the circumstances, referred to in **Item 1** of this Article, the insurer shall have the right to the part of the insurance premium in proportion to the time during which insurance was effected.

If the insurant (beneficiary) waives the insurance contract short of the term, the insurance premium paid to the insurer shall not be subject to return, unless otherwise stipulated by the law or contract.

Article 959. The Consequences of Increased Insurance Risk During the Validity Term of the Insurance Contract

1. In the period of validity of the property insurance contract the insurant (beneficiary) shall be obliged to inform the insurer about the substantial changes which have become known to him in the circumstances communicated to the insurer during the conclusion of the contract, if these changes can substantially influence insurance risk by increasing it.

Changes, stipulated in the insurance contract (insurance policy) and in the insurance rules given to the insurant, shall be recognized as considerable in any case.

2. The insurer who is notified about the circumstances entailing the increase risk shall have the right to demand the introduction of changes in the insurance contract or the payment of an additional insurance premium in proportion to the increase in risk.

If the insurant (beneficiary) objects to changes in the terms and conditions of the insurance contract or to the additional charge to the insurance premium, the insurer shall have the right to demand the cancellation of the contract in keeping with the rules, provided for by **Chapter 29** of this Code.

3. In case of default of the obligation by the insurant or beneficiary, provided for by Item 1 of this Article, the insurer shall have the right to demand the dissolution of the insurance contract and the compensation for the losses caused by the cancellation of the contract (**Item 5 of Article 453**).

4. The insurer shall have no right to demand the cancellation of the insurance contract, if circumstances entailing the increase in insurance risk have already disappeared.

5. In case of personal insurance the consequences of changes in insurance risk during the validity term of the insurance contract, referred to in Items 2 and 3 of this Article, may take place, if only they are expressly envisaged in the contract.

Article 960. The Assignment of the Rights to Insured Property to Another Person

In case of the assignment of the rights to insured property from the person in whole interest the insurance contract was concluded to another person, the rights and obligations under this contract shall be transferred to the person to whom the rights to property have passed, exception being made for the cases of the compulsory seizure of property on the grounds, referred to in **Item 2 of Article 235** of this Code, and of the refusal from the right of ownership (**Article 236**).

The person to whom the rights to insured property has been transferred shall at once notify the insurer about this.

Article 961. The Notification of the Insurer about the Onset of an Insured Accident

1. Under the property insurance contract the insurant, who was informed about the onset of the insurance accident, shall be obliged to notify without delay the insurer or its representative about its onset. If the contract provides for a definite date and/or method of notification, the latter shall be effected in the stipulated period and the method, indicated in the contract.

The same obligation lies with the beneficiary who knows about the conclusion of the insurance contract in his favour, if he intends to avail himself of the right to insurance compensation.

2. Default of the obligation, provided for by Item 1 of this Article shall entail the insurer to waive the payment of insurance compensation, unless it is provided that the insurer had learnt about the onset of the insured accident in due time or that the insurer has no information about this could not influence his obligation to pay insurance compensation.

3. The rules, envisaged by Items 1 and 2 of this Article, shall be applied accordingly to the personal insurance contract, if the death of the insured person or the infliction of injury on his health is an insured accident. In this case the date of notification of the insurer, specified by the contract may not be less than 30 days.

Article 962. The Diminution of Losses from the Insured Accident

1. With the onset of the insured accident, provided for by the property insurance contract, the insurant shall be obliged to take reasonable measures available in the present circumstances in order to reduce possible losses.

In taking such measures the insurant shall follows the instructions of the insurer, if they have been brought to the notice of the insurant.

2. Expenses on the reduction of losses subject to compensation by the insurer shall be reimbursed by the insurer, if such expenses were necessary or made in order to fulfil the insurer's instructions, even if appropriate measures had proved to be unsuccessful.

Such expenses shall be reimbursed in proportion to the ratio between the insurance sum and the insured value, regardless of the fact that together with the compensation for other losses they can exceed the insurance sum.

3. The insurer shall be released from the compensation for the losses which have arisen in consequence of the fact that the insurant failed to take reasonable measures accessible to him in order ot reduce possible losses.

Article 963. The Consequences of the Onset of an Insured Accident Through the Fault of the Insurant, Beneficiary or the Insured Person

1. The insurer shall be released from the payment of insurance compensation or the insurance sum, if the insured accident commenced owing to the intent of the insurant, beneficiary or insured person, except for the cases, stipulated by Items 2 and 3 of this Article.

The law may provide for cases of the release of the insurer from the payment of insurance compensation under the property insurance contracts in case of the onset of an insured accident owing to gross negligence on the part of the insurant or beneficiary.

2. The insurer shall not be released from the payment of insurance compensation under the contract of insurance of civil liability for the infliction of harm on human life or health, if harm was done through the fault of the person responsible for it.

3. The insurer shall not be released from the payment of the insurance sum which is subject under the personal insurance contract to payment in the event of death of the insured person, if his death took place because of suicide and by that time the insurance contract had been in effect for not less than two years.

Article 964. The Grounds for the Release of the Insurer from the Payment of Insurance Compensation and the Insurance Sum

1. Unless the law or the insurance contract provides for otherwise, the insurer shall be released from the payment of insurance compensation and the insurance sum, when the insured accident commenced owing to:

the impact of a nuclear blast, radiation or radioactive contamination;

the hostilities, and also exercises and other military undertakings;

the civil war, popular unrest of any kind of strikes.

2. Unless the property insurance contract provides for otherwise, the insurer shall be released from the payment of insurance compensation for the losses sustained owing to the seizure, confiscation, requisition, attachment or destruction of insured property according to the orders of state bodies.

Article 965. The Assignment of the Insurant's Rights to Compensation for Damage to the Insurer (Subrogation)

1. Unless the property insurance contract provides for otherwise, the right of claim which the insurant (beneficiary) has to the person, responsible for the losses reimbursed as a result of insurance, shall assign within the paid sum of money to the insurer who has paid insurance compensation. However, the contract clause that excludes the assignment of the right of claim to the person who deliberately caused damage shall be void.

2. The right of claim that has been transferred to the insurer shall be implemented by him with the observance of the rules regulating the relations between the insurant (beneficiary) and the person responsible for losses.

3. The insurant (beneficiary) shall be obliged to give all documents and evidence to the insurer and to provide him with all information necessary for the implementation by the insurer of the right of claim that has passed to him.

4. If the insurant (beneficiary) has abandoned his right of claim to the person responsible for the losses compensated by the insurer, or if the exercise of this right has become impossible through the fault of the insurant (beneficiary), the insurer shall be released from the payment of insurance compensation in full or in part and shall have the right to demand the return of the excessively paid sum of compensation.

Article 966. Limitation Period for Claims Related to Property Insurance

1. Limitation period for claims following from a property insurance contract, except for a contract of insuring the risk of liability under obligations which result from infliction of harm upon life, health or property of other persons, shall be two years.

2. Limitation period for claims following from a contract of insuring the risk of liability under obligations which result from infliction of harm upon life, health or property of other persons shall be three years (**Article 196**).

Article 967. Reinsurance

1. The risk of payment of insurance compensation or the insurance sum, assumed by the insurer under the insurance contract may be insured by him in full or in part at another insurer (insurers) under the contract of reinsurance concluded with the latter.

2. The rules envisaged by the Chapter and subject to application to the insurance of entrepreneurial risk shall be applied to the contract of reinsurance, unless the contract of reinsurance provides for otherwise. Under the contract of insurance (principal contract) the insurer who has concluded the contract of reinsurance shall be deemed to be an insurant in the latter contract.

3. In case of reinsurance the insurer shall remain liable to the insurant under the principal insurance contract for the payment of insurance compensation or the insurance sum.

4. It shall be permissible to conclude two or several contracts of reinsurance.

Article 968. Mutual Insurance

1. Individuals and legal entities may insure their property and other property interests, referred to in **Item 2 of Article 929** of this Code, on a mutual basis by means of pooling necessary resources in mutual insurance societies.

2. Mutual insurance societies shall effect the insurance of property and other property interests of their members and shall be non-profit making organisations.

The specific aspects of the legal status of the mutual insurance societies and the conditions of their

activity shall be determined by the **Law** on mutual insurance in conformity with this Code.

3. The mutual insurance societies shall insure the property and property interests of their members directly on the basis of their membership, unless the society's charter provides for the conclusion of insurance contracts in these cases.

The rules envisaged by this Chapter shall be applied to the insurance relations between the mutual insurance society and its members, unless otherwise stipulated by the **Law** on mutual insurance.

4. Obligatory insurance through mutual insurance shall be allowed in cases, provided for by the **Law** on mutual insurance.

5. Abrogated.

Article 969. Obligatory State Insurance

1. The law may institute obligatory state insurance of the lives, health and property of civil servants of some categories for the purpose of ensuring the social interests of individuals and the interests of the State.

Obligatory state insurance shall be effected at the expense of the financial resources, appropriated for these purposes from the corresponding budget to the ministries and other federal executive bodies (insurants).

2. Obligatory state insurance shall be effected directly on the basis of the laws and other legal acts on such insurance by state insurance companies and other state organisations (insurers), indicated in these acts or on the basis of insurance contracts, concluded by insurers and insurants in accordance with these acts.

3. Obligatory state insurance shall be paid to the insurers in the amount, defined by laws and other legal acts on such insurance.

4. The rules, envisaged by this Chapter, shall be applicable to obligatory state insurance, unless otherwise stipulated by the laws and other legal acts on such insurance and unless the contrary follows from the substance of relevant insurance relations.

Article 970. The Application of General Rules for Insurance to Special Types of Insurance

The rules, provided for by this Chapter, shall be applicable to the relations of insurance of foreign investments against non-commercial risks, marine insurance, medical insurance, insurance of bank deposits, insurance of pensions and insurance of export credits and investments against business and/or political risks, unless otherwise established by laws on these kinds of insurance and by **Federal Law** No. 82-FZ of May 17, 2007 on the Bank for Development.

Chapter 49. Agency

Article 971. Contract of Agency

1. Under the contract of agency one party (agent) shall undertake to perform certain legal actions on behalf and at the expense of the other party (principal). The rights and obligations under the transaction completed by the agent shall accrue directly for the principal.

2. A contract of agency may be concluded with reference to the period during which the agent has the right to act on behalf of the principal or without such reference.

Article 972. Remuneration of the Agent

1. The principal shall be obliged to pay remuneration to the agent, if this is stipulated by the law, other legal acts or the contract of agency.

In cases where the contract of agency is connected with the business activity of both parties or one of them, the principal shall be obliged to pay remuneration to the agent, unless otherwise stipulated by the contract.

2. In the absence of the clause on the amount of remuneration or the procedure of its payment in

the remunerated contract of agency, remuneration shall be paid after the execution of agency in the amount, estimated in keeping with **Item 3 of Article 424** of this Code.

3. The agent who acts as a commercial representative (**Item 1** of Article 184) shall have the right to withhold, in keeping with **Article 359** of this Code, the things he has at his disposal, which are subject to the transfer to the principal as security of his claims under the contract of agency.

Article 973. The Execution of Agency in Accordance with the Trustee's Instructions

1. The agent shall be obliged to perform the agency given to him in accordance with the principal's instructions. The instructions shall be lawful, practicable and concrete.

2. The agent shall have the right to depart from the principal's instructions, if it is necessary under the existing circumstances and in the interests of the principal and if the agent could not inquire the principal in advance or had not received an answer to his inquiry within a reasonable period of time. The agent shall be obliged to notify the principal about the admitted departures as soon as such information has become possible.

3. The agent acting a commercial representative (**Item 1 of Article 184**) may be given by the principal the right to depart from the instructions of the principal in his interests without a preliminary inquiry about this. In this case the commercial representative shall be obliged to notify the principal about the admitted departures within a reasonable period of time, unless otherwise stipulated by the contract of agency.

Article 974. The Obligations of the Agent

The agent shall be obliged:

to perform the agency given to him in person, except for the cases, indicated in **Article 976** of this Code;

to communicate to the principal all information about the progress of the execution of agency at his request;

to convey to the principal without delay all the things received under the deals, performed in pursuance of the agency;

to return without delay to the principal the power of attorney whose validity term has, not expired upon the execution of agency or in case of the termination of the contract of agency before it is executed and to submit a report with appended covering documents, if this is required by the terms and conditions of the contract or the character of agency.

Article 975. The Obligations of the Principal

1. The principal shall be obliged to issue to the agent a power of attorney (powers of attorney) for the performance of legal actions provided for by the contract of agency, except for the cases, stipulated by the **second paragraph of Item 1 of Article 182** of this Code.

2. Unless otherwise stipulated by the contract, the principal shall be obliged:

to compensate for the agent's costs;

to provide the agent with pecuniary means needed for the execution of agency.

3. The principal shall be obliged to accept from the agent without delay all that has been performed in accordance with the contract of agency.

4. The principal shall be obliged to pay remuneration to the agency, if in keeping with **Article 972** of this Code the contract of agency is remunerated.

Article 976. The Transference of the Execution of Agency

1. The agent shall have the right to transfer the execution of agency to another person (substitute) only in cases and on the terms, provided for by **Article 187** of this Code.

2. The principal shall have the right to challenge the substitute chosen as an agent.

3. If a possible substitute of the agent is named in the contract of agency, the agent shall not be

answerable either for his choice or for the conduct of his affairs.

If the right of the agent to transfer the execution of agency to another person is not provided for by the contract or is provided for, but the substitute is not named in it, the agent shall be answerable for the choice of the substitute.

Article 977. The Termination of the Contract of Agency

1. The contract of agency shall be terminated in consequence of:

the revocation of agency by the principal;

the refusal of the agent;

the death of the principal or the agent, the recognition of any of them as legally unfit, specially disabled or missing.

2. The principal shall have the right to revoke the agency, while the agent shall have the right to abandon it at any time. An agreement on the refusal from this right shall be void.

3. The party which waives the contract of agency that provides for the agent's actions as a commercial representative shall notify the other party about the termination of the contract within 30 days, unless the contract provides for a longer period.

In case of the reorganisation of a legal entity that is a commercial representative the principal shall have the right to revoke the agency without such a preliminary notification.

Article 978. The Consequences of the Termination of the Contract of Agency

1. If a contract of agency is terminated before the agency has been executed by the agent in full, the principal shall be obliged to compensate for the agent's expenses incurred during the execution of the agency, and when the agent was to receive remuneration, to pay to him the remuneration as well in proportion to the work done by him. This rule shall not be applied to the execution by the agent of the agency after he has known or should have known about the termination of the agency.

2. The revocation of the commission by the principal shall not be a ground for the compensation for the losses caused to the agent by the termination of the contract of agency, except for the cases of the termination of the contract that provides for the operation of the agent as a commercial representative.

3. The refusal of the agent to execute the commission of the principal shall not be a ground for the compensation for the losses caused to the principal by the termination of the contract of agency, except for the cases of the agent's refusal in the conditions when the principal has no possibility of insuring his interests in a different way, and also in cases of the refusal to execute the contract that provide for the operation of the agent as a commercial representative.

Article 979. The Obligations of the Heirs of the Agent and the Liquidator of the Legal Entity That Acts as an Agent

In case of death of the agent, his heirs shall be obliged to inform the principal about the termination of the contract of agency and take measures needed to protect the principal's property, in particular to preserve his things and documents and thereupon to transfer this property to the principal.

The same obligation shall lie with the liquidator of the legal entity that acts as an agent.

Chapter 50. Actions in the Interest of Other People Without Commission

Article 980. Terms for Actions in the Interest of Other People

1. Actions without commission, other instruction or the interested person's consent promised in advance for the purpose of averting harm to his personality or property, executing his obligation or in other legitimate interests (actions in the interest of other people) shall ne performed due to the obvious benefit or profit and to the actual and probable intentions of the interested person and with care and diligence vision requisite in the circumstances of the case.

2. The rules, envisaged by this Chapter, shall not be applied to actions in the interest of other persons, committed by state and municipal bodies, for which such actions are one of the purposes of their activity.

Article 981. Notification of the Interested Person about Actions in His Interest

1. A person who acts in the interest of another person shall be obliged to inform the interested person about this at the first opportunity and wait during a reasonable period of time for his decision on the approval or disapproval of the undertaken actions, unless such waiting entails serious damage to the interested person.

2. It shall not be required to specially inform the interested individual about the actions in his interest, if such actions are undertaken in his presence.

Article 982. The Consequences of the Approval by the Interested Person of Actions in His Interests

If a person for the benefit of whom actions are taken without his commission adopts these actions, the rules for the contract of agency or a different contract that corresponds to the character of the undertaken actions shall be applied to the relations between the parties, even if this approval was oral.

Article 983. The Consequences of the Non-approval by the Interested Person of Actions in His Interest

1. Actions in the interest of other people committed after it has become known to the performer of these actions that they are not approved by the interested person shall not entail obligations for the latter either in respect of the performer of these actions or of third parties.

2. Actions undertaken to prevent danger for the life of the person who is imperiled shall also be allowed against the will of this person, while the discharge of the obligation of maintaining anybody shall be allowed against the will of the person charged with this obligation.

Article 984. Compensation for Losses for the Person Who Acted in the Interest of Other People

1. Requisite expenses and other real damage sustained by the person who acted in the interest of other people in accordance with the rules, provided for by this Chapter, shall be subject to compensation by the interested person, with the exception of the expenses incurred by the actions referred to in **Item 1 of Article 983** of this Code.

The right to compensation for necessary and other real damage shall also be retained in case where actions in the interest of other people have not brought about the expected result. However, in case of preventing damage to the property of another person the amount of compensation shall not exceed the value of property.

2. Expenses and other losses of the person who acted in the interest of other people, incurred by him in connection with the actions undertaken after the receipt of approval by the interested person (**Article 982**), shall be reimbursed according to the rules for a contract of the relevant type.

Article 985. Remuneration for Actions in the Interest of Other People

A person whose actions in the interest of other people have led to the result positive for the interested person shall have the right to receive remuneration, if such right is provided for by law, the agreement with the interested person or the business turnover customs.

Article 986. The Consequences of a Transaction in the Interest of Other People

The obligations under the transaction concluded in the interest of other people shall pass to the person in whose interest it has been made, subject to the approval by him of this transaction and if the other party does not object against such passage or has known or should have known during the conclusion of the transaction that it was concluded in the interest of other people.

With the passage of obligations under such transaction to the person in whose interest it was concluded, the rights under this transaction shall also be transferred to the latter person.

Article 987. Unjust Enrichment in Consequences of Actions in the Interest of Other People

If actions which are not directly aimed at the security of the interests of another person, including in the case where the person who has committed them mistakenly supposed that he acts in his own interest, have led to the unjust enrichment of another person, the rules, provided for by **Chapter 60** of this Code shall be applied.

Article 988. The Compensation for the Harm Inflicted by Actions in the Interest of Other People

Relations involved in the compensation of the harm inflicted by actions in the interest of other people on the interested person or third parties, shall be regulated by the rules of **Chapter 59** of this Code.

Article 989. The Report of the Person Who Acted in the Interest of Other People

The person who acted in the interest of other people shall be obliged to submit to the person in whose interest such actions have been committed his report with an indication of the obtained incomes and incurred expenses and other losses.

Chapter 51. Commission

Article 990. The Contract of Commission

1. Under the contract of commission one party (commission agent) shall undertake to perform one or several transaction on its behalf on the instruction of the other party (principal) for remuneration at the expense of the principal.

In a transaction conducted by the commission agent with a third party the commission agent shall acquire and become to be bound, although the principal was named in the transaction or entered in direct relations with a third party in the performance of the transaction.

2. A contract of commission may be concluded for an indefinite period or without reference of its validity term with reference or without reference of the territory of its execution, with the obligation of the principal not to give to third parties the right of making in his interests and at his expense transactions, the conduct of which has been entrusted to the commission agent, or without such obligation, with conditions or without them for the assortment of goods which are the subject of commission.

3. The law and other legal acts may provide for specificity of the contract of commission of particular kinds.

Article 991. Commission Fee

1. The principal shall be obliged to pay a commission fee to the commission agent and when the commission agent has stood the surety for the execution of the transaction by a third party (del credere) the principal shall also pay an additional fee in the amount and in the order fixed in the contract of commission.

If the contract does not provide for the amount of the fee or the procedure for its payment and the amount of the fee cannot be determined on the basis of the contract, the fee shall be paid after the execution of the contract of commission in the amount, defined in conformity with **Item 3 of Article 424** of this Code.

2. If a contract of commission has not been executed for the reasons depending on the principal, the commission agent shall retain the right of a commission fee, and also to compensation for the incurred expenses.

Article 992. The Execution of a Commission Order

The order assumed by the commission agent the latter shall be obliged to perform on the conditions most favorable for the principal in accordance with the instructions of the principal, and in the absence if such instructions of the principal, and in the absence of such instructions in the contract of commission the commission agent shall be obliged to perform the order in keeping with the business turnover customs or other usual requirements.

In case where the commission agent has performed a transaction on the conditions more favourable than those which have been indicated by the principal, the additional benefit shall be divided between the principal and the commission agent, unless otherwise stipulated by the agreement of the parties.

Article 993. Liability for the Non-execution of the Transaction Concluded for the Principal

1. The commission agent shall not be liable to the principal for the non-execution by a third party of the transaction concluded with him at the expense of the principal, except for the cases where the commission agent has not displayed the necessary circumspection in the choice of this person or has stood surety for the performance of the transaction (del credere).

2. If a third party does not fulfil the transaction concluded with him by the commission agent, the latter shall be obliged to inform at once the principal about this, gather necessary evidence, and also to transfer to him the rights in this transaction on the demand of the principal and with the observance of the rules for the assignment of a claim (**Articles 382-386**, **388** and **389**).

3. The cession of rights to the principal in a transaction on the basis of Item 2 of this Article shall be allowed, regardless of the agreement of the commission agent with a third party, which bans or restricts such cession. This shall not release the commission agent from liability to a third party in connection with the cession of the right in violation of the agreement on its ban or restriction.

Article 994. Subcommission

1. Unless otherwise stipulated by the contract of commission, the commission agent shall have the right to conclude a contract of subcommission with another person for the purpose of executing this contract, remaining to be liable for the actions of the sub-commissioner to the principal.

Under the contract of subcommission the commission agent shall acquire the rights and obligations of the principal in respect of the subcommissioner.

2. Until the termination of the contract of commission the principal shall not have the right to enter into relations with the subcommissioner without the consent of the commission agent, unless otherwise stipulated by the contract of commission.

Article 995. Departures from the Principal's Instructions

1. The commission agent shall have the right to depart from the principal's instructions, if this is necessary under the present circumstances of the case in the interests of the principal and the commission agent could not acquire the principal in advance or did not receive an answer to his inquiry within a reasonable period of time. The commission agent shall be obliged to notify the principal about the departures made as soon as the notification has become possible.

The commission agent who acts as a businessman may be given by the principal the right to depart from his instructions without a preliminary inquiry. In this case the commission agent shall be obliged to notify the principal about the departures made within a reasonable period of time, unless otherwise stipulated by the contract of commission.

2. The commission agent who has sold property at the price below that agreed upon with the principal, shall be obliged to compensate to the latter for the difference, unless he proves that he had no possibility of selling property at the agreed price and the sale at a lower price prevented still greater losses. In case where the commission agent has obliged to inquire the principal in advance, the commissioner shall also prove that he had no possibility of receiving the preliminary consent of the principal with a departure from his instructions.

3. If the commission agent has bought property at the price higher than that agreed with the

principal, the latter, if he does not wish to accept such purchase, shall be obliged to state about this to the commission agent within a reasonable period of time upon the receipt from him the notification about the conclusion of the transaction with a third party. Otherwise the purchase shall be recognized as accepted by the principal.

If the commission agent stated hat he accepts the difference in prices at its expense, the principal shall not have the right to waive the transaction concluded for him.

Article 996. The Rights to the Things Which Are the Subject of Commission

1. Things which the commission agent received from the principal or brought at the expense of the principal shall be the property of the latter.

2. In accordance with **Article 359** of this Code the commissioner shall have the right to withhold the things which he has and which are subject to the transfer to the principal or the person indicated by the principal in security for his claims under the contract of commission.

In the event of declaring a principal insolvent (bankrupt) the said right of the commissioner shall be ceased and his claims to the principal within the cost of things which he has retained shall be satisfied in keeping with **Article 360** of this Code on a par with the claims secured with pledge.

Article 997. The Satisfaction of the Claims of the Commission Agent from the Sums of Money Due to the Principal

The commission agent shall have the right, in accordance with **Article 410** of this Code, to withhold all the sums of money due to him under the contract of commission, received by him from the principal. However, the principal's creditors who enjoy advantage with regard to the pledgees in respect of the sequence of satisfying their claims from the sums of money withheld by the commission agent.

Article 998. The Liability of the Commission Agent for the Loss and Shortage of, or Damage to, the Principal's Property

1. The commission agent shall be liable to the principal for the loss and shortage of, or damage to, the principal's property held by him.

2. If in this property there are damages or shortages during the acceptance by the commission agent of property, forwarded, by the principal or received by the commission agent for the principal, the damages and shortages being noticed in case of an outward inspection, and also has been inflicted by anybody on the principal's property held by the commission agent, the commission agent shall be obliged to take measures protecting the rights of the principal, to gather necessary evidence and to inform the principal about this without delay.

3. The commission agent who has not insured the principal's property held by him shall be liable for his only in cases where the principal has prescribed him to insure property at the expense of the principal or where the insurance of this property by the commission agent is provided for by the contract of commission or by the business turnover customs.

Article 999. The Report by the Commission Agent

Upon the execution of the instruction the commission agent shall be obliged to submit to the principal his report and to give him all that he has received under the contract of commission. The principal who has objections to the report shall be obliged to inform the commission agent during 30 days since the receipt of the report, unless the agreement between the parties has fixed a different period of time. Otherwise the report shall be deemed to be accepted in the absence of a different agreement.

Article 1000. The Acceptance by the Principal of Everything Performed Under the Contract of Commission

The principal shall be obliged:

to accept from the commission agent everything performed under the contract of commission;

to inspect the property acquired by the commission agent for him and to inform the latter without delay about the defects discovered in this property;

to release the commission agent from the obligation assumed to a third party in the execution of the commission order.

Article 1001. Compensation for the Expenses to Be Incurred in the Execution of a Commission Order

The principal shall be obliged to compensate for the sums of money, spent by the commission agent to execute the commission order in addition to the payment of a commission fee and in requisite cases also an additional fee for del credere.

The commission agent shall have no right to recompense the expenses on the storage of the principal's property held by him, unless otherwise stipulated by the law or the contract of commission.

Article 1002. The Termination of the Contract of Commission

The contract of commission shall be terminated in consequence of:

the refusal of the principal to execute the contract;

the refusal of the commission agent to execute the contract;

the refusal of the principal to execute the contract in cases provided for by the law or the contract;

the death of the commission agent, the recognition of him as legally unfit, specially incapable or missing;

the recognition of an individual businessman, who is a commission agent, as insolvent (bankrupt).

In case of declaring that the commission agent is insolvent (bankrupt), his rights and obligations in transactions, committed by him for the principal in pursuance of the instructions of the latter, shall pass to the principal.

Article 1003. The Revocation of a Commission Note by the Principal

1. The principal shall have the right to refuse at any time to execute the contract of commission by revoking the note given to the commission agent. The commission agent shall have the right to demand the compensation for the losses caused by the revocation of the order.

2. In case where a contract of commission has been concluded without an indication of its validity term the principal shall be obliged to notify the commission agent about the termination of the contract within 30 days, unless the property provides for a longer period of notification.

In this case the principal shall be obliged to pay to the commission agent a charge for the deals made by him before the termination of the contract, and also to reimburse to the commission agent the expenses, incurred by him before the cessation of the contract.

3. In case of revocation of the note the principal shall be obliged, within the period fixed by the contract of commission agent, and if such period is not fixed, also to discharge at once of his property held by the commission agent. If the principal fails to discharge this obligation, the commission agent shall have the right to put the property in storage at the expense of the principal or to sell it at the price most remunerative for the principal.

Article 1004. The Refusal of the Commission Agent to Execute the Contract of Commission

1. The commission agent shall have no right, unless otherwise stipulated by the contract of commission, to refuse to execute it, with the exception of the case where the contract was concluded without an indication of its validity term. In this case the commission agent shall notify the principal about the termination of the contract within 30 days, unless the contract provides for a longer period of time.

The commission agent shall be obliged to take measures needed for he safety of the principal's property.

2. Unless the contract of commission stipulates a different period of time, the principal shall dispose of his property under the authority of the commission agent within 15 days since the day of the

receipt of the notice about the commission agent's refusal to execute the note. If he does not discharge this obligation, the commission agent shall have the right to put the property in storage at the expense of the principal or to sell it at the price most remunerative for the principal.

3. Unless otherwise stipulated by the contract of commission, the commission agent who has refused to perform the note shall retain the right to a commission charge for the deals made by him before the termination of the contract, and also to the compensation for the expenses incurred before this time.

Chapter 52. Agency Service

Article 1005. The Brokerage Contract

1. Under the brokerage contract one party (agent) shall undertake for remuneration to perform legal and other actions on the instruction of the other party (principal) on his own behalf, but at the expense of the principal or on behalf and at the expense of the principal.

In a transaction made by the agent with a third party in his own name and at the expense of the principal, the agent shall acquire rights and become to be bound, although the principal has been named in the transaction or entered in direct relations with a third party for the execution of the transaction.

In a transaction made by the agent with a third party on behalf and at the expense of the principal, the rights and obligations shall arise for the principal.

2. In cases where the brokerage contract concluded in written form provides for the agent's general obligations for making deals on behalf of the principal, the latter shall have no right in his relations with third parties to refer to the lack of requisite obligations by the agent, unless he proves that a third party knew or should have known about the limitation of the agent's obligations.

3. The brokerage contract may be concluded for an indefinite period or without an indication of its validity term.

4. The law may provide for the specific aspects of particular types of the brokerage contract.

Article 1006. The Bonus of the Agent

The principal shall be obliged to pay to the agent the bonus in the amount and in the order established by the brokerage contract.

If the brokerage contract does not provide for the amount of the nobis of the agent and the latter cannot be estimated on the basis of he contractual terms, the bonus shall be subject to payment in amount, specified in keeping with **Item 3 of Article 424** of this Code.

In the absence of contractual terms on the procedure for the payment of the agent's bonus, the principal shall be obliged to pay the bonus during a week since the time of the submission of a report by the agent to him for the past period, unless a different procedure for the payment of the bonus follows for the substance of the contract or the business turnover customs.

Article 1007. The Restriction of the Rights of the Principal and the Agent by the Brokerage Contract

1. The brokerage contract may provide for the principal's obligation not to conclude similar brokerage contracts with other agents acting on the territory defined by the contract or to refrain from the independent activity on this territory, which is analogous to the activity that makes up the subject of the brokerage contract.

2. The brokerage contract may provide for the agent's obligation not to conclude with other principals similar contracts, which shall be executed on the territory coinciding in full or in part with the territory indicated in the contract.

3. The terms and conditions of the contract, by virtue of which the agent shall have the right to sell goods, perform works or render services for an exclusively definite category of buyers (customers) or exclusively for the buyers (customers) who have their location or residence on the territory defined by the

contract, shall be void.

Article 1008. Reports by the Agent

1. During the performance of the brokerage contract the agent shall be obliged to submit his reports to the principal in the order and in the time-limits which are provided for by the contract. In the absence of appropriate terms and conditions in the contract, reports shall be submitted by the agent to the extent of the execution of the contract by him or upon the expiry of the validity term of the contract.

2. Unless otherwise stipulated by the brokerage contract, the agent's report shall be enclosed with necessary proof of the expenses incurred by the agent at the expense of the principal.

3. The principal who has objections to the agent's report shall be obliged to communicate them to the agent within 30 days since the day of receipt of he contract, unless the agreement of the parties stipulates a different period of time. Otherwise the report shall be deemed to be accepted by the principal.

Article 1009. The Sub-agency Contract

1. Unless otherwise stipulated by the brokerage contract, the agent shall have the right to conclude a sub-agency contract with another person for the purpose of executing the contract, being liable for the actions of the sub-agent to the principal. The brokerage contract may provide for the agent's obligation to conclude a sub-agency contract with or without an indication of concrete terms and conditions of such contract.

2. The sub-agent shall have no right to conclude with third parties transactions on behalf of the principal under the brokerage contract, except for the cases where in conformity with **Item 1 of Article 187** of this Code, the sub-agent may act on the basis of substitution. The procedure and consequences of such substitution shall be determined according to the rules, provided for by **Article 976** of this Code.

Article 1010. The Termination of the Brokerage Contract

The brokerage contract shall cease in consequence of:

the refusal of one of the parties to execute the contract concluded without fixing the period of the completion of its validity;

the death of the agent, the recognition of him as legally unfit, specially incapable or missing;

the recognition of the individual businessman who is an agent as insolvent (bankrupt).

Article 1011. The Application of the Rules for Contracts of Agency and Commission to the Relations of Agents

The rules provided for by **Chapter 49** or **Chapter 51** of this Code shall be applied accordingly to the relations following from the brokerage contract depending on the fact whether the agent acts under the terms and conditions of this contract on behalf of the principal or in his own name, unless these rules contradict the provisions of this Chapter or the substance of the brokerage contract.

Chapter 53. Trust of Estate

Article 1012. The Contract of Trust of Estate

1. Under the contract of trust of estate one party (settler of trust) shall transfer estate in trust to the other party (trust administrator) for a definite period, while the other party shall undertake to administer this estate in the interests of the seller of trust or the person indicated by him (beneficiary).

The transfer of estate in trust shall not involve the assignment of the right of its ownership to the trust administrator.

2. While implementing the trust of estate, the trust administrator shall have the right to perform any legal and actual actions in the interests of the beneficiary in keeping with contract of trust of estate.

The law or the contract may provide for restrictions on individual actions for the trust of estate.

3. Transactions with estate transferred in trust shall be made by the trust administrator oh his behalf by pointing out that he acts as such administrator. This proviso shall be deemed to be observed, if during the actions which do not require the written form the other party is informed about them by the trust administrator acting in this capacity and if the written documents bear the note T.A. after the name of the trust administrator.

In the absence of the indication about the operation of the trust administrator in this capacity, the trust administrator shall bind himself to third parties and shall be liable to them only within the property belonging to him.

4. The specifics of trust management of unit investment trusts shall be established by **law**.

5. The details of the trust management of federal-significance public motor roads shall be established by a law.

Article 1013. The Object of Trust

1. The objects of trust may include enterprises and other property complexes, particular facilities relating to real estate, securities, rights certified by non-documentary securities, exclusive rights and other property.

2. Money may not be an independent object of trust with the exception of cases, provided for by the law.

3. Estate held in economic or operative management may not be transferred in trust. The transfer in trust of estate held in economic or operative management is possible only after the liquidation of the legal entity which was in charge of property or carried out operative management or after the termination of the right of economic or operative management and its passage into the possession of the owner on other statutory grounds.

Article 1014. The Seller of Trust

The owner of estate or another person in cases, specified by **Article 1026** of this Code, shall be a seller of trust.

Article 1015. The Trust Administrator

1. An individual businessman or a products-making organisation may be a trust administrator, exception being made for a unitarian enterprise.

In cases where the trust of estate is exercised on the statutory grounds, the post of the trust administrator may be held by the individual who is not a businessman or by the non-profit-making organisation with the exception of an institution.

2. Estate shall not be transferred in trust to a state body or a local government body.

3. The trust administrator may not be a beneficiary under the contract of trust of estate.

Article 1016. The Substantial Terms and Conditions of the Contract of Trust of Estate

1. The contract of trust of estate shall indicate the following:

the structure of estate transferred in trust;

the name of the legal entity or the individual in whose interest the trust of estate is exercised (the seller of trust or the beneficiary);

the amount and form of remuneration for the administrator, if it is provided for by the contract;

the term of validity of the contract.

2. A contract of trust of estate shall be concluded for a term not exceeding five years. For particular types of estate transferred in trust the law may provide for other maximum terms for which contracts may be concluded.

In the absence of the statement by one of the parties on the termination of a contract upon the expiry of its validity term, it shall be deemed to be prolonged for the same period and on the same conditions which were provided by the contract.

Article 1017. The Form of the Contract of Trust of Estate

1. A contract of trust of estate shall be concluded in writing.

2. A contract of trust of real estate shall be concluded in the form, provided for the contract of sale of real estate. The transfer of real estate in trust shall be subject to state registration in the same procedure that governs the transfer of the right of ownership of this property.

3. The non-observance of the form of the contract of trust of estate or of the requirement for the registration of the transfer of real estate in trust shall invalidate the contract.

Article 1018. The Separation of Estate Held in Trust

1. Estate transferred in trust shall be separated from other estate of the seller of trust, and also from the estate of the trust administrator. This estate shall reflect in the trust administrator's separate balance-sheet, with an independent accounting being kept on its basis. A separate bank account shall be opened for settlements in the activity associated with trust.

2. The execution for the debts of the settler of trust on the estate transferred by him in trust shall not be levied with the exception of the insolvency (bankruptcy) of this person. In case of the bankruptcy of the settler of trust the trust of this estate shall be ceased and it shall be included in the bankrupt's estate.

Article 1019. The Transfer in Trust of Estate Encumbered with Pledge

1. The transfer of the pledged estate in trust shall not deprive the pledgee of the right to every execution on this estate.

2. The trust administrator shall be warned about the fact that the estate transferred in trust has been encumbered with pledge. If the trust administrator did not know and should not know about the estate encumbered with pledge and given to him in trust, he shall have the right to demand in court the cancellation of the contract of trust of estate and the payment of remuneration for one year that is due to him under the contract.

Article 1020. The Rights and Obligations of the Trust Administrator

1. The trust administrator shall exercise the proprietary rights to the estate transferred in trust within the limits prescribed by the law and the contract of trust of estate. The trust administrator shall dispose of real estate in cases, provided for by the contract of trust of estate.

2. The rights, acquired by the trust administrator as a result of actions in the trust of estate, shall be included in the estate transferred in trust. The obligations arising as a result of such actions of the trust administrator shall be executed at the expense of this estate.

3. In order to protect the rights to estate in trust, the trust administrator shall have the right to demand any removal of the infringement of his rights (**Articles 301**, **302**, **304** and **305**).

4. The trust administrator shall submit to the seller of trust and the beneficiary the report on his activity in the time-limits and in the procedure, established by the contract of trust of estate.

Article 1021. The Transfer of Trust of Estate

1. The trust administrator shall effect the trust of estate in person, except for the cases, provided for by Item 2 of this Article.

2. The trust administrator may charge another person with the performance of actions necessary for the trust of estate on behalf of the trust administrator, if he is authorized therefor by the contract of trust of estate or has received the settler's consent with this in written form, or is forced to do so by virtue of circumstances for the safeguarding the interests of the settler of trust or the beneficiary and has no possibility of receiving the settler's instructions in a reasonable period of time.

The trust administrator shall be answerable for the actions of the agent chosen by him as for his own actions.

Article 1022. The Liability of the Trust Administrator

1. The trust administrator who failed to show due care for the interests of the beneficiary or the settler of trust in case of trust of estate shall reimburse to the beneficiary the lost profit during the trust of estate and to the settler of trust - the losses caused by the loss of, or damage to, estate with due account of its depreciation, and also the lost profit.

The trust administrator shall be liable for the inflicted losses, unless he proves that these losses were caused by force majeure or by the actions of the beneficiary or the settler of trust.

2. The obligations in the transaction made by the trust administrator with the excess of power or with the contravention of the limitations established for him shall be borne by the trust administrator in person. If third parties participating in the transaction did not know or should not have known about the excess of power or about the established limitations, the obligations which have arisen shall be subject to satisfaction in the procedure, established by Item 3 of this Article. In this case the settler of trust may demand that the trust administrator should recompense the losses sustained by him.

3. The debts in obligations which have arisen in connection with trust of estate shall be repaid at the expense of this estate. If such estate is not sufficient, execution may be levied on the estate of the trust administrator; and if his estate proves to be insufficient as well, execution may be levied on the estate of the settler of trust that has not been placed in trust.

4. The contract of trust of estate may provide for the submission of mortgage by the trust administrator in the security for the reparation of the losses that can be caused to the settler of trust or the beneficiary by the improper execution of the contract of trust.

Article 1023. Remuneration for the Trust Administrator

The trust administrator shall have the right to the remuneration, provided for by the contract of trust of estate, and also to the reimbursement of the necessary expenses, made by him during the trust of estate, at the expense of the incomes from the use of this property.

Article 1024. The Termination of the Contract of Trust of Estate

1. The contract of trust of estate shall be terminated in consequence of:

the death of the individual who is a beneficiary or the liquidation of the legal entity - also a beneficiary - unless the contract provides for otherwise;

the refusal of the beneficiary to receive benefits under the contract, unless the latter provides for otherwise;

the death of the individual who is a trust administrator, the recognition of him as legally unfit, specially incapable or missing, and also the recognition of the individual businessman as insolvent (bankrupt);

the refusal of the trust administrator or the settler of trust to carry out trust in connection with the impossibility for the trust administrator to effect in person the trust of estate;

the rejection by the settler of trust of the contract for the reason other than that indicated in the fifth paragraph of this Item, provided that the remuneration specified by the contract has been paid to the trust administrator;

the recognition of the businessman who is the settler of trust as insolvent (bankrupt).

2. If one party abandons the contract of trust of estate, the other party shall be notified about this three months before the termination of the contract, unless the latter provides for a different date of notification.

3. With the cessation of the contract of trust the estate held in trust shall be transferred to the settler of trust, unless otherwise stipulated by the contract.

Article 1025. The Transfer of Securities in Trust

In case of the transfer of securities in trust, they may be pooled for the transfer in trust by different persons.

The authority of the trust administrator to dispose of securities shall be defined in the contract of

trust.

The specific features of trust of securities shall be determined by the law.

The rules of this Article shall be applied accordingly to the rights, certified by non-documentary securities (**Article 149**).

Article 1026. Trust of Estate on the Grounds Stipulated by the Law

1. Trust of estate may be instituted in the following cases:

on account of the need for the permanent trust of the estate of the ward in cases provided for by **Article 38** of this Code;

as a result of the necessity to manage the hereditary property (**Article 1173**);

on other grounds specified by the law.

2. The rules provided for by this Chapter shall be applied accordingly to the relations involving the trust of estate, instituted on the grounds, referred to in Item 1 of this Article, unless otherwise stipulated by the law and unless the contrary follows from the essence of such relations.

In cases where trust of estate is instituted on the grounds, referred to in Item 1 of this Article, the rights of the settler of trust, provided for by the rules of this Chapter, shall belong accordingly to the body of guardianship, to the notary or any other person, indicated in the law.

Chapter 54. The Commercial Concession

Article 1027. The Contract of the Commercial Concession

1. Under a contract of commercial concession, one party (the right holder) is obliged to give to the other party (the user) for an award, for a term or without pointing out a term, the right to use in the user's business activity the complex of exclusive rights belonging to the right holder, including the right to the trademark and to the servicing mark, as well as the rights to other objects of exclusive rights stipulated in the contract, in particular to the commercial designation and to the production secret (to the know-how).

2. The contract of the commercial concession shall provide for the use of a complex of exclusive rights, the business standing and commercial know-how of the right holder in a definite scope (in particular with the establishment of a minimum and/or maximum extent of use), with an indication or without indication of the territory of use with reference to a certain sphere of business activity (sales of goods obtained from the right holder or produced by the user, other trade activity, performance of works and provision of services).

3. Commercial organisations and private persons registered as individual entrepreneurs may be the parties to the contract of the commercial concession.

4. To the contract of commercial concession shall be applied, respectively, the rules of **Section VII** of the present Code on the licence agreement, unless this contradicts the provisions of the present Chapter and the substance of the contract of commercial concession.

Article 1028. The Form and Registration of the Contract of the Commercial Concession

1. A contract of the commercial concession shall be concluded in writing.

The non-observance of the written form shall invalidate the contract. Such contract shall be deemed to be void.

2. The provision of the right to apply in the user's business activities a set of the exclusive rights held by the right holder under a contract of commercial concession is subject to state registration with the **federal executive body** in charge of intellectual property matters. If the requirement for state registration is not satisfied, the provision of the right shall be deemed frustrated.

Article 1029. The Commercial Subconcession

1. The contract of the commercial concession may provide for the right of the user to authorize

other persons to make use of the complex of exclusive rights granted to him or a part of this complex on the terms of subconcession, agreed upon with the right holder or defined by the contract of the commercial concession. The contract may provide for the obligation of the user to submit during a definite period of time to a definite number of persons the right to use said rights on the terms of the subconcession.

A contract of the commercial subconcession may not be concluded for a longer period than the contract of the commercial concession, on the basis of which it is concluded.

2. If a contract of the commercial concession is invalid, the contracts of the commercial subconcession concluded on its basis shall be invalid as well.

3. Unless otherwise stipulated by the contract of the commercial concession, concluded for a definite term, the rights and obligations of the second right holder under the contract of the commercial subconcession (the user under the contract of the commercial concession) shall pass to the right holder in case of the termination of the contract of the commercial concession short of the term, unless he refuses to assume the rights and obligations under this contract. This rules shall be applied accordingly in case of the cancellation of the contract of the commercial concession, concluded without reference to a definite term.

4. The user shall bear subsidiary liability for the harm done to the right holder by the actions of the second users, unless otherwise stipulated by the contract of the commercial concession.

5. The rules for the contracts of the commercial concession, specified by this Chapter shall be applied to the contracts of the commercial subconcession, unless the contrary follows from the specificity of the subconcession.

Article 1030. Remuneration under the Contract of the Commercial Concession

Remuneration under the contract of the commercial concession may be paid by the user to the right holder in the form of fixed non-recurrent and/or periodical payments, deductions from proceeds, markups on the wholesale price of goods given by the right holder for resale, or in other form stipulated by the contract.

Article 1031. The Obligations of the Right Holder

1. The right holder is obliged to hand over to the user the technical and the commercial documentation, and to supply other information necessary to the user for exercizing the rights granted to him under the contract of commercial concession, and also to instruct the user and his workers on the issues involved in exercizing these rights.

2. Unless otherwise stipulated by the contract of the commercial concession, the right holder shall be obliged:

to ensure the state registration of provision of the right to apply in the user's business activities a set of the exclusive rights held by the right holder under the contract of commercial concession (**Item 2 of Article 1028**);

to render contract technical and consultative assistance for the user, including assistance in the training and upgrading the skill of workers;

to control the quality of goods (works and services), produced (performed and rendered) by the user on the basis of the contract of the commercial concession.

Article 1032. The User's Obligations

With account of the nature and specificity of the activity carried on by the user under the contract of the commercial concession the user shall be obliged:

to use the commercial designation, trademark, servicing mark or another means of individualization of the right holder in the way indicated by the contract during the activity stipulated by the contract;

to ensure the compliance of the quality of goods, produced by him on the basis of the contract, of the works performed and the services rendered, with the quality of similar goods, works and services, produced, performed or rendered directly by the right holder;

to observe the instructions and directions of the right holder, intended for the compliance of the nature, methods and conditions of the use of the complex of exclusive rights with the way it is used by the right holder, including the directions regarding the external and internal design of commercial premises, used by the user in the exercise of the rights granted to him by the contract;

to render to the buyer (customer) all the additional services which they could expect by acquiring (ordering) goods (works, services) directly from the right holder;

not to divulge the right holder's secrets of production (know-how) and other confidential commercial information received from him;

to grant the specified number of subconcessions, if such obligation is provided for by the contract;

to inform the buyers (customers) by the most patent method that he uses the commercial designation, trademark, service mark or any other means of individualization of virtue of the contract of the commercial concession.

Article 1033. The Restrictions on the Rights of the Parties to a Contract of Commercial Concession

1. A contract of commercial concession may provide for restrictions on the rights of the parties to this contract, in particular it may provide for the following:

the obligation of the right holder not to provide other persons with similar complexes of exclusive rights for their use in the territory assigned to the user or to refrain from his own similar activity in this territory;

the obligation of the user not to compete with the right holder in the territory to which the contract of commercial concession extends in terms of business activity carried out by the user with the use of the exclusive rights belonging to the right holder;

the refusal of the user to obtain under contracts of commercial concession similar rights from competitors (potential competitors) of the right holder;

the obligation of the user to sell, in particular to re-sell, commodities which are made and/or bought, to carry out works or render services with the use of the exclusive rights which the right holder has at the prices fixed by the right holder, as well as the obligation of the user not to sell similar commodities, not to carry out similar works or not to render similar services using trademarks or commercial designations of other right holders;

the obligation of the user to sell commodities, carry out works or render services solely within the boundaries of a definite territory;

the obligation of the user to agree with the right holder on the location of commercial premises to be used in the exercise of the exclusive rights granted under the contract, and also on their external and internal design.

2. The terms of a contract of commercial concession providing for the user's obligation to sell commodities, carry out works or render services solely to the purchasers (customers) that are located or have the place of residence in the territory defined by the contract shall be null and void.

3. Restrictive conditions may be recognized as invalid on the demand of the antimonopoly body or any other person concerned, if these conditions contradict the **antimonopoly legislation** in the light of the conditions of an appropriate market and the economic position of the parties.

Article 1034. The right Holder's Liability for Claims Presented to the User

The right holder shall bear subsidiary liability for the claims made to the user for the inconsistency of the quality of goods (works, services), sold (performed or rendered) by the user under the contract of the commercial concession.

Against the claims made to the user as the manufacture of the products (goods) of the right holder, the latter shall be liable jointly with the user.

Article 1035. The User's Priority Right to Conclude a Contract of Commercial Concession for a

New Term

1. The user who has discharged his obligations properly shall have the right to conclude a contract of commercial concession for a new term upon the expiry of the validity term of the contract.

When making a contract of commercial concession for a new term, the contract's terms and conditions may be changed as agreed by the parties thereto.

2. If the right holder has denied the user the conclusion of a contract of commercial concession for a new term and within a year since the date of expiry of the validity term of the contract made with him has made a contract of commercial concession with another person, this granting the same rights as those granted to the user under the terminated contract and under the same terms, the user is entitled to claim with court at the choice thereof either for the transfer to him of the rights and duties under the contract made and reimbursement of losses caused by the refusal to renew a contract of commercial concession with him or solely for reimbursement of such losses.

Article 1036. Amendment of a Contract of Commercial Concession

1. A contract of commercial concession may be amended in conformity with the rules of **Chapter 29** of the present Code.

2. An amendment of the contract of commercial concession is subject to the state registration in accordance with the procedure established in **Item 2 of Article 1028** of the present Code.

Article 1037. The Termination of the Contract of the Commercial Concession

1. Either party to a contract of commercial concession, concluded without making reference to its validity term, shall have the right to withdraw from the contract at any time by notifying about this the other party six months in advance, unless the contract provides for a longer period.

Either party to a contract of commercial concession made for a definite term or without making reference to its validity term is entitled to withdraw from the contract at any time by notifying about it the other party at the latest thirty days in advance, if the contract provides for the possibility of its termination by way of paying the sum of money fixed as compensation for its termination.

1.1. The right holder is entitled to withdraw from a contract of commercial concession in full or in part in case of the following:

breaking by the user of the contract's terms concerning the quality of the commodities made, the works carried out and the services rendered;

gross violation by the user of the right holder's instructions and directions aimed at ensuring the compliance with the contract's terms of the nature, ways and terms of using the complex of the exclusive rights granted thereto;

the user's failure to discharge the duty of paying a remuneration to the right holder at the time fixed by the contract.

The right holder's unilateral refusal to execute a contract is possible, if the user after forwarding thereto by the right holder a demand in writing to remove a violation has not removed it within a reasonable time or has repeatedly made such violation within a year since the date when the cited demand was forwarded thereto.".

2. The anticipatory cancellation of a contract of the commercial concession, concluded with the reference to its validity term, and also the cancellation of a contract, concluded without reference to its validity term, shall be subject to the state registration in the procedure, established by **Item 2 of Article 1028** of this Code.

3. When the right to the trademark, the servicing mark or the commercial designation belonging to the right holder is terminated, if such right is included in the complex of exclusive rights granted to the user under the contract of commercial concession without the terminated right's replacement by a new similar right, the contract of commercial concession shall also be terminated.

4. When the right holder or the user is declared to be insolvent (bankrupt), the contract of the commercial concession shall cease to operate.

Article 1038. The Validity of the Contract of the Commercial Concession in Case of the Change of the Parties

1. The transfer to another person of any exclusive right, included in the complex of exclusive rights given to the user, shall not be a ground for changing or dissolving the contract of the commercial concession. A new right holder shall become a party to this contract in respect of the rights and obligations relating to the transferred exclusive right.

2. In the event of the death of a right holder his rights and obligations under the contract of the commercial concession shall pass to his heir, provided that he has been registered or during six months since the opening of inheritance gets registered as an individual businessman. Otherwise the contract shall cease to operate.

The rights of the deceased right holder and his obligations shall be accordingly exercised and discharged by the administrator appointed by the respective notary before his heir assumes these rights and obligations or before the heir is registered as an individual businessman.

Article 1039. Consequences of Changing the Commercial Designation

If the commercial designation included into the complex of the exclusive rights granted to the user under a contract of commercial concession is changed by the right holder, this contract goes on operating with respect to the right holder's new commercial designation, unless the user demands the cancellation of the contract and the recompense of losses. If the contract goes on operating, the user has the right to demand a commensurate reduction of the award due to the right holder.

Article 1040. The Consequences of the Termination of the Exclusive Right the Enjoyment of Which Is Granted by the Contract of the Commercial Concession

If during the validity term of the contract of the commercial concession the validity term of the exclusive right under this contract has expired or such right has ceased to operate an another ground, the contract of the commercial concession shall be valid as before, with the exception of the provisions relating to the discontinued right, while the user, unless otherwise stipulated by the contract, shall have the right to demand a proportionate reduction of the remuneration due to the right holder.

If an exclusive right to the trademark, servicing mark or commercial designation, belonging to the right-holder is terminated, the consequences envisaged in **Item 3 of Article 1037** and in **Article 1039** of the present Code shall set in.

Chapter 55. Particular Partnership

Article 1041. The Contract of Particular Partnership

1. Under the contract of particular partnership (contract on joint activity) two or several persons (partners) shall undertake to pool their contributions and to act jointly without forming a legal entity for the deriving of profit of for the attaining another goal not inconsistent with the law.

2. Only individual businessmen and/or profit-making organisations may be the parties to the contract of particular partnership.

3. The specifics of an agreement of ordinary partnership made for exercising joint investment activities (investment partnership) shall be established by the **Federal Law** on Investment Partnerships.

Article 1042. Contributions by Partners

1. All that is contributed to the common cause, including money, other assets, professional and other knowledge, experience and skills, and also business standing and business contracts, shall be recognized as the contributions of the partners.

2. The contributions of partners shall be equal in value, unless the contrary follows from the

contract of particular partnership of from actual circumstances. A monetary estimation of the partners's contribution shall be carried out by agreement between the partners.

Article 1043. The Joint Assets of Partners

1. The assets contributed by partners and owned by them by right of property, and also products manufactured as a result of their joint activity shall be recognized as their common property in shares, unless otherwise stipulated by the law or the contract of particular partnership or unless the contrary follows from the substance of the obligation.

The assets owned by hem on the grounds different from the right of property and contributed by the partners shall be used in the interests of all the partners and comprise the common property of the partners in addition to the assets held in their common ownership.

2. The accounting of the common property of the partners may be entrusted by them to one of the legal entities which participate in the contract of particular partnership.

3. The common property of the partners shall be used by their common agreement, and in case of disagreement it shall be used in the order prescribed by a court of law.

4. The obligations of the partners to maintain their common property and the procedure for the reimbursement of expenses relating to the discharge of these obligations shall be determined by the contract of particular partnership.

Article 1044. The Conduct of the Common Affairs of Partners

1. In the conduct of their common affairs each partner shall have the right to act on behalf of all the partners, unless the contract of particular partnership stipulates otherwise that the affairs are conducted by particular partners or jointly by all the participants in the contract of particular partnership.

The consent of all the partners shall be required for the completion of each transaction in case of the joint conduct of their affairs.

2. In relations with third parties the power of a partner to conclude deals on behalf of all the partners shall be certified with the power of attorney, issued to him by other partners or with the contract of particular partnership, concluded in written form.

3. In relations with third parties the partners may not refer to the restriction of the rights of the partner who has completed the transaction in the conduct of the common affairs of the partners, except for the cases where they will prove that at the time of concluding the transaction a third party knew or should have known about such transactions.

4. A partner who has made on behalf of all the partners transactions in respect of which his right to conduct the common affairs of the partners was restricted may demand the reparation of the expenses incurred by him at his own expense, if there are sufficient grounds to believe that these transactions were necessary in the interests of all the partners. Partners who have incurred losses in consequence of such transactions shall have the right to demand their damages.

5. Decisions affecting the common affairs of the partners shall be taken by the partners by common agreement, unless otherwise stipulated by the contract of particular partnership.

Article 1045. The Right of a Partner to Information

Every partner shall have the right to get acquainted with all the documents relating to the conduct of affairs regardless of the fact whether is empowered to conduct the common affairs of the partners. The abandonment of this right or its restriction, including by agreement between the parties, shall be void.

Article 1046. Common Expenses and Losses of Partners

Procedure for the meeting of expenses and the compensation for losses incurred in the joint activity of the partners shall be determined by their agreement. In the absence of such agreement each partner shall bear expenses and losses in proportion to the value of his contribution to the common cause.

Any agreement which fully releases any partner from the participation in the meeting of common expenses or the compensation for losses shall be void.

Article 1047. The Liability of the Partners Under Common Obligations

1. If a contract of particular partnership is not associated with the business activity of its participants, each partner shall be liable for the common contractual obligations within all their property in proportion to the value of his contribution to the common cause.

The partners shall be liable jointly for the common obligations arising not from the contract.

2. If a contract of particular partnership is associated with business activity of its participants, the partners shall be liable jointly within all the common liabilities, regardless of the grounds for their appearance.

Article 1048. The Distribution of Profit

Profit received by the partners as a result of their joint activity shall be distributed in proportion to the value of the contributions made by the partners to the common cause, unless otherwise stipulated by the contract of particular partnership or by other agreement of the partners. Any agreement on the elimination of any partner from profit sharing shall be void.

Article 1049. The Allotment of a Partner's Share on the Demand of His Creditor

The creditor of a participant in the contract of particular partnership shall have the right to allot his share in the common property in accordance with **Article 255** of this Code.

Article 1050. The Termination of the Contract of Particular Partnership

1. The contract of particular partnership shall be terminated in consequence of:

the declaration of any partner as legally unfit, specially incapable or missing, unless the contract of particular partnership or the subsequent agreement provides for the conservation of the contract in relations between other partners;

the declaration of any partner as insolvent (bankrupt) with the exception indicated in the second paragraph of this Item;

the death of a partner or the liquidation, or the reorganisation of the legal entity that participates in the contract of particular partnership, unless the contract or the subsequent agreement provides for the conservation of the contract in the relations between other partners or for the replacement of the deceased partner (liquidated or reorganised legal entity) by his heirs (legal successors);

the refusal of any partner to take further part in the contract of unlimited duration with the exception, indicated in the second paragraph of this Item;

the dissolution of the contract of particular partnership, concluded with reference to a definite validity term on the demand of one partner in the relations between him and other partners with the exception, indicated in the second paragraph of this Item;

the expiry of the validity term of the contract of particular partnership;

the allotment of a partner's share on the demand of his creditor with the exception, indicated in the second paragraph of this Item.

2. With the termination of a contract of particular partnership the things, transferred for common possession and/or use of the partners, shall be returned to the partners who have contributed them free of charge, unless otherwise stipulated by the agreement of the parties.

Since the time of the termination of a contract of particular partnership, its participants shall bear joint liability in case of default on the common obligations with regard to third parties.

The partition of the property held in the common ownership of the partners and of the common rights of claim which have arisen for them shall be effected in the order, prescribed by **Article 252** of this Code.

A partner who has contributed an individual thing shall have the right to demand in court the return of this thing to him with the termination of the contract of particular partnership subject to the observance of the interests of other partners and creditors.

Article 1051. The Abandonment of the Contract of Particular Partnership of Unlimited Duration

A statement on the partner's abandonment of the contract of particular partnership of unlimited duration shall be made by him at least before three months before the supposed withdrawal from the contract.

Any agreement on the limitation of the right to abandon the contract of unlimited duration shall be void.

Article 1052. The Cancellation of the Contract of Particular Partnership on the Demand of a Party Thereto

In addition to the grounds, indicated in **Item 2 of Article 450** of this Code a party to the contract of particular partnership, concluded with reference to its validity term or the goal as a revocable proviso, shall have the right to demand the cancellation of the contract in relations between himself and other partners for valid reasons with the compensation for the real damage inflicted on other partners by the dissolution of the contract.

Article 1053. The Liability of the Partner in Respect of Whom the Contract of Particular Partnership Has Been Dissolved

In case where a contract of particular partnership has not been terminated as a result of the statement by any participant on the refusal to continue his participation in it or of the dissolution of the contract on the demand of one partner, the person whose participation in the contract has ceased shall be liable to third parties under the common obligations that have arisen during his participation in the contract, as if he remained as a participant in the contract of particular partnership.

Article 1054. Private Partnership

1. The contract of particular partnership may provide for the non-disclosure of its existence for third parties (private partnership). The rules for the contracts of particular partnership, provided for by this Chapter, shall be applicable to such unofficial contract, unless otherwise stipulated by the Article or unless the contrary follows from the private partnership.

2. In relations with third parties each participant of the private partnership shall be liable for all his property in the transactions he has concluded on his own behalf in the common interests of the partners.

3. In relations between the partners the obligations which have arisen during their joint activity shall be regarded as common.

Chapter 56. Public Promise of a Reward

Article 1055. The Obligation to Pay a Reward

1. A person who has announced in public the payment of a pecuniary remuneration or the issue of a different reward (payment of a reward) to the person who will perform the lawful action, indicated in the announcement within the period mentioned by it, shall be obliged to pay the promised reward to anybody who has committed the relevant action, in particular found out the lost thing or provided the person who announced the issue of the reward with the necessary information.

2. The obligation to pay a reward shall originate, provided that the promise of a reward makes it possible to ascertain the person who has given the promise. The person who has responded to the promise shall have the right to demand the written confirmation of this promise and shall bear the risk of consequences of the non-presentation of this demand, if it transpires that in actual fact the announcement of the reward has not been made by the person indicated in it.

3. If the public promise of a reward has not indicated its amount, the latter shall be defined by agreement with the person who has promised the reward and by a court of law in case of a dispute.

4. The obligation to pay a reward shall arise, regardless of the fact whether an appropriate action in connection with the announcement or beside it.

5. In cases where the action indicated in the announcement has been committed by several persons, the right to the receipt of a reward shall be acquired by those of them who made the relevant action first.

If the action indicated in the announcement has been committed by two or more persons and it is impossible to ascertain who of them has made the action first, and also in case where the action has been committed by two or more persons simultaneously, the reward shall be divided between them in equal shares or in a different amount, envisaged by the agreement between them.

6. Unless the announcement of a reward provides for otherwise and unless the contrary follows from the character of the action, indicated in it, the compliance of the performed action with the requirements of the announcement shall be determined by the person who has promised the reward in public and by a court of law in case of a dispute.

Article 1056. The Revocation of the Public Promise of a Reward

1. A person who has announced in public the payment of a reward shall have the right in the same form the repudiate his promise, except for the cases where the announcement itself provides for the inadmissibility of repudiation or the latter follows from it or fixes a definite date for the performance of the action for which the reward has been promised, or where by the time of the announcement about the repudiation one or several responded persons had already committed the action indicated in the announcement.

2. The revocation of the public promise of a reward shall not release the person who has announced the reward from the reimbursement of the responded persons' expenses, incurred by them in connection with the performance of the action, indicated in the announcement, within the limits of the reward referred to in the announcement.

Chapter 57. Public Competition

Article 1057. The Organisation of a Public Competition

1. A person who has announced in public the payment of a pecuniary remuneration or the issue of a different reward (the payment of a reward) for the best performance of work or the achievement of other results (public competition) shall pay (issue) the stipulated reward to the person who has been recognized as its winner in keeping with the terms of holding the competition.

2. A public competition shall be aimed at the attainment of some socially useful objectives.

3. A public competition may be open, when the offer of the competition organiser for the participation in it is addressed to all those who desire to take part by announcing in the press or other mass media, or may be closed, when the offer for the participation in the competition is sent to a definite range of persons at the option of the competition organiser.

An open competition may be stipulated by the preliminary qualification of its participants at a time when the competition organiser holds a preliminary selection of the persons who desire to take part in it.

4. An announcement of a public competition shall contain at least the conditions providing for the substance of an assignment, the criteria and procedure for the appraisal of the results of work or any other achievements, the place, period of time and procedure for their presentation, the amount and form of rewards, and also the procedure and date of announcing the results of the competition.

5. The rules, provided for by this Chapter, shall be applicable to public competitions containing the obligation of concluding with the competition winner a contract inasmuch as **Articles 447-449** of this Code do not stipulate otherwise.

Article 1058. Changes in the Terms of a Public Competition and Its Revocation

1. A person who has announced a public competition shall have the right to change its terms or to

revoke it only during the first half of the period of time fixed for the presentation of works.

2. A notice about changes in the terms of the competition or its revocation shall be made by the same method of announcing the competition.

3. In cases of changes in the terms of the competition or its revocation the person who has announced the competition shall have the right to reimburse the expenses incurred by any person who has performed the work, envisaged in the announcement before he knew or should have known about the changes on the terms of the competition and about its revocation.

A person who has announced the competition shall be released from the obligation of reimbursing the expenses, if he proves that the work has been fulfilled not in connection with the competition, in particular before the announcement of the competition or when obviously the work has not complied with the competition terms.

4. If the requirements, referred to in Items 1 or 2 of this Article have been violated in case of changing the terms of the competition or of its revocation, the person who has announced the competition shall be obliged to pay the reward to those who fulfilled the work that satisfies the terms indicated in the announcement.

Article 1059. The Decision on the Payment of a Reward

1. A decision on the payment of a reward shall be passed and communicated to the public competition participants in the procedure and in the period of time fixed by the announcement of the competition.

2. If the results, referred to in the announcement, have been achieved in the work performed jointly by two or more persons, the reward shall be distributed in keeping with the agreement reached by them. If such agreement is not achieved, the procedure for the distribution of the reward shall be determined by a court of law.

Article 1060. The Use of the Works of Science, Literature and Art Awarded with Rewards

If the creation of a work of science, literature or art makes up the subject of a public competition and unless its terms provide for otherwise, the person who has announced the public competition shall acquire the preferential right to he conclusion with the author of the rewarded work of a contract for the use of the work and to the reception of relevant remuneration for it.

Article 1061. The Return of the Works to the Participants in a Public Competition

A person who has announced the public competition shall be obliged to return to the competition participants the works not awarded with rewards, unless otherwise stipulated by the announcement of he competition and unless the contrary follows from the nature of the performed work.

Chapter 58. Gaming and Betting

Article 1062. Claims Associated with the Organisation of Games and Bets and the Participation in Them

1. The claims of individuals and legal entities, associated with the organisation of games and bets or the participation in them, shall not be subject to judicial remedy with the exception of the claims of the persons who have taken part in games or bets under the influence of the fraud, violence, threat or malicious agreement of their representative with the organiser of games or bets, and also of the claims, referred to in **Item 5 of Article 1063** of this Code.

2. The rules of this Chapter shall not be applicable to demands connected with participation in transactions stipulating the duty of a party or parties to a transaction to pay monetary amounts depending on the change of the prices of goods or securities, the rate of exchange of the relevant currency, the magnitude of the interest rates, the level of inflation or on the values calculated on the basis of the

aggregate of such indices or on the occurrence of another circumstance which is stipulated by the law and about which it is not known whether it will occur or will not. The said demands shall be subject to judicial defence if at least one of the parties to a transaction is a legal entity that has obtained a licence for the performance of bank operations or a licence for the carrying out of professional activity on the securities market or at least one of the parties to a transaction concluded at an exchange is a legal entity that has obtained a licence on whose basis it is possible to conclude transactions at an exchange, as well as in other instances provided for by law.

Demands connected with participation of citizens in transactions mentioned in this Item shall be subject to judicial defence only on condition of their conclusion at an exchange, as well as in other instances provided for by law.

Article 1063. The Holding of Lotteries, Totalizators and Other Games by State and Municipal Bodies or With Their Permit

1. Relations between the organisers of totalizators (mutual bets) and of other risk-based games and the participants in such games, as well as between the lottery operators and lottery participants, shall be regulated by **laws** and based on a contract.

2. A contract between the organiser and the participant in gambling shall be made formal by means of issuing a ticket, receipt or otherwise as envisaged by gambling organisation rules. The contract made by the lottery operator and a lottery participant shall be legalized by way of issuance of a lottery ticket, lottery receipt or electronic lottery ticket.

3. The offer on the conclusion of an agreement, stipulated by Item 1 of this Article, shall include the clauses on the period of holding games and the procedure for determining prizes and their amounts.

In case where the organiser of games refuses to hold them within the fixed period of time the participants in games shall have the right to demand that their organiser should recover the real damage sustained as a result of the revocation of games or of the postponement of the date of the real damage.

4. Persons who in keeping with the terms of holding a lottery, totalizator or other games are recognized as those who have won them shall be paid out by the lottery operator, or organiser of games the prizes in the amounts stipulated by the terms of their holding (in monetary terms or in kind) and on due date, and if the date is not indicated in these terms - within 10 days since the time of determining the results of the games or within another term established by a **law**.

5. In case of default by the lottery operator, or by the organiser of games on the obligation, indicated in Item 4 of this Article, the participant who has won in the lottery or totalizator or any other games shall have the right to demand that the lottery operator, or organiser of games should pay off the prize and also to reimburse the losses caused by the breach of the contract by the lottery operator or game promoter.

Chapter 59. Liabilities for Damage

§ 1. General Provisions in the Redress of Injury

Article 1064. General Grounds for Liability for Damage

1. The injury inflicted on the personality or property of an individual, and also the damage done to the property of a legal entity shall be subject to full compensation by the person who inflicted the damage.

The obligation to redress the injury may be imposed by the law on the person who is not the inflictor of injury.

The law or the contract may institute the obligation of the inflictor of injury to repay to the victims compensation over and above the compensation of damage. The **law** may establish the duty of the person which is not the inflictor of harm to pay to the aggrieved persons compensation in excess of the compensation for harm.

2. A person who has caused harm shall be released from the redress of injury, if he proves that

injury was caused no through his fault. The law may also provide for the redress of injury in the absence of the fault of the inflictor of injury.

3. Injury inflicted by lawful actions shall be subject to redress in cases, provided for by the law.

Redress of injury may be rejected, if injury has been caused at the request or with the consent of the insured person and unless the actions of the inflictor of injury violate the moral principles of the society.

Article 1065. Prevention of the Infliction of Injury

1. The damage of the infliction of injury in future may be a ground for the action for the prohibition of the activity that creates such danger.

2. If the injury caused is the consequence of the operation of an enterprise, structure or of any other production activity which continues to inflict injuries or threatens with a new damage, the court of law shall have the right to bound the defendant to suspend or stop the relevant activity in addition to the redress of injury.

The court may dismiss the action for the suspension or discontinuance of the relevant activity only in case, if its suspension or discontinuance contradicts public interests. The dismissal of the action for the suspension or discontinuance of such activity shall not deprive the insured party of the right to the redress of the injury inflicted by this activity.

Article 1066. The Infliction of Injury in the State of Justifiable Defence

Injury inflicted in the state of justifiable defence, unless the requirements of justifiable defence are exceeded, shall not be subject to redress.

Article 1067. The Infliction of Injury in the State of Absolute Necessity

Injury inflicted in the state of absolute necessity, that is for the removal of danger threatening the inflictor of injury himself or other persons, if this danger could not be eliminated under the given circumstances with other means, shall be redressed by the person who has caused this injury.

Taking into account the circumstances under which such injury was inflicted, the court of law may impose the obligation of its redress on a third party, in whose interest the inflictor of injury acted, or release this third party and the inflictor of injury from the redress of this injury in full or in part.

Article 1068. The Liability of a Legal Entity or an Individual for Injury Inflicted by the Employee

1. A legal entity or an individual shall redress the injury inflicted by the employee during the performance of labour (official) duties.

In terms of the rules, provided for by this Chapter, individuals performing their work on the basis of a labour contract, and also individuals performing their work under a civil-law contract shall be recognized as employees, if in this case they acted or should have acted on the assignment of the relevant legal entity or individual and under their control over the safe conduct of works.

2. Economic partnerships and procedure cooperatives shall refresh the injury inflicted by their participants (members) during the performance by them of the business, production or any other activity of the partnership or cooperative.

Article 1069. Liability for the Injury Inflicted by State and Local Government Bodies, and Also by Their Officials

The injury inflicted on an individual or a legal entity as a result of unlawful actions (inaction) of state and local government bodies or of their officials, including as a result of the issuance of an act of a state or government body inconsistent with the law or any other legal act, shall be subject to redress. The injury shall be redressed at the expense of the state treasury of the Russian Federation, the respective subject of the Russian Federation or the respective municipal body, as the case may be.

Article 1070. Liability for the Injury Inflicted by the Illegal Actions of the Bodies of Inquest, Preliminary Investigation, the Procurator's Office and the Court of Law

1. The injury inflicted on an individual as a result of illegal conviction, illegal institution of proceedings on criminal charges, illegal application of remand in custody as a measure of suppression or of a written understanding not to leave one's place of residence, of illegally taking to administrative responsibility in the form of administrative arrest, as well as the damage inflicted upon a legal entity as a result of illegally taking to administrative responsibility in the form of an administrative suspension of the activity shall be redressed in full at the expense of the state treasury of the Russian Federation and in cases, stipulated by law, at the expense of the state treasury of the respective subject of the Russian Federation or of the respective municipal body, regardless of the fault of the officials of bodies of inquest, preliminary investigation, procurator's offices or courts of law in the procedure established by law.

2. Injury inflicted on an individual or a legal entity as a result of the illegal activity of bodies of inquest, preliminary investigation, procurator's offices, which has not entailed the consequences, specified by Item 1 of this Article, shall be redressed on the grounds and in the procedure, provided for by **Article 1069** of this Code. Injury inflicted during the administration of justice shall be redressed in cases, if the fault of a judge has been established by the court's judgement that has entered into legal force.

Article 1071. Bodies and Persons Acting on Behalf of the State Treasury in Case of Redress of Injury at Its Expense

I cases where in keeping with this Code or other laws in injury inflicted is subject to redress at the expense of state treasury of the Russian Federation, that of the subject of the Russian Federation or the municipal formation, the state treasury shall be represented by the relevant finance bodies, unless in accordance with **Item 3 of Article 125** of this Code this duty is imposed on a different body, legal entity or an individual.

Article 1072. Redress of Injury by the Person Who Has Insured His Liability

A legal entity or an individual who has insured their liability by way of voluntary or obligatory insurance in favour of the injured party (**Article 931** and **Item 1 of Article 935**), when insurance compensation is not sufficient to redress the inflicted injury, shall compensate for the difference between the insurance compensation and the actual injury.

Article 1073. Liability for the Injury Inflicted by Minors at the Age Before 14 Years

1. Parents (adopters) or guardians shall be liable for the injury inflicted by minors who have not reached 14 years of age, unless they prove that the injury has been inflicted not through their fault.

2. If a minor citizen without parental custody has been placed under supervision in an organisation for orphan children and children without parental custody (**Article 155.1** of the Family Code of the Russian Federation) this organisation shall provide compensation for the harm inflicted by the minor citizen, unless it proves that the harm has not been caused through its fault.

3. If a minor citizen has caused harm when he/she was temporarily under the supervision of an educational organisation, medical organisation or another organisation responsible for exercising supervision over him/her or of a person responsible for exercising supervision over him/her under a contract this organisation or person shall be liable for the harm so inflicted, unless it/he/she proves that the harm has been inflicted through no fault thereof as it/he/she was exercising supervision.

4. The obligation of parents (adopters), guardians, medical organisations or other organisations in the redress of the injury inflicted by a minor shall not be discontinued with the attainment by the minor of majority or with the receipt by him of property sufficient to redress the injury.

If parents (adopters), guardians or other private persons, referred to in Item 3 of this Article, have died or do not have sufficient pecuniary means to redress the injury inflicted on the life or health of the injured person, and the inflictor of injury who has acquired a legal capacity in full possesses such means, the court of law shall have the right to take a decision on the redress of the injury in full or in part at the expense of the inflictor of the injury by taking into account the property status of the injured person and

the inflictor of the injury, and also other circumstances.

Article 1074. Liability for the Injury Inflicted by Minors at the Age From 14 to 18 Years

1. Minors at the age from 14 to 18 years shall bear liability for the inflicted injury on general grounds.

2. In case where a minor at the age from 14 to 18 years has no income or other property sufficient to redress injury the latter shall be redressed in full or in the lacking part by his parents (adopters) or the guardian, unless they prove that the injury has been inflicted not through their fault.

If a minor without parental custody at the age from 14 to 18 has been placed under supervision in an organisation for orphan children and children without parental custody (**Article 155.1** of the Family Code of the Russian Federation) this organisation shall provide compensation for the harm in full or in the missing part, unless it proves that the harm has been incurred through no fault thereof.

3. The obligation of parents (adopters), the guardian and the respective organisation to redress the injury inflicted by a minor at the age from 14 to 18 years shall cease upon the attainment of majority by the inflictor of injury in cases where before the attainment of majority he acquired income or other property, which are sufficient to redress the injury, or where he acquired legal capacity before the attainment of majority.

Article 1075. Liability of Parents Deprived in Parental Rights for the Injury Inflicted by Minors

The court of law may impose liability for the injury inflicted by a minor on his parent during three years after the parent was deprived of his parental rights, if the child's behaviour that entailed the infliction of injury had been the result of the improper exercise of parental duties.

Article 1076. Liability for the Injury Inflicted by the Individual Recognized as Legally Unfit

1. The injury inflicted by the individual recognized as legally unfit shall be redressed by his guardian or the organisation which is duty-bound to exercise supervision over him, unless they prove that the injury has been inflicted not through their fault.

2. The obligation of the guardian or the organisation which is duty-bound to exercise supervision over the redress of the injury inflicted by the individual, recognized as legally unfit, shall not cease in case of the subsequent recognition of him as having a legal capacity.

3. If the guardian has died or has not sufficient pecuniary means to redress the injury inflicted on the life or health of the injured person, and the inflictor of the injury possesses such means, the court of law shall have the right to take a decision on the redress of the injury in full or in part at the expense of the inflictor of the injury by taking into account the property status of the injured party and the inflictor of the injury.

Article 1077. Liability for the Injury Inflicted by the Individual Recognized as Having Limited Legal Capacity

Injury inflicted by the individual with limited legal capacity in consequence of the abuse of alcoholic drinks or narcotics shall be redressed by the inflictor of injury himself.

Article 1078. Liability for the Injury Inflicted by the Individual Who Is Incapable of Understanding the Significance of His Actions

1. An individual with a legal capacity or a minor at the age from 14 to 18 years who has inflicted injury in a state when he could not understand the significance of his actions or guide them shall not be liable for the injury inflicted by him.

If injury is inflicted on the life or health of the injured person, the court of law may impose the duty of redressing the injury in full or in part on the inflictor of injury by taking into account the property status of the injured party and the inflictor of injury, and also other circumstances.

2. The inflictor of injury shall not be released from liability, if he has brought himself in a state in

which he could not understand the significance of his actions or guide them by the abuse of alcoholic drinks, narcotics or by any other method.

3. If injury is inflicted by the person who could not understand the significance of his actions or guide them in consequence of his psychic disorder, the court of law may impose the duty in redressing injury on the above-bodied spouse, parents, and children of age who have known about the psychic disorder of the inflictor of injury but failed to raise the question about the recognition of this person as legally unfit.

Article 1079. Liability for the Injury Inflicted by the Activity with Increased Hazard for People Around

1. Legal entities and individuals whose activity is associated with increased hazard for people around (the use of transport vehicles, mechanisms, high voltage electric power, atomic power, explosives, potent poisons, etc.; building and other related activity, etc.) shall be obliged to redress the injury inflicted by a source of special danger, unless they prove that injury has been inflicted in consequence of force majeure or the intent of the injured person. The owner of a source of special danger may be released by the court from liability in full or in part also on the grounds, provided for by **Items 2** and **3 of Article 1083** of this Code.

The obligation of redressing injury shall be imposed on the legal entity or the individual who possess the source of special danger by right of ownership, the right of economic or operative management or on any other lawful grounds (by right of lease, by procuration for the right to drive a transport vehicle, by decision of the corresponding body on the transfer of the source of special danger, etc.).

2. The owner of a source of special danger shall not be liable for the injury inflicted by this source, if he proves that the source has retired from his possession as a result of the illegal actions of other persons. In such cases liability for the injury inflicted by the source of special danger shall be borne by the persons who have acquired the source contrary to law. If the owner of the source of special danger is guilty of the withdrawal of this source from his possession contrary to law, liability may be imposed both the owner and on the person who has acquired the source of special danger contrary to law.

3. The owners of sources of special danger shall bear joint liability for the injury inflicted as a result of the interaction of these sources (the collusion of transport vehicles, etc.) to third parties on the grounds, provided for by **Item 1** of this Article.

Injury inflicted as a result of the interaction of the sources of special danger to their owners shall be redressed on general grounds (**Article 1064**).

Article 1080. Liability for the Injury Jointly Inflicted by Persons

Persons who jointly inflicted injury shall be jointly liable to the injured party.

In response of the application of the injured person and in his interests the court of law shall have the right to impose liability on the persons who jointly inflicted injury in shares by estimating them with reference to the rules, provided for by **Item 2 of Article 1081** of this Code.

A person illegally seized by another's property, which was subsequently damaged or lost due to the actions of another person acting independently of the first person, is responsible for the damage done. This rule does not relieve the immediate harm-doer from the compensation for the harm.

Article 1081. The Right of Recourse to the Person Who Has Inflicted Injury

1. A person who has redressed the injury inflicted by another person (the employee who discharges official or other labour duties, the person who drives a transport vehicle, etc.) shall have the right to recourse to this person in the amount of the paid compensation, unless the law establishes a different amount of compensation.

2. The inflictor of injury who has redressed the injury jointly with others shall have the right to demand from each inflictor of injury the share of the compensation paid to the injured party in the amount that corresponds to the degree of guilt of this inflictor of injury. If it is impossible to determine the degree

of guilt, the shares shall be recognized as equal.

3. The Russian Federation, a constituent entity of the Russian Federation or a municipal formation shall have the right of recourse to a judge, if they have compensated for the damage inflicted by this person while administering justice by him/her, provided that the guilt thereof has been established by the court's judgment that has entered into legal force.

3.1. The Russian Federation, a constituent entity of the Russian Federation or a municipal formation, in the event of compensation by them for damage for the reasons provided for by **Articles 1069** and **1070** of this Code, a well as by decisions of the European Court of Human Rights, shall have the right of recourse to the person in connection with whose actions (omission to act) the cited compensation has been made.

4. Persons who have redressed injury on the grounds, referred to in **Articles 1073-1076** of this Code shall have no right of recourse to the inflictor of injury.

Article 1082. Methods of Redressing Injury

While satisfying the claim for redressing injury, the court of law, in keeping with the circumstances of the case, shall bind the person responsible for the infliction of injury to redress injury in kind (to present a thing of the same sort and quality, to repair a damaged thing, etc.) or to recompense for the losses caused (**Item 2 of Article 15**).

Article 1083. The Registration of the Fault of the Injured Party and the Property Status of the Person Who Has Inflicted Injury

1. Injury inflicted due to the intent of the injured party shall not be redressed.

2. If the gross negligence of the injured party himself has facilitated the emergence or increase of injury, the amount of compensation shall be reduced depending on the degree of the guilt of the injured party and the inflictor of injury.

In the event of gross negligence on the part of the injured person and in the absence of guilt of the inflictor of injury in cases where his liability commences regardless of his guilt, the amount of compensation shall be reduced or the redress of injury may be rejected, unless the law provides for otherwise. If injury is inflicted on the life or health of the individual, the refusal to redress injury shall not be allowed.

The fault of the injured party shall not be taken into account in case of the reimbursement of additional expenses (**Item 1** of Article 1085), of the redress of injury in connection with the death of the breadwinner (**Article 1089**), and also in case of the compensation for the expenses on the burial (**Article 1094**).

3. The court of law may reduce the amount of compensation for the injury inflicted by an individual with due account of his property standing, with the exception of cases where injury has been inflicted by deliberate actions.

§ 2. The Redress of the Injury Inflicted on the Life or Health of an Individual

Article 1084. The Redress of the Injury Inflicted on the Life or Health of an Individual During the Discharge of Contractual or Other Obligations

Injury inflicted on the life or health of an individual during the discharge of contractual obligations, and also during the discharge of the military duty, during the service in the police and during the discharge of other appropriate duties shall be redressed according to the rules, provided for by this Chapter, unless the law or the contract provide for a higher degree of responsibility.

Article 1085. The Extent and Character of the Redress of Injury Inflicted on the Person's Health

1. In case of maiming an individual or of any other injury to his health compensation shall be

extended to the earnings (income) which has been lost by the injured person and which he had or could definitely have, and also to the expenses incurred by injury to his health, including the expenses on medical treatment, additional nutrition, the acquisition of medicines, prosthesis, care by other people, the sanatoria and spa treatment, the acquisition of special transport vehicles, retraining, if it is found out that the injured person is in need of aid of these kinds and care and has not the right to receive them free of charge.

2. In estimating the lost earnings (income) the disability pension, awarded to the injured person in connection with mutilation or any other injury to his health, and also other pensions, benefits and other similar payments, awarded both before and after the infliction of injury on his health, shall not be taken into account and shall not involve a reduction of the amount of the compensation for the injury (shall not be counted towards the redress of the injury). The earnings (income), received by the injured party after the impairment of his health, shall not be counted towards the redress of injury.

3. The extent and amount of the redress of injury due to the injured party in keeping with this Article may be increased by the law or the agreement.

Article 1086. The Estimation of the Earnings (Income) Lost as a Result of the Impairment of Health

1. The amount of the earnings (income) lost by the victim and subject to compensation shall be determined in percentage of the average monthly earnings (income) before maiming or any other impairment of health or before the loss of the capacity for work, which correspond to the degree of the loss by the victim of his professional ability to work, and in the absence of professional ability to work - to the degree of the loss of general capacity for work.

2. The lost earnings (income) of the victim shall include all types of taxable payment for his labour under labour and civil-law contracts in the place of his main work and in case of holding more than one office. Settled apart shall be lump-sum payments, in particular compensation for the non-used leave of absence and the retirement benefit in case of dismissal. The paid benefit shall be reckoned over the period of temporal physical disability or of maternity leave. Income from business activity, and also the author's fees shall be included in the lost earnings, with income from business being included on the basis of the data supplied by a tax inspection team.

All types of earnings (income) shall be reckoned in the amounts charged before tax.

3. The average monthly earnings (income) of the injured person shall be reckoned by dividing the total sum of his earnings (income) for the 12 months of work that preceded the impairment of his health by 12. If the victim had worked for less than 12 months by the time of the infliction of injury, the average monthly earnings (income) shall be reckoned by dividing the total sum of earnings (income) for the actually worked number of months that preceded the impairment of his health by the number of these months.

The months during which he has worked not in full measure shall be replaced at the wish of the victim by the preceding months in which he worked in full measure or shall be excluded from the counting if it is impossible to replace them.

4. In case where the victim of injury account shall be taken at his wish of his earnings before the dismissal or of the usual amount of labour remuneration for the worker of his qualification in the given locality, but not less than the value of the subsistence level of the employable population as a whole in the Russian Federation established in accordance with **law**.

5. If stable changes improving the property status of the victim (a rise in the wage according to the post held, the transfer to a high-paid job, employment after graduation from an educational establishment with full-time tuition and in other cases when changes are stable and when it is possible to alter the payment for the victim's labour) took place before the maiming or other impairment of his health, account shall only betaken of the earnings (income) which he received or should have received after the appropriate change in case of estimating his average earnings (income).

Article 1087. The Redress of Injury in Case of Impairing the Health of the Person Who Has Not

Reached Majority

1. In case of maiming or any other injury inflicted on the health of a minor who has not reached 14 years of age and who has not got earnings (income), the person responsible for the inflicted injury shall be obliged to reimburse the expenses incurred by the impairment of his health.

2. Upon the attainment by a minor of 14 years of age, and also in the event of the infliction of injury on a minor from 14 to 18 years of age, who has not got earnings (income), the person responsible for the inflicted injury shall be obliged to redress the injury caused by the loss of, or decreased in, capacity for work in addition to the reimbursement of the expenses incurred by the impairment of his health by proceeding from the value of the subsistence level of the employable population as a whole in the Russian Federation established in accordance with **law**.

3. If by the time of the impairment of his health a minor had earnings, the injury shall be redressed on the basis of their amount, but not less than the value of the subsistence level of the employable population as a whole in the Russian Federation established in accordance with **law**.

4. After the minor begins his labour activity after the injury was inflicted on his health, he shall have the right to demand an increased amount of compensation for the injury on the basis of his earnings, but not less than the amount of labour remuneration, fixed according to the post he occupies or the earnings of the worker of the same qualification in the place of his work.

Article 1088. The Redress of the Injury Inflicted on the Persons Who Have Suffered Damage as a Result of the Breadwinner's Death

1. In the event of the death of the victim (breadwinner) the right to the redress of injury shall belong to:

the non-able-bodied persons who were dependants of the deceased person or who had by time of his death the right to receive maintenance from him;

the infant of the deceased person which was born after his death;

one of the parents, the spouse or any other family member, regardless of his ability to work, who does not work and take the care for his dependent children, grandchildren, brothers and sisters who have not reached 14 years of age or although have reached the said age but are in need of care by other people because of poor health according to the finding of medical bodies;

the persons who were dependants of the deceased person and who have become non-able-bodied during five years after his death.

One of the parents, the spouse or any other family member, who does not work and takes care of the children, grandchildren, brothers and sisters of the deceased person and who has become non-able-bodied during the period of this case, shall retain the right to the referred of injury after the end of the care for these persons.

2. Injury shall be redressed for the following persons:

minors - until the attainment of 18 years of age;

students of over 18 years of age - until the graduation from educational establishments with full-time instruction and at least until 23 years of age;

women of over 55 years of age and men of over 60 years of age;

invalids - for the time of disability;

one of the parents, the spouse or another family member who take care of his dependent children, grandchildren, brothers and sisters - until the attainment by them of 14 years of age or the change in the state of their health.

Article 1089. The Amount of the Redress of Injury Sustained in Case of the Breadwinner's Death

1. Injury shall be redressed for the persons who have the right to the redress of injury in connection with the breadwinner's death in the amount of that share of the earnings (income) of the deceased person, determined according to the rules of **Article 1086** of this Code, which they received or had the right to receive for his maintenance during his lifetime. In estimating compensation for the injury inflicted on these

persons it is necessary to include in the incomes on the deceased person his pension, life maintenance and other such payments on a par with his earnings (income).

2. In estimating the amount of compensation for injury the pensions awarded to the persons in connection with the breadwinner's death, and also other pensions awarded both before and after the breadwinner's death and the earnings (income) and the scholarship received by these persons shall not be counted towards the compensation for their injury.

3. The amount of compensation fixed for each person who is entitled to the redress of injury in connection with the breadwinner's death shall not be subject to further recalculation, except for the cases of:

the birth of a baby after the breadwinner's death;

the awarding of compensation payments to the persons who take care of the children, grandchildren, brothers and sisters of the deceased breadwinner or their discontinuance.

The law or the agreement may increase the amount of compensation.

Article 1090. Subsequent Changes in the Amount of Compensation for Injury

1. The victim who has lost his capacity for work partially shall have the right to demand at any time that the person entrusted with the duty of redressing injury that he should increase the amount of compensation accordingly, if the victim's ability to work has decreased afterwards due to the impairment of his health as compared with his ability to work by the time of awarding to him the compensation for the injury.

2. A person who is entrusted with the duty of redressing the injury inflicted on the victim's health shall have the right to demand a corresponding reduction of the amount of compensation, if the victim's ability to work has arisen as compared with that he had by the time of awarding to him the compensation for the injury.

3. The victim shall have the right to demand an increased amount of the redress of injury, if the person charged with the duty of redressing injury has improved his property standing, while the amount of compensation has been reduced in accordance with **Item 3 of Article 1083** of this Code.

4. The court of law may on the demand of the person who has inflicted injury reduce the amount of compensation for the injury, if his property standing has deteriorated in connection of disability or the attainment of the pensionable age as compared with his standing at the time of awarding compensation for the injury, except for the cases where injury was inflicted by deliberate actions.

Article 1091. Indexation of the Size of Recompense for the Harm

The sums of the paid out recompense for the harm, inflicted upon the life or health of the victim, are subject to amendment proportionately to a growth of the size of the per capita subsistence minimum of the population in the corresponding subject of the Russian Federation according to the **law** at the place of the victim's residence, and if the said size is absent in the corresponding subject of the Russian Federation - the given sums shall not be less than the size of the subsistence minimum, established by the law, per capita of the population across the Russian Federation as a whole.

Article 1092. Payments for the Redress of Injury

1. The redress of the injury caused by the decrease in the capacity for work or by the victim's death shall be effected by monthly payments.

In the presence of valid reasons the court of law may, with due account of the possibilities of the inflictor of injury and on the demand of the individual who has the right to the redress of injury, adjudge to him the due payments in the lump, but for not more than three years.

2. Sums of money intended for the reimbursement of additional expenses (**Item 1 of Article 1085**) may be adjudged for the future within the time-limits, defined on the basis of a medical expert examination, and also in case of necessity for the preliminary payment for the appropriate service and property, including for the acquisition of a pass to a sanatorium or holding home, the payment of fare, the

payment for special transport vehicles.

Article 1093. The Redress of Injury in Case of the Termination of a Legal Entity

1. In the event of the reorganisation of the legal entity recognized in the statutory manner as responsible for the injury inflicted on human life or health, the obligation to make appropriate payment shall be borne by its legal successor. Claims for the redress of injury shall be made to this successor.

2. In the event of the liquidation of the legal entity, recognized in the statutory manner as responsible for the injury inflicted on human life or health, the appropriate payments shall be capitalized for their payment to the victim according to the rules, established by the law or other legal acts.

The law or other legal acts may also provide for other cases in which payments may be capitalized.

Article 1094. The Reimbursement of Expenses on Burial

Persons responsible for the injury caused by the death of the victim shall be obliged to reimburse the necessary expenses on burial to the person who incurred these expenses.

The burial benefit received by private persons who incurred these expenses shall not be counted towards the compensation for the injury.

§ 3. The Redress of the Injury Inflicted by Defects in Goods, Works or Services

Article 1095. The Grounds for the Redress of Injury Inflicted by Defects in Goods, Works and Services

Injury inflicted on the life, health or assets of an individual or damage done to the property of a legal entity in consequence of constructive, recipe or other defects of goods, works or services, and also in consequence of untrustworthy or insufficient information about goods (works, services) shall be subject to redress by the seller or the manufacturer of goods, by the person who has fulfilled the work or rendered the service (executor), regardless of their fault and of the fact whether the victim has been in contractual relations with them or not.

The rules, provided for by this Article, shall be applied only in cases of the acquisition of goods (performance of works or rendering of services) for purposes of consumption and not for use in business activity.

Article 1096. Persons Responsible for the Injury Inflicted Owing to Defects in Goods, Works and Services

1. Injury inflicted owing to defects in goods shall be subject to redress at the option of the victim by the seller or the manufacturer of goods.

2. Injury inflicted owing to defects in works and services shall be subject to redress by the person who has performed the work or rendered the service (executor).

3. Injury Inflicted owing to the non-submission of full and trustworthy information about goods (works, services) shall be subject to redress by the persons, referred to in Items 1 and 2 of this Article.

Article 1097. The Time-limits of the Redress of the Injury Inflicted as a Result of Defects in Goods, Works or Services

1. Injury inflicted owing to defects in goods, works or services shall be subject to redress, if it has appeared during the established period of suitability or service time of goods (works, services), and if the working life has not been established, during 10 years since the production of goods (works, services).

2. Regardless of the time of infliction, harm shall be subject to compensation if:

in violation of the requirements of a law, a period of suitability or a service time was not established;

the person to whom the goods were sold, for whom the work was done, or to whom the services

were rendered was not warned of the necessary actions upon the expiration of the period of suitability or the service time and the possibility consequences in case of failure to take these actions or who was not provided with the full and veracious information about the goods (or work or service).

Article 1098. The Grounds for the Release from Liability for the Injury Inflicted Owing to Defects in Goods, Works or Services

A seller or a manufactures of goods, an executor of a work or service shall be absolved from liability in case if he proves that injury took place owing to force majeure or the contravention by the consumer of the rules for using goods and by the results of the work, service or of their storage.

§ 4. Compensation for the Moral Damage

Article 1099. General Provisions

1. The grounds and the amount of compensation for the moral damage done to an individual shall be determined by the rules, provided for by this Chapter and **Article 151** of this Code.

2. The moral damage inflicted by actions (inaction) that infringe the property rights of an individual shall be subject to compensation in cases, provided for by the law.

3. The moral damage shall be compensated regardless of the property damage subject to compensation.

Article 1100. The Grounds for the Compensation of the Moral Damage

The moral damage shall be compensated regardless of the guilt of the inflictor of damage in cases where:

injury has been inflicted the life or health of an individual by a source of special danger;

damage has been done to an individual as a result of his illegal conviction, the illegal institution of proceedings against him, the illegal application of remand in custody as a measure of suppression or of a written understanding not to leave his place of residence, the illegal imposition of the administrative penalty in the form of arrest or corrective labour;

damage has been inflicted by the spread of information denigrating the honour, dignity and business standing;

in other cases provided for by the law.

Article 1101. The Method and Amount of the Compensation for the Moral Damage

1. The moral damage shall be compensated in monetary form.

2. The amount of the compensation for the moral damage shall be determined by a court of law depending on the nature of physical and moral suffering caused to the victim, and also on the degree of guilt of the inflictor of damage in cases when guilt is a ground for the redress of injury. In estimating the amount of the compensation it is necessary to take into account the requirements of reasonable and justice.

The nature of physical and moral suffering shall be assessed by the court with due account of the actual circumstances under which the moral damage was inflicted and of the victim's individual features.

Chapter 60. Obligations Due to Unjust Enrichment

Article 1102. The Obligation to Return Unjust Enrichment

1. A person who has acquired or saved property (purchaser) without the grounds, established by the law, other legal acts or the transaction, at the expense of another person (victim) shall be obliged to return to the latter the property acquired or saved unjustly (unjust enrichment), except for the cases, provided for by **Article 1109** of this Code.

2. The rules, provided for by this Chapter, shall be applicable regardless of the fact whether unjust

enrichment resulted from the behaviour of the purchaser of property, the victim himself, third parties or took place regardless of their will.

Article 1103. The Correlation of Claims for the Return of Unjust Enrichment with Other Claims for the Protection of Civil Rights

Inasmuch as the contrary is not established by this Code, other laws or other legal acts and does not follow from the essence of corresponding relations, the rules, envisaged by this Chapter, shall be applied to the following claims:

1) for the return of the executed in an invalid transaction;

2) for the reclamation of property by its owner from the illegal possession of other people;

3) of one party in the obligation to the other party for the return of the executed in connection with this circumstance;

4) for the redress of injury, including that inflicted by the dishonest behaviour of the enriched person.

Article 1104. The Return of Unjust Enrichment in Kind

1. Assets comprising the unjust enrichment of the purchaser shall be returned to the victim in kind.

2. The purchaser shall be liable to the victim for any fortuitous shortage or deterioration of the groundlessly acquired or saved property, which have taken place after he knew or should have known about unjust enrichment. Until this time he shall be answerable for intent or gross negligence.

Article 1105. Compensation for the Value of Unjust Enrichment

1. If it is impossible to return the groundlessly acquired or saved property in kind, the purchaser shall compensate to the victim for the actual value of this property at the time of its acquisition, and also for the losses, caused by the subsequent change in the value of property, if the purchaser has not reimbursed its value at once after he has known about unjust enrichment.

2. A person who groundlessly used the property of other people for the time being without his intention to acquire it or used the services of other people shall recompense to the victim all that he has saved owing to such use at the price existing at the time when this use ended and in the place where the use took place.

Article 1106. The Consequences of the Groundless Transfer of the Right to Another Person

A person who has transferred claims by way of cession or the right belonging to him in other way to another person on the basis of a non-existent or invalid obligation shall have the right to demand the restoration of the former position, including the return to him of the documents certifying the transferred right.

Article 1107. The Reimbursement of Non-received Income to the Victim

1. A person who has received or saved property ungroundlessly shall be obliged to return to the victim or to reimburse all his incomes which he derived or should have derived from this property since the time when he knew or should have known about unjust enrichment.

2. Interest for the use of pecuriary means of other people (**Article 395**) shall be subject to addition for the sum of unjust pecuniary enrichment since the time when the purchaser knew or should have known about the groundless receipt or saving of monetary means.

Article 1108. The Reimbursement of Expenses on Property Subject to Return

In case of the return of the property groundlessly received or saved (**Article 1104**) or in case of the reimbursement of its value (**Article 1105**) the purchaser shall have the right to demand that the victim should compensate for the necessary expenses on the maintenance and upkeep of property since the time from which he is bound to receive income (**Item 1 of Article 1107**) with the offset of the received

benefits. The right to compensation shall be lost in case when the purchaser deliberately retained property subject to return.

Article 1109. Unjust Enrichment Not Subject to Return

The following property shall not be subject to return as unjust enrichment:

1) property transferred for the execution of the obligation before the onset of the time for execution, unless the obligation provides for otherwise;

2) property transferred for the execution of the obligation upon the expiry of the period of limitation;

3) wages and salaries and payment equated therewith, pensions, benefits, scholarships, the redress of injury inflicted on human life or health, alimony and other pecuniary sums given to an individual as means of subsistence in the absence of dishonesty on his part and of calculation error;

4) pecuniary sums and other property given for the execution of a non-existent obligation, if the purchaser proves that the person who demands the return of property knew about the absence of the obligation or granted property for charity purposes.

President of the Russian Federation Boris Yeltsin

Part Three

Adopted by the State Duma on November 1, 2001
Approved by the Federation Council on November 14, 2001

Section V. Law of Succession

Chapter 61. General Provisions Governing Succession

Article 1110. Succession

1. In the case of succession the deceased's estate (inheritance, assets of estate) shall pass to other persons by universal succession, i.e. in an unchanged, single form at the same time, except as otherwise required by the present Code.

2. Succession shall be governed by the present Code and other laws and, in the cases specified by law, by other legal acts.

Article 1111. Grounds for Succession

Succession shall be by a will, by an inheritance contract or by operation of law.

Succession by operation of law shall take place when and where it is not changed by a will and also in other cases established by the present Code.

Article 1112. Deceased's Estate

The deceased's estate shall incorporate the items and other property owned by the deceased as of the date of opening of the inheritance, including rights in rem and liabilities.

Rights and liabilities inseparable from the personality of the deceased, in particular the right to alimony, right to damages for harm inflicted on a citizen's life or health and also rights and liabilities prohibited for succession by the present Code or other laws shall not be included in the estate.

Personal incorporeal rights and other intangible wealth shall not be included in the estate.

Article 1113. The Opening of an Inheritance

An estate shall be opened on the death of a citizen. The **announcement** of a citizen's death by a court shall cause the same legal consequences as the death of a citizen.

Article 1114. The Time of Opening of an Inheritance

1. As the time of inheritance's opening shall be deemed the time of a citizen's death. In the case of announcement of a citizen's death the day when the decision of the court whereby the citizen is announced dead becomes final shall be deemed the date of opening of the inheritance and in cases when under **Item 3 of Article 45** of the present Code the day of death of the citizen is recognised as the date of the citizen's alleged death - the date and time of death cited in the decision of the court.

2. Citizens who die on the same day shall be deemed to have died at the same time for the purposes of hereditary succession, and shall not inherit from each other, if it is impossible to establish the time of death of each such citizen. In such cases the heirs of each of them shall be called upon to inherit.

Article 1115. The Place of Opening of an Inheritance

The deceased's last abode shall be deemed the place of opening of an inheritance (**Article 20**).

If the last abode of a deceased person who had property on the territory of the Russian Federation is not known or is located outside it, the place of opening the estate in the Russian Federation shall be deemed the place where the assets of such an estate are located. If such assets are located in different places, the place where the immovable property of the estate or the most valuable part of the immovable property is located shall be deemed the place of opening of the inheritance, or should there be no immovable property, the place where movable property or the most valuable part thereof is located.

Article 1116. Persons Who Can Be Called Upon to Inherit

1. Those left alive as of the time of opening of the inheritance and also persons conceived during the lifetime of the deceased and born after the opening of the inheritance can be called upon to inherit, and the hereditary fund instituted in execution of the last will of the testator expressed in the testament.

In the case of succession by will the legal entities specified in the will and existing as of the date of opening of the inheritance can also be called upon to inherit.

2. In the case of succession by will the Russian Federation, Russian regions, municipal entities, foreign states and international organisations can be called upon to inherit, and in the case of succession by operation of law, the Russian Federation, constituent entities of the Russian Federation, municipal entities in compliance with **Article 1151** of the present Code.

Article 1117. Unworthy Heirs

1. The following shall not be entitled to inherit either by operation of law or by will: citizens who by their deliberate illegal actions aimed against the deceased or any of the deceased's heirs or against the exercise of the deceased's last intentions expressed in a will assisted or tried to assist in their being called upon to inherit or other persons' being called upon to inherit or who tried to assist in increasing the share of the estate they or other persons are entitled to, if such circumstances have been proven in court. However, citizens to whom the deceased has bequeathed property after they lost their right to inherit shall be entitled to inherit this property.

Parents shall not be entitled to inherit from children in respect of whom the parents have been deprived of their parental rights **by a court**, provided these rights had not been restored as of the date of opening the inheritance.

2. At the application of a person concerned the court shall refuse entitlement to citizens who deliberately and persistently evaded performance of their duties of upkeep which the deceased vested in them by law.

3. According to the rules set out in **Chapter 60** of the present Code, a person not having a right of inheritance or deprived of a right of inheritance under the present article (unworthy heir) shall return all property received without grounds from the estate.

4. The regulations of the present article shall extend to heirs entitled to a compulsory share in the estate.

5. The regulations of the present article shall accordingly extend to a testamentary renunciation (**Article 1137**). If the subject matter of a testamentary renunciation was the performance of certain work for or the provision of a certain service to an unworthy beneficiary, the beneficiary shall reimburse the heir who has discharged the behest the value of the work or service performed for the unworthy beneficiary.

Chapter 62. Succession by Will

Article 1118. General Provisions

1. Property may be disposed of on death by means of executing a will or concluding an inheritance contract. The inheritance contract is subject to the rules of this Code concerning the will, except as otherwise ensues from the essence of the inheritance contract.

2. The will can be created by a citizen who had his full **dispositive capacity** as of the time when it was created.

3. The will shall be created in person. A will or an inheritance contract shall not be concluded through a representative.

4. The will may be made by one citizen, and also by the citizens who are married to each other at the time when it is made (joint will of the spouses). The spouses who have made a joint will are subject to the rules of this Code concerning the testator.

In the joint will of the spouses they have the right at their mutual discretion to define the following consequences of the death of each of them, in particular that is simultaneous: to bequeath the common property of the spouses, and equally the property of each of them to any persons; to define in any manner the shares of heirs in the relevant estate; to define the property included in the estate of each of the spouses, unless the designation of the property included in the estate of each of the spouses infringes on the rights of third parties; to deprive of the inheritance one or several or all heirs by operation of law, without indicating reasons for such deprivation; to include in the joint will of the spouses other testamentary instructions which can be made according to this Code. The terms of the joint will of the spouses shall be effective in as much as it does not contravene the rules of this Code on the mandatory share in the inheritance (in particular on the mandatory share in the inheritance in respect of which the right has come into being after the joint will of the spouses was drawn up), and also on the ban on the inheritance by unworthy heirs (**Article 1117**).

The joint will of the spouses shall become invalid in the event of divorce or of the marriage being recognised as invalid both before and after the death of one of the spouses.

If the testamentary intent of one of the spouses in case when they make the joint will is deemed not to be compliant with the provisions of a law in the procedure envisaged by Paragraph 3 of Item 2 of **Article 1131** of this Code such will is subject to the application of the norms of this Code on voidable or null and void transactions depending on the grounds of the invalidity of the testamentary intent of one of the spouses.

At any time, in particular after the death of the other spouse, one of the spouses has the right to make a subsequent will, and also to cancel the joint will of the spouses.

If a notary certifies the subsequent will of one of the spouses, accepts a closed subsequent will of one of the spouses or certifies instructions of one of the spouses on cancellation of the joint will of the spouses while both spouses are alive, he/she shall send to the other spouse in the procedure envisaged by the legislation on the notarial profession and notarial activity a notice about the fact of making of such subsequent wills or about the cancellation of the joint will of the spouses.

5. A will is a one-party deal which creates rights and duties after the opening of the inheritance.

6. The rights and duties envisaged by the inheritance contract shall come into being after the opening of the inheritance, except for the duties which by operation of the inheritance contract may come into being before the opening of the inheritance, and are vested in the party to the agreement which may be called upon to inherit after the testator (**Article 1116**). The testator who has concluded an inheritance

contract is subject to the rules of this Code concerning the maker of the will, except as otherwise ensues from the inheritance contract.

Article 1119. The Freedom of a Will

1. A testator has the right to bequest the property at his own discretion to any persons, to define in any way the shares of the heirs in the inheritance, to deprive several or all heirs at law of the inheritance, without explaining the reasons for such deprivation, and in the cases stipulated in the present Code to include other orders into the will. The testator has the right to cancel or to amend a compiled will in conformity with the rules of **Article 1130** of the present Code.

The freedom of a will shall be limited by the rules on compulsory share of estate (**Article 1149**).

2. The deceased shall not be obligated to inform anybody of the content, creation, alteration or revocation of a will.

Article 1120. The Right to Leave Any Property in a Will

The deceased shall be entitled to create a will containing dispositions relating to any property, including property that he/she might acquire in the future.

The deceased can dispose of his/her property or a portion thereof by means of one or several wills.

Article 1121. The Appointment of an Heir and an Alternate Heir in a Will

1. The deceased can create a will for the benefit of one or several persons (**Article 1116**) which are or are not his/her legal heirs.

2. In his/her will the deceased can indicate an alternate heir (can sub-appoint an heir) to provide for the case of the death of the heir appointed by him/her in the will or death of the legal heir prior to the opening of the inheritance or simultaneously with the deceased's death or after the opening of the inheritance but before acceptance of the inheritance or the heir's failure to accept the inheritance due to other reasons or refusal to accept it or lack of entitlement or the heir's being refused inheritance as an unworthy heir.

Article 1122. The Shares of Heirs in Property Left by a Will

1. The property left by will to two or several heirs without their shares in the estate being specified and without an indication as to who is to take the specific items or rights from the estate shall be deemed left by the will to the heirs in equal shares.

2. In a will an indication of a portion of an indivisible item (**Article 133**) intended for each of the heirs in kind shall not cause the invalidity of the will. Such item shall be deemed left by will in shares corresponding to the value of these portions. The procedure for the heirs to use this indivisible item shall be established in compliance with the portions of the item intended for them in the will.

In a certificate of the right of inheritance relating to an indivisible item left by will in shares in kind, the shares of the heirs and the procedure for use of such item, given the consent of the heirs, shall be specified in compliance with the present article. If a dispute between the heirs occurs, their shares and the procedure for use of the indivisible item shall be determined by a court.

Article 1123. The Secrecy of a Will

The notary, another person attesting the will, the translator, the executor of the will, witnesses, the spouse taking part in the making of the joint will of the spouses, the spouse who is present when the other spouse's will is being attested, a party to the inheritance contract, the notaries who have access to the information available in the unified information system for notaries, and the persons who process the data of the unified information system for notaries, persons who have the access to the information about the certification or revocation of a will sent by the consular departments of the diplomatic missions of the Russian Federation or consular offices of the Russian Federation through the federal executive body, which carries out functions involving the formulation and implementation of state policy and legal and

regulatory framework in the sphere of international relations of the Russian Federation, to the Federal Notarial Chamber for entering such information into the register of notarial actions of the unified information system of the notaries, and also the citizen who signs the will or the inheritance contract in place of the maker of the will or the testator do not have the right to disclose - before the opening of the inheritance - the information concerning the contents of the will or of the inheritance contract before the making, concluding, modifying or cancelling thereof. A person other than the executor of the will, the notary or another person who certifies the will does not have the right to disclose said information also after the opening of the inheritance, if the disclosure of said information is going to contravene **Article 152.2** of this Code.

If the secrecy of a will is violated, the testator shall be entitled to claim reimbursement for moral harm and also use other remedies to protect its civil rights as laid down in the present Code.

The presentation by a notary or by another person attesting to a will of data on the will's attestation or revocation, the presentation by a notary of information on the attestation of the inheritance contract, a notice of the testator's waiver of the inheritance contract for the notariate's comprehensive information system in the procedure established by the **Fundamentals of the Legislation** of the Russian Federation on the Notariate shall not be deemed a violation of the secrecy of the will, and also the sending of a notice about the fact of the making - after the joint will of the spouses - of a subsequent will of one of the spouses or cancellation by one of the spouses of the joint will of the spouses, or the sending to the parties to the inheritance contract of a copy of the notice of the testator's waiver of the inheritance contract.

The notary has the right to certify the will of each of the spouses in the presence of both of them.

Upon the death of one of the spouses who have drawn up the joint will the executor of the will and the notary have the right to disclose in connection with their executing their duties only the information relating to the consequences of the death of that spouse.

Article 1124. General Rules Concerning the Form of and Procedure for the Creation of a Will

1. A will shall be created in writing and attested by a notary. A will can be attested by other persons in the cases specified in **Item 7 of Article 1125**, **Article 1127** and **Item 2 of Article 1128** of the present Code.

Failure to observe the rules established by the present Code as concerning the written form and attestation of a will shall cause the invalidity of the will.

A will can be drawn up in simple written form only in exceptional cases as specified in **Article 1129** of the present Code.

It shall not be allowed to draw up a will with the use of electronic or other technical facilities (**Paragraph Two of Item 1 of Article 160** of this Code).

2. If under the rules of the present Code witnesses are in attendance when a will is drawn up, signed and attested or when a will is passed to a notary the following persons shall not be such witnesses and shall not sign the will on the testator's behalf:

a notary or other person who attests the will;

a person being a beneficiary of the will or a testamentary renunciation, the spouse, children and parents of the person;

citizens without full dispositive capacity;

illiterate persons;

citizens with physical disabilities that do not allow them to understand the essence of the event in full;

persons without a sufficient degree of command of the language in which the will is written, except for a **closed will**;

the spouse in the event of making of a joint will of the spouses;

the parties to the inheritance contract.

3. In events when under the rules of the present Code the attendance of witnesses is compulsory when a will is drawn up, signed and attested or when a will is passed to a notary, the absence of a witness

when the said actions are being committed shall cause the invalidity of the will and the lack of the witness's compliance with the provisions of **Item 2** of the present article may be deemed grounds for the will's being recognised as void.

4. The will shall bear an indication of the place and date of its attestation, except for the case specified in **Article 1126** of the present Code.

5. As an integral part of the testament whose terms provide for the creation of a heritage fund shall be deemed the testator's decision on the establishment of the heritage fund, the fund's charter, as well as the terms of the fund's management. Such testament shall be drawn up in three copies, two of them to be kept by the notary who has certified such testament. All the testament's copies are subject to certification by a notary.

In the procedure provided for by the **legislation** on the notariate and notarial activity the notary dealing with a probate case is bound to obtain after the testator's death an electronic image of the decision on establishing the heritage fund and an electronic image of the heritage fund's charter, as well as to request the notary keeping the testament's copies for a copy of the testament and on its receiving to transfer to the person exercising the functions of the sole executive body of the heritage fund a copy of the decision on establishment of the heritage fund, the heritage fund's charter and the terms of the heritage fund's management. On the basis of the beneficiary's application the notary is bound to transfer thereto a copy of the decision on the establishment of the heritage fund jointly with copies of the heritage fund's charter and the terms of the heritage fund's management.

Article 1125. A Will Attested by a Notary

1. A will attested by a notary shall be signed by the testator or written by a notary in the testator's words, and the joint will of the spouses shall be handed over to a notary by both spouses or written by a notary on their words in the presence of both spouses. Technical facilities can be used to write or record a will (computer, typewriter etc.).

2. A will written by a notary in a testator's words shall be read in full by the testator in the presence of the notary, and a joint will of the spouses written by one of the spouses shall be read by the other spouse in full before it is signed in the presence of the notary, before it is signed. If the testator cannot read the will by himself (herself) the notary shall read out the text for him/her, with a relevant annotation to this effect being entered into the will, including the reasons why the testator could not read the will by himself (herself).

3. The will shall be signed by the testator's own hand.

If a testator, due to physical disability, grave illness or illiteracy, cannot sign a will by his/her own hand the will can be signed on his/her behalf on his/her request by another citizen with a notary in attendance. The will shall include the reasons why the testator could not sign the will by himself (herself) and also the full name and residential address of the citizen who signed the will at the testator's request, in compliance with the citizen's personal identity document.

4. A witness can be in attendance when a will is drawn up and attested by a notary if the testator so wishes.

If a will is drawn up and attested with a witness in attendance it shall be signed by the witness and it shall bear an indication of the full name and residential address of the witness in compliance with the witness's personal identity document.

5. The notary shall warn the witness, each of the spouses in the event of attestation of the joint will of the spouses, the spouse who is present at the attestation of the other spouse's will, and also citizens who sign a will on the testator's behalf of the need for observing the will nondisclosure clause (**Article 1123**).

5.1. While attesting the joint will of the spouses the notary shall make a video record of the procedure of the making of the joint will of the spouses, unless the spouses have declared their objection thereto.

6. While attesting to a will the notary shall explain to the testator the content of **Article 1149** of the present Code and enter a relevant annotation.

7. Where under law the officials of local government bodies and consular officials have a right to accomplish notarial actions the will can be attested by a relevant official instead of a notary, in compliance with the rules of the present Code concerning the **form of a will**, the procedure for notarial attestation of a will and secrecy of a will.

Article 1126. Closed Wills

1. The testator shall be entitled to create a will without providing other persons, including a notary, with the chance of familiarising himself with the content thereof (a closed will).

2. A closed will shall be hand-written and signed by the testator. Failure to observe these rules shall cause the invalidity of the will.

3. A closed will shall be passed in a sealed envelope by the testator to a notary in the presence of two witnesses who shall put their signatures on the envelope. The envelope signed by the witnesses shall be put into another envelope and sealed in the presence of the notary, who shall enter an **annotation** on the envelope with information on the testator from whom the notary has accepted the closed will, on the place and date of acceptance thereof, the full names and residential addresses of each of the witnesses in compliance with their personal identity documents.

When the notary accepts the envelope with the closed will from the testator, the notary shall explain to the testator the content of **Item 2** of the present article and **Article 1149** of the present Code and shall enter a relevant annotation on the second envelope and shall also issue a document to the testator to confirm the acceptance of the closed will.

4. Upon the presentation of a death certificate of a person who has created a closed will, a notary shall within 15 days after the presentation of the certificate open the envelope with the will in the presence of at least two witnesses and the persons concerned from among the legal heirs who expressed their desire to attend. After the opening of the envelope the text of the will contained therein shall be immediately read out by the notary, whereafter the notary shall draw up a protocol which acknowledges that the envelope with the will has been opened and that it contains the full text of the will and sign it together with the witnesses. The original will shall be kept in the custody of the notary. A copy of the protocol attested by a notary shall be issued to the heirs.

5. Joint wills of spouses, inheritance contracts, and also the wills containing a decision on instituting an inheritance foundation shall not be closed ones. Default on observance of that provision shall cause the invalidity of said wills and agreements.

Article 1127. Wills Qualifying as Wills Attested by a Notary

1. The following shall qualify as wills attested by a notary:

1) wills of citizens undergoing medical treatment in clinics, hospitals, other medical organisations under inpatient conditions or residing in residential agencies of social service attested by the chief physicians, deputy chief physicians in charge of medical work or physicians on duty at these clinics, hospitals and other medical organisations and also the chiefs of the hospitals, directors (their deputies) of such organisations of social service;

2) wills of citizens who stay aboard vessels during their navigation, if such vessels navigate under the State Flag of the Russian Federation, attested by the captains of these vessels;

3) will of citizens who are in prospecting, arctic, antarctic or other similar expeditions, attested by the chiefs of these expeditions, Russian antarctic stations or temporary field bases;

4) wills of citizens undergoing medical treatment in clinics, hospitals, other medical organisations under inpatient conditions or residing in residential agencies of social service attested by the chief physicians, deputy chief physicians in charge of medical work or physicians on duty at these clinics, hospitals and other medical organisations and also the chiefs of the hospitals, directors (their deputies) of such organisations of social service;

5) wills of citizens staying at penitentiary institutions, attested by the chiefs of the penitentiary institutions.

2. A will qualifying as a will attested by a notary shall be signed by the testator in the presence of the person attesting to the will and of a witness, who shall also sign the will.

As far as other matters are concerned, such a will shall be subject to the rules of **Articles 1124** and **1125** of the present Code.

3. A will attested in compliance with the present article shall be forwarded, as soon as possible, by the person who has attested it to the place of abode of the testator via the territorial bodies of the federal body of executive power performing law-enforcement functions and the functions of control and supervision in the sphere of the notariat. If the person who has attested a will knows the place of abode of the testator the will shall be forwarded directly to a relevant notary.

4. If in any of the cases mentioned in **Item 1** of the present article a citizen who intends to create a will expresses his/her intention to invite a notary for this purpose and there is a reasonable possibility of satisfying such an intention, the persons who enjoy the right of attesting a will under the said item shall do their best to invite a notary to the testator.

5. A joint will of the spouses and an inheritance contract shall not be attested in the procedure envisaged by this article.

Article 1128. The Testamentary Disposition of Funds in Banks

1. The right to funds paid by a citizen as a bank deposit or in any other bank account of the citizen may be left by will or in compliance with the procedure set out in **Articles 1124 - 1127** of the present Code or by means of creation of testamentary dispositions in writing in the branch of bank where the account is located. Such testamentary dispositions shall have the effect of a will attested by a notary in respect of the funds kept in the account.

2. Testamentary disposition of rights to funds in a bank shall be signed by the hand of the testator and include the date of creation and shall be attested by a bank official entitled to accept for execution the client's instructions concerning the funds in his/her account. The procedure for creation of testamentary dispositions in respect of funds in banks shall be set out by the Government of the Russian Federation.

3. Rights to funds in respect of which testamentary dispositions have been created in a bank shall be incorporated in the estate and be generally inherited in compliance with the rules of the present Code. These funds shall be handed out to heirs under a certificate of right to inheritance and in compliance therewith, except for the cases specified in **Item 3 of Article 1174** of the present Code.

4. Accordingly, the rules of the present article shall be applicable to other credit organisations entitled to attract citizens' funds in deposit or other accounts as well as to the Bank of Russia, which opens and maintains digital rouble accounts. The procedure for making testamentary dispositions in digital roubles shall be determined by the Government of the Russian Federation in coordination with the Bank of Russia.

Article 1129. Wills under Extraordinary Circumstances

1. A citizen who is in a situation that obviously threatens his/her life and who, by the virtue of prevailing extraordinary circumstances, is deprived of an opportunity to create a will under the rules of **Articles 1124 - 1128** of the present Code may make his/her last wishes as to the disposition of his/her property in a simple written form.

A citizen's last wishes set out in simple written form shall be deemed his/her will, if the testator has written a document in his/her own hand in the presence of two witnesses the content whereof evidences that it is a will.

2. A will created under the circumstances specified in **Paragraph 1 of Item 1** of the present article shall no longer be valid if within one month after the termination of these circumstances the testator fails to create a will in any other form specified in Articles 1124 - 1128 of the present Code.

3. In accordance with the present article a will created under extraordinary circumstances shall be subject to execution only on the condition that a court acting on the request of the persons concerned confirms the fact that the will was created under extraordinary circumstances. The said claim shall be filed

before the expiry of the term set for acceptance of the inheritance.

4. The joint wills of spouses, inheritance contracts, and also wills containing a decision on instituting an inheritance foundation shall not be made in emergency situations. Default on observing that provision shall cause the invalidity of said wills and agreements.

Article 1130. The Revocation and Alteration of a Will

1. The testator shall be entitled to revoke or alter a will he/she has created at any time after the creation thereof without an indication of the reason for the revocation or alteration.

No one's consent is required for revoking or altering a will, in particular, of persons appointed as heirs in the will that is being revoked or altered.

2. The testator is entitled, by means of a new will, to revoke a previous will as a whole or to amend it by means of revocation or alteration of specific testamentary dispositions contained therein.

A subsequent will not containing a direct indication concerning revocation of a previous will or specific testamentary dispositions contained therein shall revoke the previous will in full or in as much as it conflicts with the subsequent will.

A will fully or partially revoked by a subsequent will shall not be deemed restored if the subsequent will is revoked by the testator in full or in as much as the relevant portion is concerned.

3. In the case of invalidity of the subsequent will, succession shall take effect according to the previous will.

4. Also a will can be revoked by means of will revocation dispositions. The will revocation dispositions shall be created in the **form** established by the present Code for the creation of a will. The will revocation instructions shall be subject to the rules of Item 3 of the present article.

5. A will created under extraordinary circumstances (**Article 1129**) can only revoke or alter the same kind of will.

6. Testamentary dispositions in a bank (**Article 1128**) can only revoke or alter testamentary dispositions concerning the disposition of funds in this bank.

Article 1131. Invalidity of a Will

1. In the event of violation of the provisions of the present Code causing the invalidity of a will, depending on the grounds for the invalidity, the will shall be deemed invalid by virtue of having been recognised as such by a court (a contentious will) or irrespective of such recognition (a will that is null and void).

2. A will can be recognised as void by a court at a complaint filed by a person whose rights or lawful interests are violated by the will.

A will shall not be subject to contention before the opening of the inheritance.

The joint will of the spouses may be contested on a claim of any of the spouses while they are alive. After the death of one of the spouses, and also after the death of the surviving spouse the joint will of the spouses may be contested on a claim of the person whose rights or lawful interests have been infringed upon by that will.

3. Slips of the pen and other insignificant breaches of the procedure for the creation, signing or attestation of a will shall not serve as grounds for the invalidity of a will if a court has established that they do not affect the construction of the testator's will.

4. Both a will and its specific testamentary dispositions can be void. The invalidity of specific dispositions contained in a will shall not be deemed to affect the rest of the will if one can suppose that it would have been included in the will even if the void dispositions were not there.

5. The invalidity of a will shall not deprive the persons specified therein as heirs or beneficiaries of the right to succession by operation of law or under another will that is valid.

Article 1132. Construction of Wills

While constructing a will a notary, executor or court shall take into account the literal meaning of the words and expressions contained therein.

If the literal meaning of a provision of a will is vague it shall be established by means of comparison with other provisions and the sense of the will as a whole. In such cases the fullest exercise of the testator's will shall be ensured.

Article 1133. Execution of Wills

Execution of a will shall be effected by heirs under the will, except for cases when its execution is fully or partially effected by the executor of the will (**Article 1134**).

Article 1134. Executor of Wills

1. The testator may order the execution of the will by an executor (the executor of the will) whom he has named in the will regardless of whether such person is or is not an heir. The executor of the will may be a citizen or a legal entity.

The testator has the right to replace the executor of the will or to cancel the appointment of the executor of the will at any time (**Article 1130**).

A person's consent to be the executor of the will is expressed by his sign manual on the will itself and if a legal entity is appointed as the executor of the will - in the sign manual of the person who by force of the law has the right to act on behalf of such legal entity without a warrant or in an application enclosed with the will or in an application filed with the notary in the course of one month from the day of the opening of the inheritance.

The person's consent to be the executor of the will may be recalled at any moment before the opening of the inheritance by way of the executor of the will sending notification to the testator and to the notary who has certified the will and after the opening of the inheritance - by way of sending notification to the notary.

2. After the opening of an inheritance the court can relieve the executor of the will from his/her duties at the demand of the heirs including of the hereditary fund if there are circumstances testifying to an improper execution of his liabilities by the executor of the will or to the threat of a violation of the legally protected interests of the heirs as a result of the actions (the inaction) of the executor of the will.

Article 1135. The Powers of the Executor of the Will

1. The powers of the executor of a will shall be based on the will whereby he/she is appointed as executor and they shall be certified by a certificate issued by a notary.

2. Except as otherwise required by the will, the executor of the will shall take the measures required for executing the will, namely:

1) arrange for the passage of assets of estate to the heirs entitled thereto in compliance with the wishes of the testator expressed in the will and law;

2) to perform in the interest of the heirs on his own behalf all the necessary legal and other actions for the purposes of protecting the inheritance and its management or an absence of the possibility to perform such actions to apply to the notary for the protection of the inheritance.

3) receive the amounts of money owed to the testator and other assets for the purpose of passing them to the heirs, unless the assets are subject to transfer to other persons (**Item 1 Article 1183**);

4) perform testamentary dispositions or demand that heirs perform under testamentary renunciation provisions (**Article 1137**), under provisions whereby they are to execute a duty (**Article 1139**).

2.1. The testator may envisage in the will actions which the executor of the will is obliged to perform as well as actions from the performance of which he shall abstain; among other things he has the right to stipulate the liability of the executor of the will to vote in the higher bodies of the corporation in the way indicated in the will. In a will the terms of which envisage the creation of a hereditary fund the testator may also point out the powers of the executor of the will in the performance of the factual and legal actions connected with the creation of the hereditary fund.

3. The executor of a will shall be entitled to act in connection with the execution of the will in his own name, in particular, in court, other governmental bodies and institutions.

4. When he performs actions for the protection of the hereditary property and for the management thereof the executor of the will shall act in the capacity of a trustee manager (**Article 1173**). The executor of the will may pass the performance of the trustee management to a third party unless this is prohibited in the will.

Article 1136. Reimbursement of Expenses Relating to the Execution of a Will

The executor of a will shall be entitled to receive reimbursement from the estate for the necessary expenses incurred in connection with execution of the will and also remuneration at the expense of the estate if there is a provision to this effect in the will.

Article 1137. Testamentary Renunciation

1. The testator is entitled to vest in one or several heirs a duty by will or by operation of law the execution of a duty of a property nature for the benefit of one or several persons (beneficiaries) who acquire a right to claim execution of the duty (testamentary renunciation).

A testamentary renunciation shall be established in the will.

A will may contain a testamentary renunciation only.

2. The object of the testamentary renunciation can be transferred to a beneficiary into his/her ownership, possession by another right in rem or use of an item incorporated in the estate, transfer to a beneficiary of an item in action incorporated in the estate, acquisition for a beneficiary and transfer thereto of other property, performance of specific work for him/her or the provision thereto of a specific service or the making of periodical payments for his/her benefit etc.

In particular, an heir entitled to a residential house, an apartment or other housing accommodation may be vested by a testator with the duty to grant a right to use this facility or a part thereof to another person for the lifetime of such a person or for another term.

At a subsequent transfer of the title to assets of estate to another person the right of use of such assets granted by a testamentary renunciation shall remain in effect.

3. Relationships between a beneficiary (creditor) and an heir vested with the duty of executing a testamentary renunciation (debtor) shall be subject to the provisions of the present Code concerning **liabilities**, except as otherwise required by the rules of the present section and the essence of the testamentary renunciation.

4. The right to receive a testamentary renunciation shall be in effect for a three-year term after the date of opening of an inheritance and shall be non-transferable to other persons. However, an alternate beneficiary may be appointed together with a beneficiary in cases when the beneficiary dies before the opening of the inheritance or simultaneously with the testator or refuses to accept the testamentary renunciation, did not exercise his/her right to receive the testamentary renunciation or is deprived of the right to receive the testamentary renunciation in compliance with the rules of **Item 5 Article 1117** of the present Code.

Article 1138. Execution of a Testamentary Renunciation

1. An heir vested with the duty to execute a testamentary renunciation shall execute it within the limits of the value of the portion of the estate he/she took less the testator's debts relating to the heir.

If an heir vested with the duty to execute a testamentary renunciation is entitled to a compulsory share of the estate, his duty to execute the testamentary renunciation shall be limited to the value of the portion of estate he/she took which exceeds the amount of his/her compulsory share.

2. If the duty to execute a testamentary renunciation is vested in several heirs, such a gift shall be an encumbrance on the right of each of them to the estate commensurately to their shares in the estate, except as otherwise required by the will.

3. If a beneficiary dies before the opening of the inheritance or simultaneously with the testator or refused to receive a testamentary renunciation (**Article 1160**), had not exercised his/her right to receive the testamentary renunciation within a three-year term after the opening of the inheritance or was deprived of

the right to receive the testamentary renunciation in compliance with the rules of **Article 1117** of the present Code, the heir with the duty to execute the testamentary renunciation shall be relieved of the duty, except for cases when an alternate heir has been appointed for this heir.

Article 1139. Private Purpose Trust

1. In a will the testator may vest in one or several heirs a duty by will or by operation of law to commit an action of a property or non-property nature aimed at attaining a commonly beneficial aim or at the achievement of another goal not contradicting the law including an action for the testator's burial in accordance with his will (private purpose trust). Such a duty may also be vested in the executor of a will on the condition that the will allocates a portion of the assets of the estate for the purposes of execution of the private purpose trust.

The testator is also entitled to vest in one or several heirs the duty of upkeeping domestic animals belonging to the testator and also of exercising the necessary supervision and care in respect thereof.

2. A private purpose trust whose object is actions of a property nature shall be subject to the rules of **Article 1138** of the present Code.

3. Persons concerned, the executor of the will and any of the heirs are entitled to claim in court the enforcement of a private purpose trust, except as otherwise required by the will.

Article 1140. Transfer of the Duty to Execute a Testamentary Renunciation or Private Purpose Trust to Other Heirs

If, as the result of the circumstances specified in the present Code, the portion of the estate due to an heir vested with a duty to execute a **testamentary renunciation** or **private purpose trust** is transferred to other heirs the latter shall execute the testamentary renunciation or private purpose trust, except as otherwise required by the will or law.

Article 1140.1. The Inheritance contract

1. The testator has the right to conclude an agreement with any of the persons who can be called upon to inherit (**Article 1116**) with the terms defining the group of heirs and a procedure for transfer of the rights to the testator's property after his/her death to the surviving parties to the agreement or to the surviving third parties who can be called upon to inherit (inheritance contract). The inheritance contract may also contain a clause on the executor and vest in the persons who are party to the inheritance contract and can be called upon to inherit the duty to commit actions of property or non-property nature which do not contravene a law, in particular to make a testamentary trust or private purpose trust.

The consequences envisaged by the inheritance contract may be made to be dependent on the circumstances whose onset has preceded the date of opening of the inheritance about which it was not known at the conclusion of the inheritance contract if they were to occur or not, in particular on the circumstances fully dependent on the will of one of the parties (**Article 327.1**).

2. After the testator's death the following may demand execution of the duties established by the inheritance contract: the heirs, executor the parties to the inheritance contract which have survived the testator or surviving third parties, and also the notary who handles the inheritance case while he/she is executing his/her duties to preserve the inheritable property and to manage such property until the issuance of a certificate of the right of inheritance.

3. If a party to the inheritance contract has disclaimed inheritance the agreement shall keep effective in respect of the rights and duties of other parties thereto, if it can be supposed that it would have been concluded even without the inclusion in it of the rights and duties of the party that has disclaimed inheritance.

4. The rights and duties of a party to an inheritance contract arising from the inheritance contract are unalienable and non-transferable in another manner.

5. The inheritance contract to which spouses are party, and also the persons who may be called upon to inherit from each of the spouses (**Article 1116**) may define a procedure for transfer of rights to the common property of the spouses or the property of each of them in the event of the death of each of them,

in particular the one that is simultaneous, to the surviving spouse or to other persons; to designate the property included in the estate of each of the spouses, unless it infringes on the rights of third parties, and also may contain other instructions of the spouses, in particular a clause on appointment of an executor or executors who act in the event of the death of each of the spouses. If such inheritance contract is concluded the spouses are subject to the rules about the testator.

The inheritance contract mentioned in **Paragraph 1** of this item shall become invalid in connection with the divorce before the death of one of the spouses, and also in connection with the marriage's being recognised as invalid.

The inheritance contract mentioned in **Paragraph 1** of this item shall supersede the inheritance contract or the joint will of the spouses made before that.

6. The terms of the inheritance contract shall be effective in as much as it does not contravene the rules of this Code concerning the mandatory share in the inheritance (in particular concerning the mandatory share in the inheritance in respect of which the right has come into being after the conclusion of the inheritance contract), and also on the ban on inheritance by unworthy heirs (**Article 1117**). In the case envisaged by **Paragraph 1 of Item 5** of this article the terms of the inheritance contract shall be effective in as much as it does not contravene the rules of this Code concerning the mandatory share in the inheritance when a heir having the right to a mandatory heir's share of at least one of the spouses exists, and also the rules concerning a ban on inheritance by unworthy heirs, if an unworthy heir of at least one of the spouses exists.

If the right to a mandatory share in the inheritance has come into being after the conclusion of the inheritance contract envisaged then the duties of a heir under the inheritance contract envisaged by the inheritance contract shall be reduced pro rata to the reduction of the part of the inheritance he/she is entitled to after the right to a mandatory share in the inheritance gets realised.

7. The inheritance contract shall be signed by each of the parties to the inheritance contract, and be notarised. If one of the parties evades the notarisation of the inheritance contract the provisions of Article 165 of this Code shall not be applied.

While attesting the inheritance contract the notary shall do the video recording of the procedure of conclusion of the inheritance contract, unless the parties to the inheritance contract have declared their objections to it.

8. The testator has the right to conclude one or several inheritance contracts with one or several persons who can be called upon to inherit.

If one piece of the testator's property has been the subject matter of several inheritance contracts concluded with different persons then in cases when the inheritance is accepted by them the inheritance contract concluded earlier shall be applicable.

9. The modification or rescission of the inheritance contract is admissible only while the parties to that agreement are alive by agreement of the parties thereto or under a court's decision in connection with a substantial change in circumstances, in particular in connection with the possibility of calling upon the persons having the right to a mandatory share in the inheritance that has come into being.

10. The testator has the right to unilaterally waiver at any time the inheritance contract by means of notifying all the parties to the inheritance contract about such waiver. The notice of waiver by the testator of the inheritance contract is subject to notarisation. The notary that has attested a notice of waiver by the testator of the inheritance contract shall send a copy of that notice within three working days to other parties to the inheritance contract in the procedure envisaged by the legislation on the notarial profession and notarial activity.

The testator that has waived the inheritance contract shall compensate other parties to the inheritance contract for the losses they have incurred in connection with the execution of the inheritance contract by the time of receipt of a copy of the notice of waiver by the testator of the inheritance contract.

Other parties to the inheritance contract have the right to unilaterally waive the inheritance contract in the procedure envisaged by a law or the inheritance contract.

11. The inheritance contract may be contested while the testator is alive on a claim of a party to the

inheritance contract, and after the opening of the inheritance on a claim of a person whose rights or lawful interests have been infringed upon by that inheritance contract.

12. After the conclusion of the inheritance contract the testator has the right to conclude any transactions in respect of the property belonging thereto or otherwise dispose of the property that belongs thereto by his/her own will and in his/her own interest, even if such disposal is going to deprive a person who can be called upon to inherit of the rights to the testator's property. An agreement to the effect of otherwise is null and void.

Chapter 63. Succession by Operation of Law

Article 1141. General Provisions

1. Legal heirs shall be called upon to inherit in compliance with the priority ranking set out in **Articles 1142 - 1145** and **1148** of the present Code.

The heirs of each next category shall inherit if there are no heirs of the preceding categories, i.e. if there are no heirs of the preceding categories or if neither of them are entitled to inherit or if all of them have been barred from inheritance (**Article 1117**), or deprived of inheritance (**Item 1 Article 1119**), if neither of them have accepted inheritance or if all of them have disclaimed inheritance.

2. Heirs of one category shall inherit in equal shares, except for the heirs who inherit by right of representation (**Article 1146**).

Article 1142. First Category Heirs

1. Legal heirs of the first category are the children, spouse and parents of the testator.

2. The testator's grandchildren and their issue shall inherit by right of representation.

Article 1143. Second Category Heirs

1. If there are no heirs of the first category the legal heirs of the second category shall be the full and half brothers and sisters of the testator, his grandfather and grandmother both on the side of the father and on the side of the mother.

2. The children of full and half brothers and sisters of the testator (nephews, nieces of the testator) shall inherit by right of representation.

Article 1144. Third Category Heirs

1. If there are no heirs of the first and second categories the legal heirs of the third category shall be the full and half brothers and sisters of the parents of the testator (uncles and aunts of the testator).

2. Cousins of the testator shall inherit by right of representation.

Article 1145. Next Category Heirs

1. If there are no heirs of the first, second and third categories (**Articles 1142 - 1144**), the right to inherit by law shall be acquired by the testator's relatives of the third, fourth and fifth degree of kinship who do not qualify as heirs of the preceding categories.

The degree of kinship shall be determined by the number of births that separate relatives from each other. The birth of the testator in this case does not count.

2. Under Item 1 of the present article the following shall be called upon to inherit:

as heirs of the fourth category: relatives of the third degree of kinship - great grandfathers and great grandmothers of the testator;

as heirs of the fifth category: relatives of the fourth degree of kinship - children of full nephews and nieces of the testator (grandsons and granddaughters once removed) and brothers and full sisters of their grandfathers and grandmothers (grandsons and granddaughters once removed) and full brothers and sisters of their grandfathers and grandmothers once removed);

as the heirs of the sixth category: relatives of the fifth degree of kinship - children of grandsons and granddaughters of the testator once removed (grand grandsons and grand granddaughters once removed), children of his cousins (nephews and nieces once removed) and children of his grandfathers and grandmothers once removed (uncles and aunts once removed).

3. If there are no heirs of the preceding categories the following shall be called upon to inherit as heirs of the seventh category by law: stepsons, stepdaughters, the stepfather and the stepmother of the testator.

Article 1146. Succession by Right of Representation

1. The share of a legal heir who has died before the opening of the inheritance or simultaneously with the testator (**Item 2 of Article 1114**) shall be passed by right of representation to his relevant issue in the cases specified in **Item 2 of Article 1142**, **Item 2 of Article 1143** and **Item 2 of Article 1144** of the present Code and it shall be divided between them in equal shares.

2. The issue of a legal heir who has been deprived of inheritance by the testator (**Item 1 of Article 1119**) shall not inherit by right of representation.

3. The issue of an heir who has died before the opening of the inheritance or simultaneously with the testator (**Item 2 of Article 1114**) and who would not have had a right of inheritance under **Item 1 of Article 1117** of the present Code shall not inherit by the right of representation.

Article 1147. Succession by Adopted Children and Adopters

1. In the case of succession by operation of law an adopted child and his/her issue on one side and the adopter and his/her relatives on the other side shall qualify as relatives by origin (blood relatives).

2. The adopted child and his/her issue shall not inherit by operation of law after the death of the parents of the adopted child and other blood relatives thereof and the parents of the adopted child and other blood relatives thereof shall not inherit by operation of law after the death of the adopted child and his/her issue, except for the cases specified in Item 3 of the present article.

3. In cases when under the **Family Code** of the Russian Federation an adopted child retains relations with one of his/her parents or other blood relatives under a court decision the adopted child and his/her issue shall inherit by operation of law after the death of these relatives and the latter shall inherit by operation of law after the death of the adopted child and his/her posterity.

Inheritance under the present item shall not exclude inheritance under **Item 1** of the present article.

Article 1148. Succession by Disabled Dependants of the Testator

1. Citizens qualifying as the legal heirs specified in **Articles 1143 - 1145** of the present Code who are disabled as of the date of opening of the inheritance but not included in the category of heirs who are called upon to inherit shall inherit by operation of law together and in equal shares with the heirs of that category if they had been dependants of the testator for at least a one-year term preceding the death of the testator, regardless of whether they resided together with the testator or not.

2. Legal heirs shall be deemed citizens not included in the circle of heirs specified in **Articles 1142 - 1145** of the Code but who were disabled when the inheritance was opened who had been dependants of the testator at least for the one-year term preceding the death of the testator and resided together with him/her. If other legal heirs exist they shall inherit together pari passu with the heirs of at category called upon to inherit.

3. If there are no other legal heirs the disabled dependants of the testator shall inherit by themselves as eighth category heirs.

Article 1149. The Right to a Compulsory Share of Estate

1. The minor or disabled children of the testator, his disabled spouse and parents and also the disabled dependants of the testator who are subject to be called upon to inherit under **Items 1** and **2** of Article 1148 of the present Code shall inherit irrespective of the content of the will at least half of the share

each of them is entitled to in the case of succession by operation of law (compulsory share), unless otherwise stipulated in this Article.

2. The right to a compulsory share in an estate shall be satisfied out of the residual part of the estate even if it is going to diminish the rights of other legal heirs to that portion of estate and if the nonbequeathed part of assets is insufficient to satisfy the right to compulsory share, out of the portion of assets that has been bequeathed.

3. Everything that an heir entitled to a compulsory share takes out of the estate on any grounds shall count as part of the compulsory share, including the value of a testamentary renunciation established for the benefit of such an heir.

4. If the exercise of a right to a compulsory share of an estate is going to cause the impossibility of passing property to an heir which was not used during the testator's lifetime by an heir entitled to a compulsory share and which had been used by an heir by will as his residential facility (a residential house, apartment, other living quarters, dacha etc.) or used as the main source of means of subsistence (means of labour, a creative studio etc.) the court may cut the size of the compulsory share or refuse to award such a share with due regard to the property status of the heirs entitled to a compulsory share.

5. The heir who has the right to an obligatory share and who is a beneficiary of the hereditary fund loses the right to an obligatory share. If such heir declares to the notary maintaining the hereditary case his waiven of all the rights of the beneficiary of the hereditary fund in the course of the time term laid down for the acceptance of the inheritance, he has the right to an obligatory share in conformity with this Article.

If the heir waives the rights of a beneficiary of the hereditary fund, the court may reduce the size of the obligatory share of this heir if the cost of the property due to him as a result of the inheritance significantly differs from the size of the means necessary for the citizen's maintenance while taking into account his reasonable needs and the liabilities he has to third parties as on the date of the opening of the inheritance as well as from an average amount of his expenditures and his life style before the testator's death.

Article 1150. The Rights of a Spouse to Inheritance

The right of inheritance that the surviving spouse of the testator has by will or by operation of law shall not diminish the spouse's right to the portion of property gained during the period of marriage with the testator and deemed their common property. The share of the deceased spouse in this property determined in compliance with **Article 256** of the present Code shall be deemed a part of the estate and it shall pass to the heirs in compliance with the rules established by the present Code.

It may be envisaged otherwise by a joint will of the spouses or an inheritance contract.

Article 1151. Escheat

1. If there are no legal heirs and heirs by will or if none of the heirs has a right to inherit or all heirs have been deprived of their right of inheritance (**Article 1117**) or none of the heirs have accepted the inheritance or all the heirs refused their inheritance and none of them has indicated that the inheritance is waived for the benefit of another heir (**Article 1158**) the decedent's estate shall be deemed escheat.

2. The following escheat property located in an appropriate territory shall pass by way of legal succession into the ownership of an urban or rural inhabited locality, municipal district (as regards inter-settlement areas) or municipal, urban district:

living premises;

land plot, as well as the buildings, structures and other immovable property items located on it;

share in common share ownership of the immovable property units cited in Paragraphs Two and Three of this item.

If the cited items are located in the constituent entity of the Russian Federation - the city of federal importance Moscow, St. Petersburg or Sevastopol, they shall pass into the ownership of such constituent entity of the Russian Federation.

The living premises cited in **Paragraph Two** of this item shall be included in the appropriate

housing stock for social use.

Other escheat property shall pass by way of legal succession into the ownership of the Russian Federation.

3. The procedure for succession and recording of escheat property passing by succession by operation of law into the ownership of the Russian Federation and also the procedure for transferring such property into the ownership of Russian regions or municipal entities shall be set out by a law.

Chapter 64. Acquisition of Inheritance

Article 1152. Acceptance of Inheritance

1. To acquire an inheritance an heir shall accept it.

No acceptance is required for the acquisition of escheat property (**Article 1151**).

2. The acceptance of a portion of an inheritance by an heir means acceptance of the whole inheritance due to him/her, whatever the nature and the whereabouts thereof.

When an heir is called upon to inherit simultaneously on several grounds (by will and by operation of law or by hereditary transition and as the result of opening an inheritance etc.) the heir may accept an inheritance he is entitled to on one of these grounds, on several of them or on all of them.

No acceptance of inheritance shall be stipulated by conditions or special clauses.

3. The acceptance of an inheritance by one or several heirs shall not mean an acceptance of the inheritance by other heirs.

4. An accepted inheritance shall be recognised as owned by the heir from the date of opening of the inheritance, irrespective of the time of the actual acceptance and also irrespective of the time of state registration of the heir's rights to assets of an estate where such a right is subject to state registration.

Article 1153. The Methods of Accepting an Inheritance

1. An inheritance is accepted by means of the heir's filing an inheritance acceptance application or an application for a certificate of the right to the inheritance with a notary or personal representative under law at the place of opening of the inheritance.

The signature of the heir on the application must be witnessed by a notary, an official authorised to perform notarial acts (**Item 7 of Article 1125**), or a person authorised to certify wills in accordance with **Item 1 of Article 1127** of this Code, if the application of the heir is transferred to the notary by another person or forwarded by post.

An inheritance can be accepted through a representative if the power of accepting an inheritance is specifically established in powers of attorney. No powers of attorney are required for a personal representative to accept an estate.

2. Until and unless the contrary is proven, an heir shall be deemed to have accepted an inheritance if he has committed actions evidencing an actual acceptance of the inheritance, in particular, if the heir:

has commenced possession or administration of assets of the estate;

has taken measures for preserving assets of the estate, protecting it against third parties' encroachments or claims;

has incurred expenses towards maintenance of assets of the estate;

has paid the testator's debts or received from third parties amounts of money payable to the testator.

3. The acceptance of the inheritance by the hereditary fund is effected in the procedure stipulated in the **Item 2 of Article 123.20-8** of this Code.

Article 1154. The Term for Acceptance of an Inheritance

1. An inheritance can be accepted within six months after the date of opening of the inheritance.

If the inheritance is opened on the date of the alleged death of a citizen (**Item 1 of Article 1114**) the inheritance can be accepted within six months after the date when the court decision whereby the citizen is announced dead becomes final.

2. If a right of inheritance emerges for other persons as the result of an heir's disclaiming of an inheritance or an heir's disqualification on the grounds established by **Article 1117** of the present Code such person can accept the inheritance within six months after the date of occurrence of their right of inheritance.

3. Persons whose right of inheritance occurs only due to an heir's non-acceptance of an inheritance can take the inheritance within three months after the expiry of the term specified in **Item 1** of the present article.

Article 1155. Acceptance of an Inheritance upon the Expiry of the Established Term

1. At an application filed late by an heir concerning the term set for acceptance of an inheritance (**Article 1154**) the court may reinstate the term and recognise the heir as having accepted the inheritance if the heir did not know and could not have known of the opening of the inheritance or if the heir has missed the term due to other legitimate reasons and on the condition that the heir who missed the term set for acceptance of the inheritance has filed his/her application with the court within six months after the time when the causes/reasons for the lateness ceased to exist.

Having recognised an heir as having accepted an inheritance, the court shall determine the shares of all the heirs in the estate and if necessary shall designate measures for safeguarding the rights of the new heir to his/her entitlement (**Item 3** of the present Article). The certificates of a right of inheritance issued earlier shall be recognised by the court as void.

2. An heir can accept an inheritance after the expiry of the term set for the acceptance thereof without resorting to the court if all other heirs who have accepted the inheritance grant their consent thereto in writing. If such a written consent is granted by heirs in the absence of a notary, their signatures on the documents whereby the consent is granted shall be attested in the manner specified in **Paragraph 2 of Item 1 of Article 1153** of the present Code. The heirs' consent shall be deemed grounds for a notary to annul the certificate of right of inheritance issued earlier and to issue a new certificate.

If, under a certificate issued earlier, state registration has been accomplished in respect of a right to immovable property, the notary's decision to annul the certificate issued earlier and the new certificate shall be deemed grounds for amending the state registration records correspondingly.

3. An heir who accepts an inheritance after the expiry of the established term in keeping with the rules set out in the present article shall be entitled to take his/her entitlement in compliance with the rules of **Articles 1104**, **1105**, **1107** and **1108** of the present Code which, in the case specified in **Item 2** of the present Article, shall be applicable except as otherwise required by a written agreement concluded by the heirs.

Article 1156. The Transfer of a Right to Accept an Inheritance (Hereditary Transition)

1. If an heir called upon to inherit by will or by operation of law dies after the opening of the inheritance without having accepted it within the established term, the right of accepting his/her entitlement shall pass to his/her legal heirs, or if all assets of the estate have been left by will, to his/her heirs by will (hereditary transition). The right of accepting an inheritance by way of hereditary transition is not incorporated into the estate left after the death of such an heir.

2. The right of accepting an inheritance that belonged to a deceased heir may be exercised by his/her heirs on general terms.

If the portion of the term set for the purposes of inheritance acceptance that remains after the death of an heir is less than three months, the term shall be extended to three months.

Upon the expiry of the term set for inheritance acceptance purposes the heirs of a deceased heir may be recognised by the court as having accepted the inheritance under **Article 1155** of the present Code if the court is of the opinion that the reasons for the lateness are legitimate.

3. The right of an heir to accept a portion of inheritance as a compulsory share (**Article 1149**) shall not be transferable to his/her heirs.

Article 1157. The Right to Disclaim

1. The heir is entitled to disclaim the inheritance he is entitled to for the benefit of other persons (**Article 1158**) or without an indication of a person for whose benefit he rejects the inherited property.

No disclaimer shall be possible in the case of **escheat.**

2. The heir is entitled to disclaim the inheritance he is entitled to within the term set for acceptance of inheritance (**Article 1154**), including in cases when he has already accepted the inheritance.

If the heir has committed actions evidencing the actual acceptance of an inheritance (**Item 2 of Article 1153**) a court may recognise him/her as having disclaimed the inheritance at the application of such heir, including after the expiry of the set term if the court finds that the reasons for the lateness are legitimate.

3. The disclaiming of an inheritance shall not be subject to alteration or reversed.

4. In the case of a minor heir, an heir lacking dispositive capacity or having partial dispositive capacity the disclaiming of an inheritance shall be admitted with the preliminary consent of the body of tutorship and guardianship.

Article 1158. Disclaiming an Inheritance for the Benefit of Other Persons and Disclaiming of a Portion of an Inheritance

1. A heir is entitled to renounce succession as heir in favour of other persons from among heirs by devise or heirs at law of any turn, regardless of calling to inherit, who are not deprived of inheritance (**Item 1 of Article 1119**), as well as in favour of those who are called to inherit by right of representation (**Article 1146**) or by way of hereditary transition (**Article 1156**).

No disclaimer shall be for the benefit of any of the above persons:

of assets inherited under a will if the whole of the decedent's estate is left by will for heirs appointed by the decedent;

of a compulsory share of an estate (**Article 1149**);

if an alternate heir has been appointed for the heir in question (**Article 1121**);

2. No disclaimer shall be for the benefit of persons who are not specified in **Item 1** of the present article.

No disclaimer of inheritance shall be stipulated by conditions or special clauses.

3. An heir shall not disclaim a portion of his/her inheritance. However, if an heir is called upon to inherit simultaneously on several grounds (by will, by law or by inheritance transition or as a result of opening of an inheritance etc.) he shall be entitled to disclaim the gift he is entitled to on one of these grounds, on several of them or on all of them.

Article 1159. Methods of Disclaimer

1. The disclaimer of an inheritance shall be effected by the heir by means of filing a disclaimer with a notary or official empowered under law to issue certificates of inheritance at the place of opening of the inheritance.

2. If a disclaimer is filed with a notary by a person other than the heir or if it is mailed the signature of the heir on such disclaimer shall be attested by a notary, an officer authorised to perform notarial acts (**Item 7 of Article 1125**), or a person authorised to certify wills in accordance with **Item 1 of Article 1127** of the present Code.

3. An inheritance may be disclaimed through a representative if powers to disclaim are established in the powers of attorney. No powers of attorney is required for a legal representative to disclaim an inheritance.

Article 1160. Right to Disclaim a Testamentary Renunciation

1. The beneficiary is entitled to refuse to accept a trust (**Article 1137**). In this case no trust for the benefit of another person or a trust stipulated by a clause or condition is permitted.

2. If the beneficiary is at the same time an heir his/her right specified in the present article shall not

depend on his/her right to accept the inheritance or disclaim it.

Article 1161. Increment of Shares of Estate

1. If an heir does not accept his/her inheritance, disclaims his/her inheritance without indicating that the disclaimer is for the benefit of another heir (**Article 1158**), does not have the right to inherit or if his/her right of inheritance is forfeited on the grounds established by **Article 1117** of the present Code or as a result of invalidity of the will the portion of the estate to which such heir would have been entitled shall pass to the legal heirs called upon to inherit, pro rata to their shares of the estate.

However, if the testator has left all property to the heirs he appointed, the portion of the estate to which an heir who disclaimed his/her gift or who was dropped on other specified grounds was entitled shall pass to other heirs by will pro rata to their shares of the estate, except as otherwise required by the will in respect of distribution of that portion of the estate.

2. The rules contained in **Item 1** of the present article shall not be applicable if an alternate heir (**Item 2 Article 1121**) has been appointed for the heir who disclaimed his/her gift or who was dropped on other grounds.

Article 1162. Certificate of Right to Inheritance

1. A certificate of right to inheritance shall be issued at the place of opening of the inheritance by a notary or an official empowered by law to accomplish such a notarial action.

The certificate shall be issued at the application of an heir. If heirs so wish one certificate may be issued for all the heirs or a separate certificate may be issued to each of the heirs, for the whole of the estate or for specific parts thereof.

The same procedure shall be applicable when a certificate is issued in the case of escheat in compliance with **Article 1151** of this Code in the Russian Federation, a constituent entity of the Russian Federation or municipal entity.

2. If, after the issue of a certificate of right to inheritance, assets of the estate are discovered which are not covered by such a certificate, an additional certificate of right to inheritance shall be issued.

Article 1163. Term for Issue of a Certificate of Right to Inheritance

1. A certificate of right to inheritance shall be issued to heirs at any time upon the expiry of six months after the date of opening of the inheritance, except for the cases specified in the present Code.

2. In the case of succession both by will and by operation of law a certificate of right to inheritance may be issued before the expiry of six months after the opening of the inheritance if there is reliable information evidencing that there are no other heirs entitled to the inheritance or a portion thereof apart from the persons who have applied for the certificate.

3. The issuance of a certificate of right to inheritance shall be suspended by a decision of a court and also in the case of existence of an heir conceived but not yet born.

Article 1164. Heirs' Common Ownership

In the case of succession by operation of law if an estate passes to two or several heirs and in the case of succession by will if an estate is left by will to two or several heirs without an indication of specific assets of the estate to be taken by each of the heirs the estate shall be put into the shared ownership of the heirs as of the time of opening of the inheritance.

Heirs' common ownership of assets of an estate shall be subject to the provisions of **Chapter 16** of the present Code on shared ownership with due regard to the rules set out in **Articles 1165 - 1170** of the present Code. However, in the distribution of an estate the rules of **Articles 1168 - 1170** of the present Code shall be applicable within three years after the opening of the inheritance.

Article 1165. Distribution of Decedent's Estate by Agreement between Heirs

1. The assets of an estate in the shared ownership of two or several heirs can be divided by

agreement between them.

The agreement on distribution of estate shall be subject to the rules of the present Code concerning the form of deals and form of agreements.

2. An agreement on distribution of estate incorporating immovable property, in particular, an agreement on devolution of the share of one or several heirs may be concluded by heirs after a certificate of right to inheritance has been issued.

The state registration of heirs' ownership of immovable property being the subject matter of an agreement on distribution of estate shall be accomplished on the basis of the agreement on distribution of estate and the certificate of a right to an inheritance issued earlier and in cases when the state registration of heirs' rights to immovable property has been accomplished before the heirs entered into the agreement on distribution of the estate, on the basis of the agreement on distribution of the estate.

3. A discrepancy between the way an estate is distributed by heirs in an agreement they concluded and the shares of the estate to which the heirs are entitled as specified in the certificate of right to inheritance shall not cause refusal of state registration of their rights to the immovable property received as the result of distribution of the estate.

Article 1166. Safeguarding the Interests of a Child in the Case of Distribution of an Estate

If there is an heir who has been conceived but not yet born, distribution of an estate shall be accomplished only after the birth of such an heir.

Article 1167. Safeguarding the Lawful Interests of Minors, Citizens Lacking Dispositive Capacity or Having Limited Dispositive Capacity in the Distribution of an Estate

If among the heirs there are minor citizens, citizens without dispositive capacity or having a limited dispositive capacity an estate shall be distributed in compliance with the rules of **Article 37** of the present Code.

For the purpose of safeguarding the lawful interests of the said heirs the tutorship and guardianship body shall be notified of the drawing up of an agreement on distribution of the estate (**Article 1165**) and of a court hearing a case of distribution of the estate.

Article 1168. Right in Rem Relating to an Indivisible Item in Distribution of an Estate

1. An heir who had a right of shared ownership together with the testator in respect of an indivisible item (**Article 133**), the share in the right of which is incorporated in the estate, shall have a preferential right to obtain as his/her share of the estate the item that was in common ownership, over the heirs who had not been party to the common ownership before, irrespective of their having used the item or not.

2. An heir who had been permanently using an indivisible item (Article 133) incorporated in an estate shall have a preferential right to obtain this item as his/her share in the estate, over the heirs who had not been using the item and had not been party to the common ownership thereof.

3. If an estate incorporates living accommodation (a residential house, apartment etc.) which cannot be physically divided, the heirs who had been residing in the housing accommodation as of the date of opening of the inheritance and who do not have other living accommodation shall have the right to enjoy preferential treatment in cases of distribution of the estate over other heirs not being owners of the living accommodation incorporated in the estate in obtaining this living accommodation as their shares of the estate.

Article 1169. Preferential Right to Ordinary Household Articles in Distribution of an Estate

In the case of distribution of an estate an heir who had been residing as of the date of opening of an inheritance together with the testator shall have a preferential right to obtain household articles as his/her share of the estate.

Article 1170. Compensation for a Mismatch between the Received Assets of an Estate and the Share in the Estate

1. A mismatch between the assets of the estate claimed by an heir by a preferential right under **Articles 1168** or **1169** of the present Code and the heir's share of the estate shall be eliminated by means of his/her transferring other assets of the estate to other heirs or by the provision of another compensation, including disbursement of the relevant amount of money.

2. Except as otherwise required by an agreement between all the heirs, the exercise of a preferential right by any of them shall be possible after the provision of relevant compensation to other heirs.

Article 1171. Preservation of an Estate and Administration of an Estate

1. For the purpose of safeguarding the rights of heirs, beneficiaries and other persons concerned the executor of a will or the notary at the place where an inheritance is opened shall take the measures specified in **Articles 1172** and **1173** of the present Code as well as other necessary measures for preservation and administration of the estate.

2. The notary shall take measures for preservation and administration of the estate at the application of one or several heirs, the executor of the will, a local government body, the tutorship and guardianship body or other persons acting in the interests of preservation of the estate. If an executor of the will has been appointed (**Article 1134**) the notary shall take measures for preservation and administration of the estate in agreement with the executor.

The executor of the will shall take measures for the preservation and administration of the estate on his own or at the request of one or several heirs.

3. For the purpose of ascertaining the subject matter of an inheritance and preserving it banks, other credit institutions and other legal entities shall inform the notary, at the notary's request, of the information they have concerning assets belonging to the testator. The information so obtained shall be passed by the notary only to the executor of the will and to the heirs.

4. The notary shall take measures for preservation and administration of the estate within a term set by the notary with due regard to the nature and value of the estate and also the time required for the heirs to commence owning their inheritance.

The executor of the will shall take measures for the preservation and administration of the estate within the term required for executing the will.

5. In cases when assets of the estate are located in different places, the notary at the place where the inheritance has been opened shall forward instructions on the preservation and administration of the assets of the estate to a notary at the place where the relevant portion of the assets is located, via the territorial agencies of the federal executive body exercising law enforcement functions and functions of control and supervision in the notarial field. If the notary at the place of opening of the inheritance knows who should take measures for the preservation of the estate, such instructions shall be forwarded to the relevant notary or official.

6. The procedure for preservation and administration of an estate, in particular, the procedure for drawing up an inventory of the estate shall be determined by the legislation on notaries. The **maximum limits** on remuneration payable under an agreement of custody of estate and agreement of trust of estate shall be set by the Government of the Russian Federation.

7. In cases when a right to accomplish notarial actions is granted under law to officials of local government bodies and consular officials the necessary measures for preservation and administration of an estate can be taken by the relevant official.

Article 1172. Measures for Preservation of the Estate

1. For the purpose of preserving an estate the notary shall draw up an inventory of the estate in the presence of two witnesses qualifying under the criteria established in **Item 2 of Article 1124** of the present Code.

The executor of the will, heirs and in relevant cases representatives of the tutorship and

guardianship body can be in attendance when an inventory of estate is being drawn up.

At the request of persons specified in Paragraph 2 of the present item, the estate shall be valued by agreement of the heirs. If no agreement is made the estate or the portion thereof not covered by a valuation agreement shall be valued by an independent appraiser at the expense of the person who has demanded the valuation of the estate, with these expenses later being distributed among the heirs pro rata to the value of the assets of the estate received by each of them.

2. Money in cash incorporated in the estate shall be deposited with the notary and foreign currency valuables, precious metals and stones, articles made from them and securities that do not require management shall be handed over to a bank into the custody thereof under an agreement in compliance with **Article 921** of the present Code.

3. If its has come to the notary's knowledge that the estate includes weapons he shall notify about it the federal executive body authorised in the sphere of circulation of weapons, or its territorial body.

4. Assets incorporated in the estate but not specified in **Items 2** and 3 of the present article, if they do not require management, shall be passed by the notary under an agreement to an heir into the custody thereof, or if they cannot be passed to an heir, to another person at the notary's discretion.

In the case of succession by a will whereby an executor of the will is appointed, the executor of the will shall be responsible for the custody of the said assets of estate on his own or by means of entering into a custody agreement with an heir or another person chosen at the discretion of the notary.

Article 1173. Trustee Management of the Hereditary Property

1. If in the composition of the inheritance there is property requiring not only protection but also management (an enterprise, a share in the authorised (pooled) capital of a corporate legal entity, securities, exclusive rights and such like), the notary shall conclude a contract for the trustee management of this property in conformity with **Article 1026** of the given Code in the capacity of the founder of the trustee management.

Before the conclusion of a contract for the trustee management of the hereditary property an independent assessor shall estimate that part of the property which is handed over into the trustee management. The outlays on carrying out the estimation shall be considered those made on the protection of the inheritance and on its management (**Article 1174**).

2. If the succession is effected by the will in which the executor of the will is appointed, the latter shall be seen as the trustee manager of the hereditary property from the moment of his giving his consent to be the executor of the will (**Article 1134**).

3. The trustee management of the hereditary property is effected for the purposes of preserving this property and of increasing its value.

A beneficiary under the contract for trustee management of the hereditary property is not appointed with the exception of the case when the testamentary refusal is effected supposing its execution in favour of a certain person for the period of the performance of actions aimed at the protection of the hereditary property and at its management. In such a case the recipient of the refusal shall be appointed as the beneficiary.

The trustee manager of the hereditary property has no right to fulfil the liabilities of the testator at the expense of the property handed over into his trustee management until the issue to one of the heirs of the certificate for the right to the property with the exception of the cases when the trustee management contract or the will stipulates the trustee manager's liability to recompense the outlays pointed out in **Article 1174** of this Code at the expense of the property handed over into trustee management.

4. At the performance of actions aimed at the protection of the hereditary property and at its management in the cases when the testator's will contains his orders on the issues of the management of the inheritance, the trustee manager and the executor are obliged to act in accordance with such testator's orders; they are also obliged to vote in the corporation's higher bodies in the way which indicated in the will.

5. The notary implementing the powers of the founder of the trustee management under a trustee

management contract is obliged to control the fulfilment of his liabilities by the trustee manager at least once in two months. If he exposes a violation of his liabilities by the trustee manager, the notary has the right to cancel the trustee management contract unilaterally, to demand that the trustee manager present a report and to appoint a new trustee manager.

6. A person satisfying demands pointed out in **Article 1015** of this Code may be appointed as the trustee manager under a contract, including the supposed heir who may be appointed with the consent of other heirs revealed at the moment of the appointment of the trustee manager and if they object to it - on the grounds of a court decision.

7. If the hereditary property is handed over to several trustee managers, each of them has powers in the management of the hereditary property unless the contract for the trustee management or the will has envisaged that the trustee managers shall exercise these liabilities jointly. If divergences of opinion arise among the trustee managers about their exercising the rights and fulfilling the liabilities, the notary is obliged to cancel the trustee management contract signed with such managers, to demand that the trustee managers present reports and to appoint a new trustee manager or new trustee managers.

8. A contract for the trustee management of the hereditary property may be concluded for a time term not exceeding five years. In any case as at the moment of the issue of a certificate for the right to the inheritance to at least one of the heirs, if such certificate indicates property which is the object of the trustee management or if such certificate is issued with respect to the entire property of the testator in whatever it is expressed and wherever it is located the rights and the liabilities of the trustee management's founder shall pass to such heir (to such heirs). The notary who has founded the trustee management is relieved of fulfilment of the founder's liabilities. The heir who has received the certificate for the right to the inheritance has the right to stop the trustee management and to demand that the trustee manager hand over the property which was in his management, the rights to which have passed to this heir and to submit a report on the trustee management.

If the heirs do not present the demand for handing over the property which was in trustee management, the trustee management contract is seen as extended for five years while the trustee management may be stopped on the grounds stipulated in **Article 1024** of this Code.

Article 1174. Reimbursement of Expenses Incurred Due to the Death of the Testator and Expenses Towards Preservation and Administration of the Estate

1. The necessary expenses incurred due to the pre-death illness of the testator, decent funeral expenses, including the necessary expenses incurred as payment for the place of burial of the testator, estate preservation and administration expenses and also testamentary expenses shall be reimbursable out of the decedent's estate within the value thereof.

2. Claims for reimbursement of the expenses specified in Item 1 of the present article may be presented to heirs which have accepted their inheritance and, before the acceptance of an inheritance, to the executor of the will or satisfied at the expense of the estate.

Such expenses shall be reimbursed before the repayment of debts to creditors of the testator and within the limits of value of the portion of the estate taken by each of the heirs. In such cases expenses incurred in connection with the testator's illness and funeral shall rank as first category, estate preservation and administration expenses as second category and testamentary expenses as third category.

3. Any amounts of money owned by the testator, including bank deposits and accounts, may be used to bear the testator's decent funeral expenses.

Banks on deposits or accounts of which the testator's funds are located, as well as the Bank of Russia, if there are digital roubles accounted for on the testator's digital rouble account, must provide them, by a notary's order, to a person specified in the notary's resolution to pay the specified expenses.

The heir to whom the funds are bequeathed (credited onto the deposit or on any other accounts of the testator in banks, as well as the digital roubles counted on the testator's digital rouble account), including if they are bequeathed through the testamentary disposition (**Article 1128**), is entitled to obtain, at any time before the expiration of the inheritance from the date of the opening of the inheritance, the

funds necessary for the testator's funeral, from the deposit or account, including the testator's digital rouble account.

The amount of money handed out by the bank in keeping with the present item for funeral purposes to an heir or a person indicated in the notary's decision shall not exceed one hundred thousand roubles.

The rules of the present item shall be correspondingly applicable to other credit organisation entitled to accept citizens' funds in deposit and other accounts.

Article 1175. Heirs' Liabilities for the Testator's Debts

1. Heirs who have accepted their inheritance shall be liable together for the debts of the testator (**Article 323**).

Each of the heirs shall be liable for the testator's debts within the limits of the value of the inheritance he/she receives.

2. An heir who has accepted his/her inheritance by way of hereditary transition (**Article 1156**) shall be liable for the testator's debts within the limits of the value of the inheritance and the inheritance shall not be levied with the debts of the heir from whom he/she acquired the right to the inheritance.

3. The the stator's creditors are entitled to present their claims to heirs who have accepted their inheritance within the statutory limitation term set for the relevant claims. Until the acceptance of the inheritance creditors' claims may be presented to the hereditary property for the purposes of the preservation of which the executor of the will or the notary shall be invited to participate in the case. In the latter case a court shall suspend consideration of the case until the time when the estate is distributed among the heirs or passed under **Article 1151** of this Code to the Russian Federation, a constituent entity of the Russian Federation or municipal entity by way of escheat.

When the testator's creditors file claims, the statutory limitation term established for relevant claims shall not be interrupted, suspended or reinstated.

Chapter 65. Succession of Specific Types of Assets

Article 1176. Succession of Rights Connected with an Interest in Economic Partnerships and Companies and Production Co-Operatives

1. The estate of a participant in a general partnership or of a general partner in a trust partnership, a participant in a limited liability company or a supplementary liability company or a member of a production co-operative shall include the participant's (member's) share of the share (authorised) capital (assets) of the respective partnership, company or co-operative.

If for an heir to join a business partnership or production cooperative or for an heir to acquire a share in the authorised capital of a business company the consent of the rest of the participants in the partnership or company or members of the co-operative is required under the present Code, other laws or the foundation documents of a business partnership or company or a production co-operative, and if the heir has been refused such consent he/she shall be entitled to receive from the business partnership or company or production co-operative the actual value of the inherited share or a portion of the assets pro rata to the share, in the manner established for such cases by the rules of the present Code, other laws or the foundation documents of the legal entity.

2. The estate of an investor in a partnership shall include his/her share in the share capital of the partnership. The heir to whom this share has been transferred shall become an investor in the partnership.

3. The estate of a participant in a joint stock company shall include the shares he/she owned. The heirs by whom these shares have been taken shall become participants in the company.

Article 1177. Succession of Rights Relating to Participation in a Consumer Co-Operative

1. The estate of a member of a consumer co-operative shall include his/her share.

An heir of a member of a housing, dacha or other consumer co-operative shall be entitled to

admittance as member of a respective co-operative. Admittance to membership in the co-operative shall not be refused for such an heir.

2. The decision of the issue as to which of the heirs may be admitted to become a member of a consumer co-operative in the case when the testator's share has been taken by several heirs and also the procedure, methods and term for disbursing amounts of money payable to the heirs who have not become members of the co-operative or for handing out assets in kind to them in place of money shall be governed by the **law** on consumer co-operatives and the foundation documents of the respective co-operative.

Article 1178. Succession of an Enterprise

An heir who, as of the date of opening an inheritance, had been registered as an individual entrepreneur or a commercial organisation being an heir by will shall enjoy a preferential right in the case of estate distribution to receive an enterprise incorporated in the estate as his share of inheritance (**Article 132**), given the observance of the rules of **Article 1170** of the present Code.

If none of the heirs has said preferential right or has not exercised such right, the enterprise incorporated into the estate shall not be subject to partition and shall come under the share ownership of the heirs in compliance with the inheritance they are entitled to, except as otherwise required by an agreement of the heirs who have taken the estate incorporating the enterprise.

Article 1179. Succession of Property of a Member of a Peasant (Individual) Farm

1. On the death of any member of a peasant (individual) farm inheritance shall be opened and succession shall be accomplished on general terms, given the observance of the rules of **Articles 253-255** and **257-259** of the present Code.

2. If an heir of a deceased member of a peasant (individual) farm is not himself/herself a member of the farm he/she shall be entitled to receive compensation pro rata to the share of the assets in share ownership of members of the farm he/she is entitled to. The term for disbursement of the compensation shall be set by agreement of the heir with the members of the farm, or if there is no agreement, by a court, but it shall not exceed one year after the opening of the inheritance. If there is no agreement between the members of the farm and the said heir to the contrary, the share of the testator in the assets shall be deemed equal to the shares of other members of the farm. If the heir is admitted as a member of the farm the said compensation shall not be payable for his/her benefit.

3. In cases when on the death of a member of a peasant (individual) farm the farm is terminated (**Item 1 of Article 258**), in particular, in connection with the fact that the deceased had been the sole member of the farm and none of his/her heirs wishes the peasant (individual) farm to continue its activities the assets of the peasant (individual) farm shall be subject to distribution between the heirs according to the rules of Articles 258 and **1182** of the present Code.

Article 1180. Succession of Items with Limited Alienability

1. Weapons, highly toxic and poisonous substances, narcotic drugs and psychotropic substances and other things with limited alienability (**Paragraph 2 of Item 2 of Article 129**) that had been owned by the testator shall be incorporated into the estate and be inherited on the general terms established by the present Code. No special permit shall be required for accepting an inheritance that includes such things.

2. Until the time when the heir obtains a special permit for such items, measures for ensuring the security of the items with limited alienability shall be taken in keeping with the procedure established by **law** for this kind of property.

If the heir is refused the said permit his/her right of ownership of such property shall be subject to termination in compliance with **Article 238** of the present Code and proceeds from the sale of the property less sales expenses shall be payable to the heir.

Article 1181. Succession of Plots of Land

A plot of land or a right of lifetime inheritable ownership of a plot of land owned by the testator shall be included in the estate and inherited on the general terms established by the present Code. No

special permission is required for accepting an inheritance incorporating such property.

In the case of succession of a plot of land or a right of lifetime inheritable ownership of a plot of land, the succession shall also include the surface layer of the plot of land (soil), bodies of water, the plants located thereon, except as otherwise established by a law.

Article 1182. Peculiarities of Partition of a Plot of Land

1. The partition of a plot of land belonging to heirs under the right of common ownership shall be accomplished on the basis of the minimum size of a plot of land set for the plots with the relevant purpose.

2. If the plot of land cannot be divided in the manner established by Item 1 of the present article the plot of land shall pass to the heir having a preferential right of obtaining this plot of land as his/her share of the estate. Compensation shall be provided to other heirs in the manner established by **Article 1170** of the present Code.

If none of the heirs has a preferential right of obtaining the plot of land or has exercised such right the heirs shall possess, use and dispose of this plot of land under the right of shared ownership.

Article 1183. Succession of Outstanding Amounts of Money Granted to a Citizen as Means of Subsistence

1. The right to receive the amounts of wage/salary and payments qualifying as such, pension, stipend, social insurance benefit, damages for harm to life or health, alimony and other amounts of money provided to the testator as means of subsistence that was been payable for his benefit but not been received in his lifetime shall belong to the members of the testator's family who had been residing together with him and also his disabled dependants, irrespective of their having resided with the deceased or not.

2. Claims for the disbursement of amounts of money under Item 1 of the present article shall be presented to the persons liable within four months after the opening of the inheritance.

3. If there are no persons entitled under **Item 1** of the present article to receive outstanding amounts of money that had been owing to the testator or if these persons have not presented their claims for the disbursement of such amounts of money within the established term, these amounts of money shall be included in the estate and inherited on the general terms established by the present Code.

Article 1184. Succession of Assets Granted to the Testator by the State or a Municipal Entity on Privileged Terms

Means of transportation and other assets granted by the state or a municipal entity to the testator on privileged terms in connection with his disability or other similar circumstances shall be incorporated into the estate and inherited on the general terms established by the present Code.

Article 1185. Succession of State Awards, Honours and Commemorative Badges

1. The state awards bestowed on the testator and covered by the legislation on the state awards of the Russian Federation shall not be included in the estate. The transfer of the said awards on the death of the decedent to other persons shall be subject to the procedure established by the legislation on state awards of the Russian Federation.

2. State awards that belonged to the testator which are not covered by the legislation on state awards of the Russian Federation, honours, commemorative and other badges, including awards and badges being part of collections, shall be included in the estate and inherited on the general terms established by the present Code.

Section VI. International Private Law

Chapter 66. General Provisions

Article 1186. Determining the Law Governing Civil Legal Relations Involving the Participation of Foreign Persons or Civil Legal Relations Complicated by Another Foreign Factor

1. The law applicable to civil legal relations involving the participation of foreign citizens or foreign legal entities or civil legal relations complicated by another foreign factor, in particular, in cases when an object of civil rights is located abroad shall be determined on the basis of international treaties of the Russian Federation, the present Code, other laws (**Item 2 of Article 3**) and usage recognised in the Russian Federation.

The peculiarities of determining the law subject to application by an international commercial arbitration tribunal shall be established by a **law** on international commercial arbitration tribunals.

2. If under Item 1 of the present article it is impossible to determine the law subject to application the law of the country with which a civil legal relation complicated by a foreign factor is most closely related shall apply.

3. If an international treaty of the Russian Federation contains substantive law norms governing a relevant relationship, a definition on the basis of law of conflict norms governing the matters fully regulated by such substantive law norms is prohibited.

Article 1187. Construction of Legal Terms in the Definition of Applicable Law

1. When applicable law is being defined legal terms shall be construed in compliance with Russian law, except as otherwise required by law.

2. If, when applicable law is being defined, legal terms that require qualification are not known to Russian law or are known in another wording or with another content and if they cannot be defined by means of construction under Russian law a foreign law may be applied to the construction thereof.

Article 1188. The Application of the Law of a Country with Several Legal Systems

In cases when the law of a country where several systems of law are in effect applies the system of law defined in compliance with the law of that country shall apply. If under the law of that country it is impossible to define which of the systems of law is applicable the system of law to which the relation is the strongest shall apply.

Article 1189. Reciprocity

1. A foreign law shall be applicable in the Russian Federation, irrespective of the applicability of Russian law to relations of the same kind in the relevant foreign state, except for cases when the application of a foreign law on reciprocal basis is required by law.

2. Where the application of a foreign law depends on reciprocity such reciprocity shall be deemed to exist unless the contrary is proven.

Article 1190. Reverse Reference

1. Any reference to foreign law in compliance with the rules of the present section shall be deemed a reference to substantive law rather than the law of conflict of the relevant country, except for the cases specified in Item 2 of the present article.

2. A reverse reference of foreign law may be accepted in the cases of reference to the Russian law defining the legal status of a natural person.

Article 1191. Establishing the Content of Foreign Law Norms

1. Where a foreign law is applied a court shall establish the content of its norms in compliance with the official construction, application practices and doctrine thereof in the relevant foreign state.

2. For the purpose of establishing the content of norms of a foreign law a court may apply in the established manner to the Ministry of Justice of the Russian Federation and other competent bodies or organisations in the Russian Federation and abroad for assistance and clarification or may use the services

of experts.

Persons being party to a case may present documents confirming the content of foreign law norms to which they refer to substantiate their claims or objections and provide other assistance to a court in establishing the content of these norms.

As concerns claims relating to the pursuance of entrepreneurial activity by parties, the duty of providing data on the content of foreign law rules may be imposed by a court upon the parties.

3. If, despite measures taken in compliance with the present articles, the content of foreign law norms fails to be established within a reasonable term, Russian law shall apply.

Article 1192. The Direct Application Rules

1. The regulations of the present section shall not affect the applicability of the imperative norms of the legislation of the Russian Federation which, due to indication in the imperative norms themselves or due to their special significance, in particular for safeguarding the rights and law-protected interests of participants in civil law relations, regulate the relevant relations, irrespective of the law that is subject to application (direct application **rules**).

2. According to the rules of the present section, when the law of any country is applied a court may take into account imperative norms of another country closely related to the relationship if under the law of that country such norms are direct application rules. In such cases the court shall take into account the purpose and nature of such norms and also the consequences of their application or non-application.

Article 1193. Public Order Clause

A norm of foreign law subject to application in keeping with the rules of the present section shall not be applicable in exceptional cases when the consequences of its application would have obviously been in conflict with the fundamentals of law and order (public order) of the Russian Federation subject to the nature of the relations complicated by a foreign element. In such a case a relevant norm of Russian law shall be applied if necessary.

A refusal to apply a norm of a foreign law shall not be based exclusively on a difference of the legal, political or economic systems of the relevant foreign state from the legal, political or economic system of the Russian Federation.

Article 1194. Retortion

The Government of the Russian Federation may establish reciprocal limitations (retortions) on the proprietary and personal non-proprietary rights of citizens and legal entities of states where special limitations exist on the proprietary and personal non-proprietary rights of Russian citizens and legal entities.

Chapter 67. The Law Governing Determination of the Legal Status of Persons

Article 1195. The Personal Law of Natural Persons

1. The personal law of a natural person shall be the law of the country of which the person is a citizen.

2. If, apart from being a Russian citizen, a person also has foreign citizenship, his/her personal law shall be deemed Russian law.

3. If a foreign citizen has a place of residence in the Russian Federation his/her personal law shall be deemed Russian law.

4. If a person has several foreign citizenships his/her personal law shall be deemed the law of the country in which the person has his/her place of residence.

5. The personal law of a person without citizenship shall be deemed the law of the country where

he/she has his/her place of residence.

6. The personal law of a refugee shall be deemed the law of the country where he/she has been granted asylum.

Article 1196. The Law Governing Determination of the Civil Legal Capacity of a Natural Person

The civil legal capacity of a natural person shall be determined by his/her personal law. In such a case foreign citizens and persons without citizenship shall possess civil legal capacity in the Russian Federation in equal measure with Russian citizens, except for the cases established by **law.**

Article 1197. The Law Governing Determination of the Civil Dispositive Capacity of a Natural Person

1. The civil dispositive capacity of a natural person shall be determined by his/her personal law.

2. A natural person who does not have civil dispositive capacity according to his/her personal law shall have no right to refer to his/her lacking dispositive capacity if he/she has dispositive capacity at the place where the deal was made, except for cases in which the other party knew or was obviously supposed to know of the lack of dispositive capacity.

3. The recognition of a natural person in the Russian Federation as having no dispositive capacity or as having a limited dispositive capacity shall be governed by **Russian law.**

Article 1198. The Law Governing Determination of the Rights of a Natural Person to a Name

A natural person's rights to a name, the use and protection of a name shall be determined by his/her personal law, except as otherwise required by the present Code or other laws.

Article 1199. The Law Governing Tutorship and Guardianship

1. Tutorship and guardianship over minors, adults having no dispositive capacity or having limited dispositive capacity shall be appointed and terminated according to the personal law of the person over which it is appointed or terminated.

2. The tutor's (guardian's) duty to accept tutorship (guardianship) shall be determined according to the personal law of the person who is appointed a tutor (guardian).

3. Relations between a tutor (guardian) and a person under his/her tutorship (guardianship) shall be determined according to the law of the country whose institution has appointed the tutor (guardian). However, when a person under tutorship (guardianship) has his/her place of residence in the Russian Federation, Russian law shall apply if it is more favourable for such a person.

Article 1200. The Law Governing Cases of a Natural Person's Being Declared Missing or Dead

The declaration in the Russian Federation of a natural person as missing or dead shall be governed by **Russian law.**

Article 1201. The Law Governing Determination of the Possibility for a Natural Person to Pursue Entrepreneurial Activity

The natural person's right to pursue entrepreneurial activity as an individual entrepreneur, without the formation of a legal entity, shall be determined by the law of the country where the natural person is registered as an individual entrepreneur. If this rule cannot be applied due to lack of compulsory registration the law of the country of the main place of business shall apply.

Article 1202. The Personal Law of a Legal Entity

1. The personal law of a legal entity is the law of the country where the legal entity has been established, except as otherwise envisaged by the **Federal Law** on Making Amendments to the Federal Law on the Putting into Force of Part 1 of the Civil Code of the Russian Federation and to Article 1202 of Part 3 of the Civil Code of the Russian Federation and the Federal Law on International Companies.

2. In particular the following shall be determined on the basis of the personal law of a legal entity:

1) an organisation's status as a legal entity;

2) the organisational legal form of a legal entity;

3) the standards governing the name of a legal entity;

4) issues concerning the formation, re-organisation and liquidation of a legal entity, in particular matters of succession;

5) the content of the legal capacity of a legal entity;

6) the procedure for acquisition of civil rights and assumption of civil duties by a legal entity;

7) internal relations, in particular, relations between a legal entity and its founders;

8) a legal entity's capacity to be liable for its obligations.

9) the issues of liability of the founders (participants) of a legal entity with respect to the commitments thereof.

3. A legal entity shall not refer to a limitation on the powers of its body or representative to enter into a deal which is not known in the law of the country where the body or the representative has entered into the deal, except for cases when it is proven that the other side in the deal knew or was obviously supposed to know of the said limitation.

4. If a legal entity established abroad exercises its activities predominantly on the territory of the Russian Federation, Russian law or at the creditor's choice the personal law of such legal entity shall apply to claims for liability in respect of commitments of the legal entity's founders (participants) and of other persons that are entitled to give instructions to be followed by it without fail or are capable of determining their actions.

5. The charter of a personal foundation created under Russian law may provide for applicability of foreign law with respect to relations involving the personal foundation, a founder of this foundation, beneficiaries of this foundation, as well as persons that are members of the bodies of this foundation, if such relations involving foreign citizens or foreign legal entities are engaged in such relations, or if the relations are complicated by another foreign element.

Article 1203. The Personal Law of a Foreign Organisation Not Qualifying as a Legal Entity under Foreign Law

The personal law of a foreign organisation not qualifying as a legal entity under foreign law shall be deemed the law of the country where this organisation was founded.

If Russian law is applicable, the activity of such an organisation shall be accordingly subject to the rules of the present **Code** which govern the activities of legal entities, except as otherwise required by a law, other legal acts or the substance of the relation in question.

Article 1204. Participation of a State in Civil Legal Relations Complicated by a Foreign Factor

Civil legal relations complicated by a foreign factor as involving the participation of a state shall be subject to the rules of the present section on general terms, except as otherwise established by **law**.

Chapter 68. The Law Governing Proprietary and Personal Non-Proprietary Relations

Article 1205. The Law to Be Applied to Real Rights

The right of ownership and other real rights to immovable and movable property shall be determined according to the law of the country where this property is located.

Article 1205.1. The Scope of the Law to Be Applied to Real Rights

Unless otherwise provided for by this Code, the law to be applied to real rights shall determine, in particular:

1) the objects of real rights, in particular the property's pertinence to movable or immovable things;

2) the transferability of the objects of real rights;
3) the kinds of real rights;
4) the content of real rights;
5) the origination and termination of real rights, in particular the transfer of ownership;
6) the exercise of real rights;
7) the protection of real rights.

Article 1206. The Law to Be Applied to the Origination and Termination of Real Rights

1. The origination and termination of the rights of ownership and other real rights to property shall be determined according to the law of the country where this property was located at the time when the action or other circumstance serving as a basis for the origination or termination of the right of ownership and other real rights took place, unless otherwise provided for by law.

2. The origination or termination of the right of ownership and other real rights in a transaction made in respect of movable property being in transit shall be determined according to the law of the country which this property has been shipped from, unless otherwise provided for by law.

3. The parties may agree on the application of the right of ownership and other real rights to movable property under the law applicable to their transaction to the origination and termination without detriment to the rights of third parties.

4. The origination of the right of ownership and other real rights to property by virtue of its acquisitive prescription shall be determined by the law of the country where the property was located at the end of the time period of prescription.

Article 1207. The Law to Be Applied to Real Rights to Vessels and Space Objects

The right of ownership and other real rights to aircraft, sea vessels, inland navigation vessels and space objects which are subject to state registration shall be determined according to the law of the country where these vessels and objects are registered.

Article 1208. The Law Governing the Statute of Limitations

The statute of limitations shall be determined by the law of the country governing the relation in question.

Article 1209. The Law to Be Applied to the Form of a Transaction

1. The form of a transaction shall be in keeping in with the law of the country to be applied to the transaction proper. However, a transaction may not be declared invalid as a result of a failure to observe the form thereof, if the requirements of the law of the country where the transaction is made for the form of the transaction are satisfied. A transaction made abroad, if at least one of the parties thereto is a person whose personal law is Russian law, may not be declared invalid as a result of a failure to observe the form thereof, provided that the requirements of Russian law for the form of the transaction are observed.

The rules provided for by **Paragraph One** of this item shall also apply to the form of a letter of attorney.

Where there are the circumstances cited in **Item 1 of Article 1212** of this Code, the law of the country where the consumer resides shall apply to the form of a contract with the participation of a consumer at the choice thereof.

2. If the law of the country where a legal entity is established contains special requirements in respect of the form of an agreement on establishing a legal entity or of a transaction connected with the exercise of the rights of a participant of the legal entity, the form of such agreement or transaction shall be in keping with the law of this country.

3. If a transaction or the origination, transfer, limitation or termination of rights in respect of it is subject to mandatory state registration in the Russian Federation, the form of such transaction shall be in keping with Russian law.

4. The form of a transaction in respect of immovable property shall be in keping with the law of the country where this property is located and in respect of immovable property which is entered into the state register in the Russian Federation, it shall be in keping with Russian law.

Article 1210. Selection of Law by the Parties to a Contract

1. When they enter into a contract or later on the parties thereto may select by **agreement** between them the law that will govern their rights and duties under the contract.

2. An agreement of parties as to the **selection** of law to be applicable shall be expressly stated or shall clearly ensue from the terms and conditions of the contract or the complex of circumstances of the case.

3. Selection of applicable law made by parties after the conclusion of a contract shall have retroactive effect and it shall be deemed valid, without prejudice to the rights of third parties and the validity of a transaction from the point of the requirements for the form thereof, beginning from the time when the contract was concluded.

4. The parties to a contract may select applicable law both for the contract as a whole and for specific parts thereof.

5. If at the time of selection by the parties to a contract of the law to be applied by the parties to a contract all the circumstances concerning the essence of the parties relations are only connected with a single country, the selection by the parties of the law of another country may not concern the operation of the imperative norms of law of the country with which all the circumstances concerning the essence of the parties' relations are connected.

6. Unless otherwise results from law or the essence of relations, the provisions of **Items 1-3** and **5** of this article shall accordingly apply to the selection of the law as agreed by parties to be applied to the relations which are not based upon an agreement where such choice is allowed by law.

Article 1211. The Law to Be Applied to a Contract Where There Is No Agreement of the Parties on the Choice of Law

1. Unless otherwise provided for by this Code or other law, where there is no agreement of the parties as to the law to be applied, the law of the country where as of the time of making a contract the place of residence or the principle place of activity of the party, which effects the execution thereof that is of crucial importance for the content of the contract is located, shall apply to the contract.

2. As the party effecting execution which is of crucial importance for the content of a contract shall be recognised the party which is:

1) the seller - in a contract of purchase and sale;
2) the donator - in a contract of gift;
3) the lessor - in a contract of lease;
4) the lender - in a contract of gratuitous use;
5) the contractor - in a contract of work and labour;
6) the carrier - in a contract of carriage;
7) the forwarding agent - in a forwarding contract;
8) the lender (creditor) - in a contract of loan (credit contract);
9) the financial agent - in a contract of financing against the assignment of a monetary claim;
10) the bank - in a bank deposit and bank account contract;
11) the custodian - in a contract of custody;
12) the insurer - in an insurance contract;
13) the attorney - in a trust deed;
14) the commission agent - in a contract of commission;
15) the agent - in an agency contract;
16) the executor - in a contract of onerous rendering of services;
17) the pledger - in a contract of pledge;

18) the surety - in a contract of suretyship.

3. In respect of a construction contract and a contract for design and prospecting works the law of the country where the results provided for by the relevant contract will be mainly created shall apply.

4. In respect of a simple partnership agreement the law of the country where such partnership mainly exercises its activities shall apply.

5. In respect of a contract made at an auction, on the basis of a tender or at an exchange the law of the country where the auction or tender is held or where the exchange is located shall apply.

6. In respect of a commercial concession contract shall apply the law of the country on whose territory it is allowed to use a set of the exclusive rights possessed by the right holder or, if the given use is concurrently allowed on the territories of several countries, the law of the country where the right holder's place of residence or the principal place of exercising activities is located shall apply.

7. In respect of an agreement on alienation of the exclusive right to the result of intellectual activities or means of individualisation the law of the country on whose territory the exclusive right transferred to the acquirer thereof operates shall apply or, if it concurrently operates on the territories of several countries, the law of the country where the right holder's place of residence or the principle place of exercising activities is located.

8. In respect of a licence agreement the law of the country on whose territory the licensee is allowed to use the result of intellectual activity or means of individualisation shall apply or, if such use is concurrently allowed on the territories of several countries, the law of the country where the licensee's place of residence or the principal place of activities is located.

9. If it clearly results from law, from the terms or essence of a contract or the aggregate of the facts in a case that the contract is more closely linked with the law of a country other than the one which is cited in **Items 1-8** of this article, the law of the country with which the contract is more closely linked shall **apply**.

10. To a contract containing elements of various contracts the law of the country with which this contract, seen in whole, is more closely linked shall apply, unless it results from law, the terms or essence of this contract or from the aggregate of the facts in a case that the law to be applied is subject to determination for such elements of this contract on a separate basis.

11. If the trade terms normally used in international intercourse are used in a contract, it shall be deemed, in the absence of other indications in the contract, that the parties have coordinated the application to their relations of the customs denominated by the relevant trade terms.

Article 1212. The Law Governing a Contract with Participation of a Consumer

1. The selection of the law governing a contract to which a party is a natural person using, acquiring or ordering or intending to use, acquire or order movable things (works, services) intended for personal, family, household or other purposes and not connected with the pursuance of entrepreneurial activity may not cause the deprivation of such natural person (consumer) of the protection of the rights thereof provided by the imperative norms of the law of the country of the consumer's place of residence, if the consumer's contractor (the professional party) exercises its activities in the country of the consumer's place of residence or in any way focuses its activities on the territory of this country or the territories of several countries, including the territory of the country of the consumer's place of residence, provided that the contract is connected with such activities of the professional party.

2. If there is no agreement of the parties as to applicable law and if the circumstances specified in **Item 1** of the present article apply the law of the country where the consumer has his/her place of residence shall govern a contract with the participation of a consumer.

3. The rules established by Items 1 and 2 of the present article shall not be applicable to:

1) a carriage contract;

2) a work performance contract or a service provision contract if the work is to be performed or the service to be provided exclusively in a country other than the country where the consumer has his/her place of residence.

The exemptions specified in the present item shall not extend to contracts for the provision of the services of carriage and accommodation for a single price (irrespective of the inclusion of other services in the single price), in particular, tourist service contracts.

4. Where it is not provided for by **Item 1** of this article, the choice of the law to be applied to a contract with a consumer's participation may not entail the consumer's deprivation of the protection of the rights thereof which is provided by the imperative norms of law of the country whose law would be applied to this contract in the absence of the parties' agreement on the choice of law.

5. Except for the exemptions established by this article, the law to be applied to a contract with a consumer's participation shall be determined according to the general rules of this Code on the law to be applied to the contract.

Article 1213. The Law Governing Contracts Relating to Immovable Property

1. Where there is no agreement of the parties on applicable law in respect of immovable property, the law of the country with which the contract has the closest relation shall apply. The law of the country with which the contract has the closest relation shall be deemed the law of the country where the immovable property is located, except as otherwise clearly ensuing from law, the terms or substance of the contract or the set of circumstances of the case in question.

2. Contracts relating to plots of land, tracts of sub-soil and other immovable property located on the territory of the Russian Federation shall be subject to Russian law.

Article 1214. The Law to Be Applied to an Agreement on the Establishment of a Legal Entity and to an Agreement Connected with the Exercise of the Rights of a Participant of the Legal Entity

1. The choice of the law to be applied to an agreement on the establishment of a legal entity and to an agreement connected with the exercise of the rights of a participant of a legal entity may not concern the operation of the imperative norms of the country where the legal entity is established in respect of the issues cited in **Item 2 of Article 1202** of this Code.

2. In the absence of the parties' agreement on the law to be applied the law of the country where the legal entity is established or is subject to establishment shall apply to an agreement on the establishment of a legal entity and to an agreement connected with the exercise of the rights of a participant of the legal entity.

Article 1215. The Scope of Operation of the Law to Be Applied to a Contract

1. The law to be applied to a contract in compliance with the rules of **Articles 1210-1214** and **1216** of this Code shall determine the following:

1) the contract's interpretation;

2) the rights and responsibilities of the parties to the contract;

3) the contract's execution;

4) the effects of failure to execute or improper execution of the contract;

5) the contract's termination;

6) the effects of the contract's invalidity.

2. Unless otherwise results from law, the provisions of **Item 1** of this article shall not concern, in particular, the scope of operation of the law to be applied to the issues cited in **Item 2 of Article 1202**, **Article 1205.1** and **Item 5 of Article 1217.1** of this Code.

Article 1216. The Law Governing Assignment of a Claim

1. The law governing a claim assignment agreement between the initial and new creditors shall be determined in compliance with the rules of this Code on the law to be applied to a contract.

2. The admissibility of a claim assignment, relations between the new creditor and the debtor, the conditions for the claim to be presented to the debtor by the new creditor and the issue of the debtor's

appropriate performance under his obligation shall be determined by the law applicable to the claim being the subject matter of the assignment.

Article 1216.1. The Law to Be Applied to the Transfer of the Creditor's Right to Another Person on the Basis of Law

When a third party satisfies the creditor's claim against the debtor, the transfer on the basis of law of the creditor's rights to such third party (to the new creditor) shall be determined on the basis of the law to be applied to the relations between the initial creditor and the new creditor, unless otherwise results from law or the totality of the facts in a case.

In the relations between the debtor and the new creditor the operation of the provisions of the law aimed at the debtor's protection, which is subject to application to the obligation between the debtor and the initial creditor, shall not be affected.

Article 1217. The Law Governing Obligations Emerging from Unilateral Transactions

Except as otherwise clearly required by law, the terms or substance of the transaction or the set of circumstances of the case in question, obligations emerging from unilateral transactions shall be governed by the law of the country where at the time of making a unilateral transaction the party assuming obligations under a unilateral transaction has its place of residence or main place of business.

Abrogated from November 1, 2013.

Article 1217.1. The Law to Be Applied to Representation Relations

1. If representation is based on an agreement, the relations between the represented person and the representative thereof shall be determined according to the rules of this Code on the law to be applied to the agreement.

2. Unless otherwise results from law, the relations between the represented person or the representative thereof and a third party shall be determined according to the law of the country which is selected by the represented person in a power of attorney, provided that a third party and the representative have been notified of this choice.

If the represented person has not chosen the applicable law in a power of attorney or the selected law is not subject to application in compliance with law, the relations between the represented person or the representative and a third party shall be determined according to the law of the country where the representative's place of residence or the principal place of exercising activities are located. If a third party did not know and could not have known about the representative's place of residence or the principal place of exercising activities the law of the country where the representative predominantly acted in a specific case shall apply.

3. If a representative is vested with authority to make a transaction in respect of immovable property and, in so doing, the transaction of the origination, transfer, limitation or termination of rights in respect of it are subject to mandatory state registration, the law of the country where the immovable property is entered into the state register shall apply.

4. If authority for pleading a case in a state court or arbitration court is vested with a representative, the law of the country where judicial or arbitration court proceedings are being carried out shall apply.

5. The law to be applied to relations between the represented person or the representative and a third party shall determine, in particular, the following:

1) the existence and scope of the representative's authority;

2) the effects of the representative exercising its authority;

3) the requirements for the content of a power of attorney;

4) the validity term of a power of attorney;

5) the termination of a power of attorney, in particular the effects of its termination for third parties;

6) the admissibility of issuance of a power of attorney by way of the transfer of trust;

7) the effects of carrying out a transaction in the absence of the authority to act on behalf of the

represented person or in case of exceeding his authority, including if the represented person subsequently approves such transaction.

6. Unless otherwise results from law or the essence of relations, it shall be deemed, if there are no other indications in the power of attorney, that the scope of the representative's authority includes the determination of the procedure for settling disputes (making agreements on the transfer of disputes to a state court or arbitration court and such), as well as the selection of the law to be applied to the transactions made by the representative on behalf of the represented person.

7. The provisions of this article shall not extend to the relations involved in representation which are based on an indication of law or an act of an authorised state body or local government body.

Article 1217.2. The Law to Be Applied to the Termination of an Obligation by Way of Set-Off

The termination of an obligation by way of set-off shall be determined according to the law of a country which is subject to application to the relation from which the claim against which a counter-claim is raised has arisen. The termination of an obligation by way of set-off as agreed by the parties shall be determined by the rules of this **Code** in respect of the law to be applied to a contract.

Article 1218. The Law Governing the Relations of Payment of Interest

The grounds for collecting, the calculation procedure and the rate of interest on pecuniary obligations shall be governed by the law of the country governing a given obligation.

Article 1219. The Law Governing Obligations Emerging as a Result of Infliction of Harm

1. Obligations emerging as a result of infliction of harm shall be governed by the law of the country where the action or other circumstance that has served as grounds for the damages claim occurred. In cases when the action or other circumstances caused harm in another country, the law of that country may be applied if the person causing the harm foresaw or should have foreseen the onset of the harm in that country.

2. If the parties to an obligation resulting from the infliction of harm reside or have their principal place of activities in the same country, the law of this country shall apply. If the parties to a given obligation reside or have their principal place of activities in different countries but are citizens or legal entities of the same country, the law of this country shall apply.

3. If it results from the aggregate of the facts in a case that the obligation arising as a result of inflicting harm is closely linked with an agreement made by the aggrieved person and the harm-doer in the course of exercising business activities by these parties, the law to be applied to such agreement shall apply to the given obligation.

4. The rules of this article shall apply if the parties to an obligation arising as result of the infliction of harm have not made an agreement on the law to be applied to this obligation (**Article 1223.1**).

Article 1220. Applicability of the Law Governing Obligations Emerging as a Result of Infliction of Harm

The following, i.a., shall be determined on the basis of the law governing obligations emerging as a result of infliction of harm:

1) a person's capacity to be liable for harm inflicted;
2) the vesting of liability for harm in a person who is not the cause of harm;
3) grounds for liability;
4) grounds for limitation of liability and relief from liability;
5) the methods of compensation for harm;
6) the scope and amount of compensation for harm.

Article 1220.1. The Law to Be Applied to Establishing the Admissibility of a Claim for Compensation for Harm by an Insurer

A claim for compensation for harm may be made by the aggrieved person directly against the insurer, if it is admissible according to the law to be applied to the obligation arising as a result of the infliction of harm or according to the law to be applied to an insurance agreement.

Article 1221. The Law to Be Applied to the Liability for Harm Caused by Defects of Goods, Work or Service

1. At the choice of the aggrieved person shall apply the following to a claim for compensation for harm caused as a result of defects of goods, work or service:

1) the law of the country where the seller or manufacturer or other harm-doer resides or has its principal place of activity;

2) the law of the country where the aggrieved person resides or has the principal place of activity;

3) the law of the country where the work was carried out and the service was rendered or the law of the country where the goods were acquired.

The selection by the aggrieved person of the law provided for by **Subitems 2** or **3** of this item is not allowed if the harm-doer can prove that he did not foresee and could not have foreseen the distribution of goods in the relevant country.

2. If the parties in compliance with **Article 1223.1** of this Code have chosen as agreed by them the law to be applied to a claim for compensation for harm caused as a result of the defects of goods, works or services, the law selected by the parties shall apply.

3. If the aggrieved person has not enjoyed the right of choice granted thereto by **Item 1** of this article and there is no agreement between the parties on the law to be applied, the law of the country where the seller or manufacturer or other harm-doer resides or has their principal place of activity shall be applied, unless otherwise results from law, the essence of an obligation or the aggregate of facts in a case.

4. The rules of this article shall accordingly apply to the claims for compensation for harm caused as a result of unreliable or insufficient information about the goods, works or services.

Article 1222. The Law to Be Applied to Obligations Arising as a Result of Unfair Competition or Restriction of Competition

1. In respect of the obligations resulting from unfair competition the law of the country whose market is affected or may be affected by such competition shall apply, unless otherwise results from law or the essence of an obligation.

If unfair competition effects solely the interests of an individual, the law to be applied shall be determined in compliance with **Articles 1219** and **1223.1** of this Code.

2. In respect of the obligations arising as a result of restriction of competition the law of the country whose market is effected or may be affected by this competition restriction shall apply, unless otherwise results from the law or the essence of an obligation.

3. The selection by the parties of the law to be applied to the obligations cited in **Paragraph One of Item 1** and **Item 2** of this article shall not be allowed.

Article 1222.1. The Law to Be Applied to Obligations Resulting from Unfair Holding of Talks on Making an Agreement

1. In respect of the circumstances resulting from the unfair holding of talks on making an agreement the law to be applied to an agreement shall apply or, if an agreement has not been made, the law which would apply to a contract, if it was made shall apply.

2. If the applicable law cannot be determined in compliance with **Item 1** of this article, the law to be applied shall be determined in compliance with **Articles 1219** and **1223.1** of this Code.

Article 1223. The Law Governing Obligations Emerging as a Result of Unjust Gains

1. Obligations emerging as a result of unjust gains shall be governed by the law of the country where the enrichment has taken place.

Abrogated from November 1, 2013.

2. If an unjust gain occurs in connection with a legal relation that exists or is assumed to exist due to which property was acquired, the obligations emerging as a result of the unjust enrichment shall be governed by the national law that governed or should have governed this legal relation.

3. The rules of this article shall apply if the parties to an obligation resulting from unjust enrichment have not made an agreement on the law to be applied to this obligation (**Article 1223.1**).

Article 1223.1. The Selection of Law by the Parties to an Obligation Resulting from the Infliction of Harm or Unjust Enrichment

1. Unless otherwise results from the law, after the committing of an action or the occurrence of another circumstance entailing the infliction of harm or unjust enrichment the parties may select the law to be applied to the obligation resulting from the infliction of harm or unjust enrichment.

The law selected by the parties shall apply without detriment to the rights of third parties.

2. If at the time of taking an action or the occurrence of other circumstances entailing the infliction of harm or unjust enrichment all the circumstances concerning the essence of the parties' relations are connected solely with a single country, the selection by the parties of the law of another country may not affect the operation of imperative rules of the law of the country with which all the circumstances concerning the essence of the parties relations are linked.

Article 1224. The Law Governing Succession Relations

1. Succession relations shall be determined by the law of the country where a testator had his last place of residence, except as otherwise required by the present article.

Immovable property succession shall be governed by the law of the country where property is located and succession of immovable property recorded in a state register of the Russian Federation shall be governed by Russian law.

2. The capacity of a person to create a will or revoke it, including in relation to immovable property and also the form of such a will or will revocation act shall be governed by the law of the country where the testator had his/her place of residence as of the time of creation of such a will or act. However, a will or revocation of a will shall not be declared void because the form has failed to be observed if the form meets the requirements of the law of the place of creation of the will or will revocation act or the provisions of **Russian law**.

President of the Russian Federation V. Putin

The Kremlin, Moscow
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Section VII
Rights to the Results of Intellectual Activities and Means of Individualisation

Chapter 69. General Provisions

Article 1225. Protected Results of Intellectual Activities and Means of Individualisation

1. The results of intellectual activity and equated means of individualisation of legal entities, goods, works, services and enterprises, which are granted legal protection (intellectual property), are the following:

1) scientific, literary and artistic works;
2) programs for computers (computer programs);
3) databases;
4) performances;
5) sound recordings;
6) broadcasting and cable radio and television programs (the transmissions of broadcasting or cable organisations);
7) inventions;
8) utility models;
9) industrial designs;
10) breeding achievements;
11) integrated circuit layout-designs (topography);
12) know-how;
13) company names;
14) trademarks and service marks;
14.1) geographical indications;
15) appellation of the origin of goods;
16) commercial designations.

2. Intellectual property is protected by law.

Article 1226. Intellectual Rights

The results of intellectual activity and the means of individualisation equated to them (the results of intellectual activity and means of individualisation) are intellectual rights, which include an exclusive right, which is a property right, and in the cases provided for by this Code, also personal non-property rights and other rights (resale right, right access and others).

Article 1227. Intellectual Rights and Real Rights

1. Intellectual rights do not depend on property rights or other real rights to a material medium (thing), in which the corresponding result of intellectual activity or means of individualisation is expressed.

2. The transfer of ownership of a thing does not entail the transfer or granting of intellectual rights to the result of intellectual activity or to a means of individualisation expressed in this thing, except for the case provided for by **paragraph two of Item 1 of Article 1291** of this Code.

3. The provisions of **Section II** of this Code shall not apply to intellectual rights, unless otherwise established by the rules of this Section.

Article 1228. The Author of the Result of Intellectual Activity

1. The author of the result of intellectual activity is the citizen by whose creative labour such result has been created.

The following shall not be deemed authors of a result of intellectual activity: citizens who have not made a personal creative contribution in the creation of such result, for instance, who have rendered only technical, consultative, organisational or material assistance to the author thereof or who have only assisted in the completion of formalities for such result or for the use thereof, and also citizens who supervised the performance of the relevant works.

2. The author of the result of intellectual activity holds the right of attribution, and in the cases envisaged by the present Code, a right to the name and other personal non-property rights.

The right of authorship, the right to the name and other personal non-property rights of the author

are unalienable and unassignable. A waiver of these rights shall be deemed null and void.

The right of authorship and the name of the author shall be protected in perpetuity. After the author's death any person concerned may protect his authorship and name, except for the cases set out in **Item 2 of Article 1267** and **Item 2 of Article 1316** of the present Code.

3. The exclusive right to the result of intellectual activity created by creative labour is initially vested in the author. This right may be transferred by the author to another person under a contract, and it may also be transferred to other persons on other grounds established by law.

4. Rights to the result of intellectual activity created jointly by the creative labour of two or more citizens (co-authorship) are jointly owned by the co-authors.

Article 1229. Exclusive Right

1. The citizen or legal entity holding the exclusive right to the result of intellectual activity or a means of individualisation (right holder) is entitled to use such result or such means at his own discretion by any means that does not conflict with the law. The right holder may dispose of the exclusive right to the result of the intellectual activity or means of individualisation (**Article 1233**), unless otherwise envisaged by the present Code.

The right holder may at his own discretion permit other persons to use or prohibit them from using, the result of the intellectual activity or means of individualisation. The lack of prohibition shall not be deemed consent (permission).

Other persons shall not use the relevant result of the intellectual activity or means of individualisation without the right holder's consent, except for the cases envisaged by the present Code. If it takes place without the right holder's consent, the use of the result of intellectual activity or means of individualisation (including the use thereof by the methods envisaged by the present Code) is deemed illegal and it shall cause the liability established by the present Code and other laws, except for cases when the use of the result of intellectual activity or means of individualisation by persons other than the right holder without his consent is permitted by the present Code.

2. The exclusive right to the result of intellectual activity or means of individualisation (except for the exclusive right to a company name) may be held by one person or jointly by several persons.

3. Where the exclusive right to the result of intellectual activity or means of individualisation is jointly held by several persons, each of the right holders may use such result or such means at the own discretion thereof, unless otherwise envisaged by this Code or agreement between the right holders. Relationships between the persons jointly holding the exclusive right shall be defined by an agreement between them.

The right holders shall jointly dispose of the exclusive right to the result of intellectual activities or to the means of individualisation, unless otherwise provided for by this Code or by an agreement between the right holders.

The incomes derived from the joint use of the result of intellectual activity or means of individualisation or from the joint disposal of the exclusive right to such result or such means shall be distributed to all right holders in equal parts, except as otherwise envisaged by an agreement between them.

Each of the right holders is entitled independently to take measures aimed at the protection of the rights thereof to the result of intellectual activity or to the means of individualisation.

4. Where it is provided for by **Item 3 of Article 1454**, **Item 2 of Article 1466** and **Item 2 of Article 1518** of this Code, independent exclusive rights to one and the same result of intellectual activity or one and the same means of individualisation may be simultaneously held by different persons.

5. Restrictions of exclusive rights to the results of intellectual activities and to individualization means, in particular when the use of the results of intellectual activities is allowable without the right holders' consent but with their right to remuneration preserved, are established by this Code.

In so doing, restrictions of exclusive rights to works of science, literature and art, to objects of allied rights, inventions, industrial models and trademarks shall be established subject to the conditions

provided for by **Paragraphs Three**, **Four** and **Five** of this item.

Restrictions of exclusive rights to works of science, literature or art, as well as to objects of allied rights shall be established in certain special cases, provided that such restrictions are not at variance with the normal use of the works or objects of allied rights and do not infringe without a good reason upon lawful interests of the right holders.

Restrictions of exclusive rights to inventions and industrial models shall be established in some cases, provided that such restrictions do not contravene without a good reason the normal use of inventions or industrial models and, with account taken of the legitimate interests of third parties, do not infringe without a good reason upon the legitimate interests of the right holders.

Restrictions of exclusive rights to trademarks shall be established in some cases, provided that such restrictions account for legitimate interests of the right holders and third parties.

Article 1230. The Effective Term of Exclusive Rights

1. Exclusive rights to the results of intellectual activities or means of individualisation shall be effective for a certain term, except for the cases envisaged by the present Code.

2. The duration of the effective term of an exclusive right to the result of intellectual activity or means of individualisation, the procedure for counting the term, the grounds and procedure for extending the term, and also the grounds and procedure for terminating the exclusive right before the expiry of the term are established by the present Code.

Article 1231. The Effect of Exclusive and Other Intellectual Rights on the Territory of the Russian Federation

1. The exclusive rights to the results of intellectual activities and means of individualisation established by international treaties of the Russian Federation and the present Code are effective on the territory of the Russian Federation.

The personal non-property and other intellectual rights not deemed exclusive are effective on the territory of the Russian Federation in accordance with **Paragraph 4 of Item 1 of Article 2** of the present Code.

2. When the exclusive right to the result of intellectual activity or means of individualisation is recognised in accordance with an international treaty of the Russian Federation, the content of the right, its effect, restriction, and the procedure for exercising and protecting the right shall be defined by the present Code, irrespective of the provisions of the legislation of the country where the exclusive right came into being, unless otherwise envisaged by the international treaty or the present Code.

Article 1231.1. Objects Including Official Symbols, Denominations and Distinctive Marks

1. As legally protected in the same way as an industrial design or individualisation means shall not be deemed objects including, reproducing or imitating official symbols, denominations and distinctive marks or recognisable parts thereof:

1) state symbols and signs (flags, emblems, orders, currency notes and the like);

2) shortened or full denominations of international and non-governmental organisations, their flags, emblems, other symbols and signs;

3) official control, guarantee or assay marks, stamps, awards and other distinctive marks.

2. The official symbols, denominations and distinctive marks cited in **Item 1** of this article, their recognisable parts or simulations may be included into an industrial design or individualisation means as a non-protected element where there is consent to it of an appropriate authorised state body, the body of an international or intergovernmental organisation.

Article 1232. The State Registration of the Results of Intellectual Activities and of Means of Individualisation

1. In the cases envisaged by the present Code, the exclusive right to the result of intellectual

activity or means of individualisation is recognised and protected on the condition that the result or means is registered by the state.

The right holder is bound to notify accordingly the federal executive body in charge of intellectual property and the federal executive body in charge of selection achievements (**Article 1246)** about changes in the data related to the state registration of the result of intellectual activity or individualisation means: denomination or name, location or residence and postal address. The risk of unfavourable effects, if such notification of an appropriate federal executive body has not been made, or unreliable data has been presented, shall be borne by the right holder.

The federal executive body in charge of intellectual property and the federal executive body in charge of selection achievements may change the data related to the state registration of the result of intellectual activity or means of individualisation for correcting evident and technical errors on their own initiative or at the request of any person after having notified the right holder thereof.

2. In cases when the result of intellectual activity or means of individualisation is subject to state registration under the present Code, the alienation of the exclusive right to such result or means under a contract, the pledge of the right and the granting of a right to use the result or means under a contract, and equally the transfer of the exclusive right to the result or means without a contract are also subject to state registration for which the procedure and terms are established by the Government of the Russian Federation.

3. The state registration of alienation of the exclusive right to the result of intellectual activity or individualisation means under a contract, the state registration of the pledge of this right, as well as the state registration of granting the right to use such result or such means under a contract, shall be effected on the basis of an application of the parties to the contract.

An application may be filed by the parties to a contract or by one of the parties to a contract. In the event of filing an application by one of the parties to a contract, the application shall have attached thereto one of the following documents at the applicant's choice:

a notice on the effected disposal of the exclusive right signed by the parties to the contract;

an extract from the contract certified by a notary;

the contract proper.

The following shall be cited in the application of the parties to the contract or in the document attached to an application of one parties to the contract:

kind of contract;

data on the parties to the contract;

the subject matter of the contract, citing the number of the documents certifying the exclusive right to the result of intellectual activity or to an individualisation means.

In the event of state registration of the provision of the right to use the result of intellectual activity or individualisation means, along with the data cited in **paragraphs seven to nine** of this item, the following shall be mentioned in an application of the parties to the contract or in the document attached to an application of one of the parties to the contract:

the contract's validity term, if such term is fixed by the contract;

the territory in which the right to use the result of intellectual activity or individualisation means, if the territory is fixed by the contract;

the ways of using the result of intellectual activity or the goods and services in respect of which the right to use the individualisation means is granted;

the availability of consent to granting the right to use the result of intellectual activity or individualisation means under a sub-licence contract, if the consent is given (**Item 1 of Article 1238**);

the possibility of unilateral dissolution of the contract.

In the event of state registration of the pledge of the exclusive right, along with the data cited in **paragraphs seven to nine** of this item, the following shall be cited in an application of the parties to the contract or in the document attached to an application of one of the parties to the contract:

the validity term of the contract of pledge;

the limitation of the pledger's right to use the result of intellectual activity or individualisation or to dispose of the exclusive right to such result or to such means.

4. In the case envisaged by **Article 1239** of the Code, the grounds for state registration of provision of the right to use the result of intellectual activity is the relevant court decision.

5. The grounds for state registration of assignment of the exclusive right to the result of intellectual activity or means of individualisation in the line of succession shall be a certificate of inheritance, except for the case envisaged by **Article 11657** of the present Code.

6. In the event of non-observance of the requirement for state registration of transfer of the exclusive right to the result of intellectual activity or individualisation means under a contract of alienation of the exclusive right or without a contract, of the pledge of the exclusive right or granting to another person the right to use such result or such means under a contract, the transfer of the exclusive right, its pledge or granting the right to use it shall be deemed unaccomplished.

7. In the cases envisaged by the present Code, state registration of the result of intellectual activity or means of individualisation may be carried out if the right holder so wishes. In these cases, the registered result of intellectual activity or means of individualisation and the rights to such result are subject to the rules set out in **Items 2-6** of the present article, except as otherwise envisaged by the present Code.

Article 1233. Disposing of an Exclusive Right

1. The right holder may dispose of his exclusive right to the result of intellectual activity or means of individualisation in any manner not contradicting the law and the essence of such exclusive right, including its alienation under a contract to another person (a contract of alienation of the exclusive right) or the granting to another person of the right to use the relevant result of the intellectual activity or means of individualisation within the limits set by a contract (licence contract).

The conclusion of the licence contract shall not cause the assignment of the exclusive right to the licensee.

2. Contracts for disposing of the exclusive right to the result of intellectual activity or means of individualisation, including contracts for alienation of an exclusive right and licence (sub-licence) contracts, are subject to the general provisions on obligations (**Articles 307-419**) and on contracts (**Article 420-453**) in as far as otherwise is not established by the rules of the present section or ensue from the content or nature of the exclusive right.

3. A contract that does not expressly state that the exclusive right to the result of intellectual activity or means of individualisation is assigned in full shall be deemed a licence contract, except for a contract concluded in respect of the right to use the result of intellectual activity or means of individualisation that has been specifically created or is being created for inclusion into a complex object (**Paragraph 2 of Item 1 of Article 1240**).

4. The terms of a contract for alienating an exclusive right or of a licence contract limiting a citizen's right to create the results of intellectual activity of a certain kind or in a certain area of intellectual activity or to alienate the exclusive right to such results to other people shall be deemed null and void.

5. The right holder may make publicly, that is, by way of notifying an indefinite number of persons, an announcement about providing to any person an opportunity to use free-of-charge the work of science, literature or art or the object of allied rights possessed by him under the terms defined by the right holder and within the time period fixed by him. Within the cited time period any person is entitled to use the given work or the given object of allied rights under the terms defined by the right holder.

The announcement shall be made by posting it on the official Internet site of a federal executive body. The federal executive body responsible for placing the cited announcements, as well as a **procedure for and terms** of their insertion, shall be defined by the Government of the Russian Federation.

The announcement shall contain the data enabling to identify the right holder and the work or object of allied rights possessed by him.

If the right holder's announcement does not specify the term, the cited term shall be deemed as being equal to five years.

If the right holder's announcement does not specify the territory, it shall be deemed that it is the territory of the Russian Federation.

Within the validity term the announcement may not be withdrawn and the terms of use provided for by it may not be restricted.

The right holder has no right to make the cited actions where there is an effective licence agreement under which the exclusive licence to use a work or object of allied rights is granted within the same limits. If the right holder carries out the cited actions in the presence of an effective licence agreement under which the onerous non-exclusive licence to use a work or object of allied rights is granted within the same limits, the operation of such agreement shall be terminated. The right holder that has made the relevant announcement in the presence of an effective licence agreement shall compensate for the losses caused to the licensee.

The author or any other right holder, if the exclusive right to a work or object of allied rights has been violated by the wrongful placement of the announcement made in compliance with this item is entitled to apply against the violator the measures of protection of the exclusive right in compliance with **Article 1252** of this Code.

The provisions of this item shall not apply to open licences (**Article 1286.1**).

Article 1234. The Contract of Alienation of an Exclusive Right

1. Under a contract of alienation of an exclusive right, one party (right holder) assigns or undertakes to assign its exclusive right to the result of intellectual activity or means of individualisation to another party (acquirer) in full.

2. The contract of alienation of the exclusive right shall be made in writing. Non-observance of the written form thereof shall cause the invalidity of the contract.

The transfer of the exclusive right under an agreement is subject to state registration in the instances and in the procedure which are provided for by **Article 1232** of this Code.

3. Under the contract of alienation of the exclusive right, the acquirer undertakes to pay the fee envisaged by the contract to the right holder, except as otherwise envisaged by the contract.

If a contract of alienation of an exclusive right concluded on a compensation basis does not contain a clause concerning the amount of fee or procedure for determining it, the contract shall be deemed unconcluded. In this case, the rules envisaged by **Item 3 of Article 424** of the present Code for price-setting shall not be applicable.

The payment of remuneration under a contract of alienation of the exclusive right may be provided in the form of fixed one-time or periodical payments, interest deductions from the income (proceeds) or in some other form.

3.1. It is not allowed to alienate gratuitously an exclusive right in the relations between profit-making organisations, unless otherwise provided for by this Code.

4. The exclusive right to the result of intellectual activity or individualisation means shall be transferred from the right holder to the acquirer at the time when a contract of alienation of the exclusive right is made, unless otherwise provided for by an agreement of the parties. If the transfer of an exclusive right under a contract of alienation of the exclusive right is subject to state registration (**Item 2 of Article 1232**), the exclusive right to such result or such means shall be transferred from the right holder to the acquirer at the time of the state registration.

5. If the acquirer has significantly failed to observe his duty to pay the right holder, the fee for the acquisition of the exclusive right to the result of the intellectual activity or means of individualisation within the term established by the contract of alienation of the exclusive right (**Subitem 1 of Item 2 of Article 450**), the previous right holder shall be entitled to claim in court that the rights of the acquirer of the exclusive right be assigned to the previous right holder and also claim payment of damages, if the exclusive right has been transferred to the acquirer thereof.

If the exclusive right has not been transferred to the acquirer, then, if he has essentially failed to execute his duty to pay the fee for the acquisition of the exclusive right within the term set by the contract,

the right holder may waive the contract unilaterally and claim for payment of damages due to the rescission of the contract. The contract shall be terminated upon the expiry of 30 days from the time of receiving by the acquirer a notice of the contract's renunciation, if within this time period the acquirer did not discharge the duty of paying the remuneration.

Article 1235. The Licence Contract

1. Under the licence contract, one party being the holder of the exclusive right to the result of intellectual activity or means of individualisation (licensor) undertakes to grant to the other party (licensee) the right to use the result or means within the limits set out in the contract.

The licensee may use the result of the intellectual activity or means of individualisation only within the limits of the rights and in the manner set out in the licence contract. The right to use the result of intellectual activity or means of individualisation not expressly mentioned in the licence contract shall not be deemed granted to the licensee.

2. The licence agreement shall be made in writing, unless otherwise established by this Code. Failure to observe the written form thereof shall entail the licence agreement's invalidity.

Granting of the right to use the result of intellectual activity or individualisation means under a licence agreement is subject to state registration in the instances and in the procedure which are provided for by **Article 1232** of this Code.

3. The licence contract shall make reference to the territory on which the use of the result of the intellectual activity or means of individualisation is permitted. If the contract does not contain a reference to the territory on which use of the result of the intellectual activity or means of individualisation is permitted, the licensee is entitled to use them throughout the territory of the Russian Federation.

4. The term for which the licence contract is concluded shall not exceed the effective term of the right to the result of the intellectual activity or means of individualisation.

If the licence contract does not define its effective term, the contract shall be deemed concluded for a five-year term, except as otherwise envisaged by the present Code.

If the exclusive right is terminated, the licence contract shall be terminated.

5. Under the licence contract the licensee undertakes to pay to the licensor the fee specified in the contract, except as otherwise envisaged by the contract.

If a fee-based licence contract does not comprise a clause on the amount of the fee or on the procedure for setting it, the contract shall be deemed unconcluded. In this case the pricing rules set out in **Item 3 of Article 424** of the present Code are not applicable.

The payment of remuneration under a licence agreement may be provided in the form of fixed one-time or periodical payments, interest deductions from the income (proceeds), or in some other form.

5.1. It is not allowed to grant gratuitously the right to use the result of intellectual activity or individualisation means in relations between profit-making organisations on the territory all over the world and within the whole time period while an exclusive right is effective under the terms of the exclusive licence, unless otherwise established by this Code.

6. The licence contract shall set out the following:

1) the subject matter of the contract, by referring to the result of the intellectual activity or means of individualisation that may be used under the contract, and in relevant cases to the number of a document certifying the exclusive right to the result or means (a patent or certificate);

2) the manner in which the result of the intellectual activity or means of individualisation is going to be used.

7. The transfer of the exclusive right to the result of intellectual activity or means of individualisation to the new right holder shall not be deemed grounds for modifying or rescinding the licence contract concluded by the previous right holder.

Article 1236. The Types of Licence Contracts

1. A licence contract may serve to:

1) grant a licensee the right to use the result of intellectual activity or means of individualisation, with the licensor retaining his right to issue licences to other persons (a simple (non-exclusive) licence);

2) grant the licensee the right to use the result of intellectual activity or means of individualisation, with the licensor not retaining the right to issue licences to other persons (an exclusive licence).

1.1 The licensee is not entitled to use himself the results of intellectual activity or individualisation means within the limits in which the right to use such result or such individualisation means is granted to the licensee in compliance with a contract under the terms of an exclusive licence, unless otherwise provided for by this contract.

2. Except as otherwise established by the licence contract, the licence is deemed simple (non-exclusive).

3. In respect of various types of use of the result of intellectual activity or means of individualisation one licence contract may comprise the terms set out in **Item 1** of the present article for licence contracts of various types.

Article 1237. Performing the Licence Contract

1. The licensee is bound to submit to the licensor reports on the use of the result of intellectual activity or individualisation means, unless otherwise provided for by a licence agreement or this Code. If in a licence agreement providing for submission of reports on the use of the result of intellectual activity or individualisation means there are no terms concerning the time of and procedure for submitting them, the licensee must submit such reports to the licensor at the request thereof.

2. During the effective term of the licence contract, the licensor shall abstain from committing actions capable of impeding the licensee's exercise of his right to use the result of the intellectual activity or means of individualisation within the limits set by the contract.

3. Using the result of the intellectual activity or means of individualisation in a manner not envisaged by the licence contract or upon termination of such contract or otherwise beyond the limits of the rights granted to the licensee under the contract, shall cause the accountability for a breach of the exclusive right to the result of the intellectual activity or means of individualisation established by the present Code, other laws or the contract.

4. If the licensee fails to execute his duty to pay to the licensor the fee for granting the right to use the result of intellectual activity or individualisation means, the licensor may unilaterally waive the licence contract and claim payment of the losses caused by the rescission of the contract. The contract shall be terminated upon the expiry of 30 days from the time of receiving a notice of the contract's renunciation, if within this time period the licensee did not discharge the duty of paying the remuneration.

Article 1238. The Sub-licence Contract

1. Given the licensor's consent in writing, the licensee may grant the right to use the result of the intellectual activity or means of individualisation to another person under a contract (a sub-licence contract).

2. Under the sub-licence contract a sub-licensee may obtain the right to use the result of the intellectual activity or means of individualisation only within the limits of the rights and the terms of use set out in the licence contract for the licensee.

3. A sub-licence contract concluded for a term exceeding the effective term of the licence contract shall be deemed concluded for the effective term of the licence contract.

4. The licensee shall be liable before the licensor for the actions of a sub-licensee, except as otherwise established by the licence contract.

5. A sub-licence contract shall be subject to the rules of the present Code governing the licence contract.

Article 1239. The Enforced Licence

In the cases envisaged by the present Code, a court may take a decision upon the claim of a

concerned person to grant that person the right to use the result of intellectual activity in which the exclusive right is held by another person on the terms specified in the court decision (enforced licence).

Article 1240. Using the Result of Intellectual Activity as Part of a Complex Object

1. A person that has organised the creation of a complex object incorporating several protected results of intellectual activities (a film, another audio-visual work, theatre performance, multimedia product, database) acquires the right to use these results under contracts of exclusive right alienation or licence contracts concluded by said person with the holders of the exclusive rights to the relevant results of the intellectual activities.

If the person that has organised the creation of a complex object acquires the right to use the result of intellectual activity that has been specifically created or is being specifically created to be included in the complex object, the relevant contract shall be deemed an exclusive right alienation contract, except as otherwise envisaged by agreement of the parties.

A licence contract having a provision for use of the result of intellectual activity within a complex object shall be concluded for the whole term and in respect of the whole territory where the relevant exclusive right is valid, except as otherwise envisaged by the contract.

2. The terms of a licence contract that impose limitations on the use of the result of intellectual activity within a complex object shall be deemed invalid.

3. If the result of intellectual activity is used within a complex object, the author of the result shall retain the right of attribution and other personal non-property rights to the result.

4. While using the result of intellectual activity within a complex object the person that has organised the creation of the object shall be entitled to indicate his/its name or claim that such indication be made.

5. Invalid from January 1, 2022 - **Federal Law** No. 456-FZ of December 22, 2020

Article 1240.1. Results of Intellectual Activity Created During the Performance of a State or Municipal Contract

1. The right to obtain a patent and the exclusive right to the result of intellectual activity, created when performing a state or municipal contract for state and municipal needs, shall belong to the person performing the state or municipal contract (executor), except for the cases established by **Items 3** and **4** of this article.

A state or municipal contract may provide that the right to obtain a patent and the exclusive right to a result of intellectual activity belong jointly to the performer and the Russian Federation, the performer and the constituent entity of the Russian Federation, or the performer and the municipality, except for the cases established by the **first paragraph of Item 3** and **Item 4** of this article.

2. For the purposes of this article, the protected results of intellectual activity directly related to ensuring defense and security shall include computer programs, databases, inventions, utility models, industrial designs, selection achievements, topology of integrated circuits, production secrets (know-how) obtained within the framework of state programs or in the implementation of a state defense order, the implementation of which is ensured by federal executive bodies authorized in the field of defense, security, foreign intelligence, in the field of state protection, internal affairs, the activities of the National Guard of the Russian Federation, arms circulation, private security activities and non-departmental security, or which are the own developments of the indicated federal executive bodies or state institutions subordinate to them, created at the expense of subsidies or funds from the corresponding budget on the basis of the budget tny estimate.

3. The right to obtain a patent and the exclusive right to results of intellectual activity directly related to ensuring defense and security shall belong to the Russian Federation, unless otherwise provided for by this Code.

In the cases and in accordance with the procedure determined by the President of the Russian Federation, the right to obtain a patent and the exclusive right to results of intellectual activity directly related to ensuring defense and security shall belong to the person executing the state contract (performer).

The exclusive right of the Russian Federation to results of intellectual activity directly related to defense and security may be transferred to the performer or to another Russian legal entity interested in implementation of results of intellectual activity and having the capabilities for its implementation, by decision of the President of the Russian Federation on the basis of a corresponding application of an authorised body (**Item 2** of this article). The content of such application and the procedure for preparation shall be determined by the Government of the Russian Federation. The transfer of the exclusive right shall be formalised by an agreement on the repayable or gratuitous alienation of the exclusive right.

4. The right to obtain a patent and the exclusive right to a result of intellectual activity created during the performance of a state or municipal contract at the expense of the federal budget, the budget of a constituent entity of the Russian Federation or the local budget (except for the cases provided for in paragraph one of **Item 3** of this Article) shall belong to the Russian Federation, a subject of the Russian Federation or municipality, on behalf of which the state or municipal customer acts, respectively, in the following cases:

1) if the result of intellectual activity is necessary for providing state (municipal) services or implementation of state (municipal) functions;

2) if the performer, within twelve months from the date of acceptance of works under a state or municipal contract, has not ensured the performance of all actions depending on him, necessary for recognition of his exclusive right to the result of intellectual activity;

3) if the result of intellectual activity was created while performing work under a government contract which was concluded in order to implement the international obligations of the Russian Federation;

4) in other cases established by law.

5. If the exclusive right to the result of intellectual activity on the basis of a state or municipal contract belongs to the Russian Federation, a constituent entity of the Russian Federation or a municipal formation, the performer shall acquire rights (exclusive right or right to use) or ensure their acquisition by concluding appropriate agreements with his employees and with third parties for transfer, respectively, to the Russian Federation, a subject of the Russian Federation or municipality. However, the contractor has the right to reimbursement of the costs incurred due to acquisition of the corresponding rights from third parties within the price of the state or municipal contract.

6. If a contractor engages third parties to perform work under a state or municipal contract for state or municipal needs, the right to the result of intellectual activity created when performing work under a state or municipal contract may belong to such third parties in accordance with the terms of contracts concluded between the contractor and third parties, if there are no grounds listed in the first paragraph of **Item 3** and **Item 4** of this article on which the right to obtain a patent and the exclusive right to the corresponding result belong to the Russian Federation, a constituent entity of the Russian Federation or a municipal formation.

7. If the exclusive right to the result of intellectual activity created during the performance of work under a state or municipal contract for state or municipal needs does not belong to the Russian Federation, not to the subject of the Russian Federation or to a municipality, the rightholder shall, upon the request of the state or municipal customer, provide the person indicated by him with a simple (non-exclusive) license to use such a result of intellectual activity for state or municipal needs. This obligation extends to the person to whom the right holder has transferred, by agreement or on another statutory basis, the right to obtain a patent or the exclusive right to the result of intellectual activity created when performing work under a state or municipal contract for state or municipal needs.

8. If the exclusive right to the result of intellectual activity created during the performance of work under a state or municipal contract for state or municipal needs belongs, in accordance with **paragraph two of Item 1** of this article, jointly to the performer and the Russian Federation, the performer and the subject of the Russian Federation, or the performer and the municipal formation, a state or municipal customer has the right to provide a third party with a free simple (non-exclusive) license to use such a result for the purpose of performing work or delivering products for state or municipal needs, notifying the

contractor of this.

9. If the right to obtain a patent and the exclusive right to a result of intellectual activity directly related to ensuring defense and security belong in accordance with **Item 3** of this article of the Russian Federation, the rightholder, at the request of the performer, may grant him the right to use this result of intellectual activity on terms of downtime gratuitous (non-exclusive) licence.

10. If the right to obtain a patent and the exclusive right to a result of intellectual activity, created when performing work under a state or municipal contract for state or municipal needs, belong to a constituent entity of the Russian Federation or a municipal formation in accordance with **Item 4** of this Article of the Russian Federation, the contractor has the right to use the result intellectual activity on the terms of a simple gratuitous (non-exclusive) licence.

11. A person who owns the exclusive right to an invention, utility model, industrial design, selection achievement or secret of production (know-how) created when performing work under a state or municipal contract for state or municipal needs (with the exception of the results of intellectual activity directly related to ensuring defense and security), is obliged, within two years from the date of the emergence of the corresponding exclusive right, to start using such results in practice or to transfer the corresponding exclusive right to other interested parties.

The conditions and procedure for fulfilling the obligation to use the result of intellectual activity obtained during the performance of work under a state or municipal contract, the consequences of its failure and the conditions for its termination shall be determined by the Government of the Russian Federation.

12. The Government of the Russian Federation shall determine the following:

1) the procedure for managing the rights to results of intellectual activity belonging to the Russian Federation, including the rights to results of intellectual activity, directly related to ensuring defense and security;

2) the procedure for formation and keeping the unified register of results of research, development and technological work of military, special or dual purpose, including with respect to information on theresults of intellectual activity directly related to ensuring defense and security;

3) a federal executive authority responsible for maintaining such register;

4) standard licence agreements on the gratuitous right to use results of intellectual activity for state or municipal needs and the procedure for concluding such agreements;

5) the procedure for actions of the state or municipal customer when registering the exclusive right to the results of intellectual activity in the case established by **subitem 2 of Item 4** of this article.

13. The state or municipal contract shall contain an indication - on the basis of which of the circumstance listed in **Item 3** and **subitems 1**, **3** or **4 of Item 4** of this article, the right to obtain a patent and the exclusive right to results of intellectual activity belongs to the Russian Federation, a constituent entity of the Russian Federation or a municipal formation.

Article 1241. The Transfer of an Exclusive Right to Other Persons without a Contract

The transfer of the exclusive right to the result of intellectual activity or means of individualisation to another person without the conclusion of a contract with the right holder is admissible in the cases and on the grounds established by law, for instance, in the line of universal succession (inheritance, the reorganisation of a legal entity) and in the event of the levy of execution on the right holder's property.

Article 1242. Organisations Collectively Managing Copyright and Allied Rights

1. The authors, performers and manufacturers of sound recordings and other owners of copyright and allied rights, when it is difficult for them to exercise their rights individually or when the present Code permits the use of objects of copyright and allied rights without the consent of the owners of the relevant rights but with a fee being paid to them, may form membership-based non-commercial organisations that have the powers granted thereto by right holders and the duty to manage the relevant rights on a collective basis (organisations managing rights on a collective basis).

The formation of such organisations shall not impede the representation of the owners of copyright and allied rights by other legal entities and citizens.

2. Organisations managing rights on a collective basis may be formed to manage the rights classified as one or several types of objects of copyright and allied rights, manage one or several types of such rights in respect of certain ways in which the relevant objects may be used or to manage any copyright and/or allied rights.

3. The grounds underlying the powers of an organisation managing rights on a collective basis shall be a contract of assignment of right management powers concluded by the organisation with a right holder in writing, except for the case envisaged by **Paragraph 1 of Item 3 of Article 1244** of the present Code.

The said contract may be concluded with the right holders being members of the organisation and with the right holders not being members thereof. In this case, the organisation managing rights on a collective basis shall undertake to manage these rights if the management of this category of rights falls within the charter activities of the organisation. Also serving as grounds underlying the powers of an organisation managing rights on a collective basis may be a contract with another organisation, including a foreign organisation managing rights on a collective basis.

The contracts mentioned in **Paragraphs 1** and **2** of the present item are subject to the general provisions on obligations (**Articles 307-419**) and on contracts (**Articles 420-453**), unless otherwise ensues from the content or nature of the right put in management. The rules of the present section on contracts of alienation of exclusive rights and on licence contract are not applicable to the said contracts.

4. Organisation managing rights on a collective basis are not entitled to use the objects of copyright and allied rights for which exclusive rights have been transferred thereto for management.

5. Organisation managing rights on a collective basis are entitled to present claims in court either on behalf of right holders or on their own behalf, and also to commit other legal actions required for protecting the rights that have been transferred thereto for management on a collective basis.

An accredited organisation (**Article 1244**) is also entitled to present claims in court on behalf of an indefinite group of right holders as may be required for protecting the rights managed by this organisation.

6. The legal status of organisations managing rights on a collective basis, the functions of such organisations, the rights and duties of their members are defined by the present Code, laws on non-commercial organisations and the charters of the relevant organisations.

Article 1243. The Performance of Contracts with Right Holders by an Organisation Managing Rights on a Collective Basis

1. An organisation managing rights on a collective basis shall conclude licence contracts with users for the provision to them of the rights transferred by right holders to the organisation for management concerning the relevant manner of using the objects of copyright and allied rights on the terms of an ordinary (non-exclusive) licence and collect fees from the users for the use of these objects. In cases when objects of copyright and allied rights according to this Code may be used without the right holder's consent but with a fee paid thereto, the organisation managing rights on a collective basis shall conclude contracts with users or with other persons, which are charged under this Code with the duty of paying assets for payment of fees, on payment of a fee and collect funds for the purpose.

An organisation for the management of rights on a collective basis has no right to refuse the user or other persons on whom the present Code imposes the liability for the payment of means for the remuneration in signing a contract without sufficient grounds.

2. If a licence contract with a user is concluded directly by a right holder, the organisation managing rights on a collective basis may collect fees for the use of objects of copyright and allied rights only if there is an expressly stated provision to this effect in said contract.

3. At the request of the organisation managing rights on a collective basis, users shall present their reports thereto on the use of objects of copyright and allied rights, as well as other information and documents required for the purpose of fee collection and distribution, with the list thereof and term for the provision thereof defined in the contract.

4. The organisation managing rights on a collective basis shall distribute the fee for the use of objects of copyright and allied rights among right holders, and also pay out the said fee thereto.

The organisation managing rights on a collective basis is entitled to withhold from the fee amounts of money to cover the necessary expenses relating to the collection, distribution and disbursement of the fee as well as the amounts of money posted to the special funds set up by this organisation with the consent and in the interests of the right holders it represents, in the amounts and procedure set out in the charter of the organisation. The ultimate (maximum) size of the sums withheld by an accredited organisation (**Article 1244**) for coverage of the necessary outlays on the collection, distribution and payment out of the remuneration as well as of the sums sent to the special funds, is established by the Government of the Russian Federation.

Fee distribution and disbursement shall take place on a regular basis on the dates set by the charter of the organisation managing rights on a collective basis pro rata to the actual use of relevant objects of copyright and allied rights determined on the basis of the information and documents received from users, and also other information on the use of the objects of copyright and allied rights, including statistical data.

Simultaneously with fee disbursement, the organisation managing rights on a collective basis shall present a report to the right holder on the use of his rights, including the amount of fee collected and on the sums withheld from it.

For the purposes of supply to the rights-holder through the Internet of information mentioned in the **fourth paragraph** of this item, the accredited organisation (**Article 1244**) shall provide for the functioning of the information system - "the rights-holder's personal office" and shall ensure the rights-holder has authorised access to it.

4.1. Payment of remuneration to the authors and other rightholders for use of items protected by copyright and related rights can be managed through crediting the funds payable to the rightholders to the nominal account under the procedure specified in Article 1243.1 hereof, in the following instances:

1) the author or other rightholder of an item protected by copyright or a related right is assumed to be unknown (Item 1 of Article 1244.2);

2) the rightholder has given written consent to the entity managing the rights on a collective basis for crediting the funds payable thereto to the nominal account.

5. The organisation managing rights on a collective basis shall maintain registers with information on right holders, the rights transferred to the organisation for management, and also objects of copyright and allied rights. The information found in the registers shall be provided to all persons concerned in the procedure established by the organisation, except for the information that according to law cannot be disclosed without the consent of the right holder.

The organisation managing rights on a collective basis shall place information in a public information system on the rights transferred to the organisation for management, including the title of the object of copyright and allied rights and the name of the author or other right holder.

The author or another rightholder shall be entitled to demand correction of inadequate information contained in a public information system. The refusal of the entity managing the rights on a collective basis to correct such information can be disputed juridically.

The entity managing the rights on a collective basis possessing state accreditation for management over the exclusive rights to pieces of literature, figurative arts, ornamental-applied arts, photography pieces, pieces obtained by the methods similar to photography, musical pieces (with a text or without a text), phonograms and embodiments, whose authors or other rightholders are assumed to be unknown (**Articles 1280.1**, 1306.1), shall compile a uniform register of the relevant pieces, phonograms and performances, and shall ensure entry of information of such pieces, phonograms and performances into the public information system under the procedure established by the Government of the Russian Federation.

6. Failure of the organisation managing rights on a collective basis to pay a fee collected for the right holder as a result of violation by it of the procedure for the rights management established by this Code shall entail taking in respect of this organisation the measures of protection of an exclusive right in compliance with **Article 1252** of this Code.

Article 1243.1. Procedure for Payment of Remuneration for Use of Items Protected by Copyrights and Related Rights Through Funds Paid to a Nominal Account

1. The holder of the nominal account where the remuneration for use of the items protected by copyrights and related rights can be credited under this Section is the entity managing the rights on a collective basis, and beneficiaries under the nominal account agreement are the rightholders to whom the payable funds shall be credited to the nominal account thereof.

The nominal account agreement for crediting the remuneration shall be executed without participation of the beneficiaries.

In respect of a rightholder whose name or title is unknown, the account holder shall inform the bank of the data to clearly determine the item protected by copyrights or related rights whereupon the remuneration is payable to such rightholder for the use thereof, in the order of provision of information of the beneficiary and of the grounds for participation thereof in the relations under the nominal account agreement (**Item 2 of Article 860.1**). If the account holder receives information of the rightholder or if rightholder demands that the account holder issue the funds payable thereto, the account holder shall undertake all reasonable efforts to verify information of the rightholder and immediately inform the bank of such beneficiary and/or items protected by copyrights or related rights with remuneration for their use payable to such rightholder, accordingly.

2. If the name or title of the rightholder is unknown, all funds payable to such rightholder shall reside on the nominal account till such rightholder demands from the account holder the issue of the funds payable to such rightholder.

The account holder shall be entitled to invest the funds available on the nominal account on the principles of repayment, profitability and liquidity, and to withhold from the investment income the funds to cover the required expenses and improvement of mechanisms of interaction with authors and other rightholders, including creation and modernization of databases and information systems for recordkeeping of the items protected by copyrights and related rights, search for authors and other rightholders, execution of contractual relations with the users of such items, in the amount established by the Government of the Russian Federation, and the funds transferred to the special funds founded by the account holder with the consent and on behalf of the rightholders represented thereby (**Paragraph 2 of Item 4 of Article 1243**). The Government of the Russian Federation shall establish a list of the permitted investment articles, the procedure and conditions for investing the funds available on the nominal account, as well as the requirements to be met by the credit institutions where the nominal accounts are opened for crediting thereto the remuneration for use of the items protected by copyrights and related rights.

If the rightholder demands from the account holder the issue of the funds payable thereto, the account holder who has received information of such demand shall undertake all efforts to refund previously invested fund to the nominal account of such rightholder and income payable to the rightholder in order to issue such fund and incomes to the rightholder not later than one month from the date of such demand.

3. Each accredited entity managing the rights on a collective basis may use only a single nominal account for crediting thereto the remuneration for use of any items protected by copyrights and related rights in each area of collective management (**Item 1 of Article 1244**).

The entity managing the rights on a collective basis shall post on the official Internet site thereof information of the bank where the nominal account has been opened to credit thereto the remuneration for use of the items protected by copyrights and related rights in the relevant area of collective management.

4. The nominal accounts to which the remuneration for use of the items protected by copyrights and related rights can be credited hereunder can be opened only with Russian credit institutions.

5. The holder of the nominal account shall, in order to credit the remuneration for use of the items protected by copyrights and related rights to the nominal account, notify the bank where such nominal account has been opened of the information required for the bank to keep accounts of the funds of each beneficiary.

6. The funds payable to the rightholder shall be credited to the nominal account net of the amounts specified in **Paragraph 2 of Item 2** of this Article.

7. The bank shall pay interest for use of the funds available on the nominal account, and such interest shall be credited to the account. The Government of the Russian Federation shall determine the rules for calculation of the interest amount for use of the funds available on the nominal account.

The bank where the nominal account is opened for crediting the remuneration for use of the items protected by copyrights and related rights shall be entitled to debit the funds from the nominal account only if the account holder gives the order to issue the funds to a certain rightholder, as well as in the case of investing the funds available on the nominal account, under the procedure specified in **Paragraph 2 of Item 2** of this Article.

8. In case of substitution of the entity managing the rights on a collective basis hereunder, the former holder of the nominal account shall be substituted with another holder who will manage the relevant rights on a collective basis.

9. Should the nominal account agreement to be terminated upon the demand of the bank (Article 859), the entity managing the rights on a collective basis shall execute a nominal account agreement with another bank and give the order to the bank where the first nominal account was opened to transfer the cash balance to the new nominal account indicating the information of the rightholders and amount of the funds (information) payable (providable) thereto to determine the items protected by copyrights or related rights wherefor remuneration for their use is payable to the rightholders.

10. A rightholder shall at any time be entitled to declare its refusal of the crediting of the funds payable thereto to the nominal account opened under **Item 1** of this Article, and to demand further provision of remuneration thereto for use of the items protected by copyrights and related rights under the rules specified in **Item 4 of Article 1243** hereof.

Article 1244. The State Accreditation of Organisations Managing Rights on a Collective Basis

1. An organisation managing rights on a collective basis may obtain state accreditation for the pursuance of activities in the below areas of collective management:

1) managing the exclusive rights to published musical works (with or without a text) and segments of dramatic-musical works in respect of the public performance thereof, broadcast or cable transmission, including re-transmission (**Subitems from 6 to 8.1 of Item 2 of Article 1270**);

2) exercising the rights of the authors of the musical works (with or without a text) used in an audio-visual work to receive a fee for the public performance or broadcast or cable transmission, including re-transmission, of such audio-visual work (**Item 3 of Article 1263**);

3) managing the artist's resale right in respect of artistic works, and also the author's manuscripts (autographs) of literary and musical works (**Article 1293**);

4) exercising the rights of the authors, performers and manufacturers of sound recordings and audio-visual works to receive a fee for the reproduction/playback of the sound recordings and audio-visual works for personal purposes (**Article 1245**);

5) exercising the rights of performers to receive a fee for a public performance, and also for a broadcast or cable transmission of sound recordings that are published for commercial purposes (**Article 1326**);

6) exercising the rights of manufacturers of sound recordings to receive a fee for a public performance and also for a broadcast or cable transmission of sound recordings published for commercial purposes (**Article 1326**);

7) control over the exclusive rights to pieces of literature, figurative arts, ornamental-applied arts, photography pieces, pieces obtained by the methods similar to photography, musical pieces (with a text or without a text), phonograms and embodiments, whose authors or other rightholders are assumed to be unknown (**Articles 1280.1**, 1306.1).

The state accreditation shall be carried out on the basis of a transparent procedure and with account

being taken of the opinion of persons concerned, including right holders, in the procedure defined by the Government of the Russian Federation.

2. State accreditation for the pursuance of an activity in each of the collective management areas specified in **Item 1** of the present article may be obtained by only one organisation managing rights on a collective basis.

An organisation managing rights on a collective basis may obtain state accreditation for the pursuance of activities in one, two or more collective management areas specified in **Item 1** of the present article.

The activities of an accredited organisation are not subject to the restrictions envisaged by antimonopoly legislation.

3. An organisation managing rights on a collective basis that has obtained state accreditation (an accredited organisation) is entitled, apart from managing the rights of the right holders with which it has concluded contracts in the procedure set out in **Item 3 of Article 1242** of the present Code, to manage rights and collect fees for the right holders with which it has not concluded such contracts.

The existence of an accredited organisation shall not impede the formation of other organisations to manage rights on a collective basis, including those in the collective management areas specified in **Item 1** of the present article. Such organisations are entitled to conclude contracts with users only in the interests of the right holders that have conferred right management powers thereon in the procedure envisaged by **Item 3 of Article 1242** of the present Code.

4. A right holder that has not concluded a contract with an accredited organisation for the transfer of right management powers (**Item 3** of the present article) is entitled at any time to waive in full or in part the management of his/her rights by that organisation. The right holder shall notify the accredited organisation of his/her decision in writing. If the right holder intends to waive the management by the accredited organisation of only part of copyright or allied rights and/or objects of these rights, he/she shall present a list of such removed rights and/or objects thereto.

Upon the expiry of three months after the receipt of the relevant notice from the right holder, the accredited organisation shall remove the rights and/or objects specified by him from contracts with all users and post information about it in a public information system. The accredited organisation shall pay the right holder the fees he is entitled to that have been received from users under the contracts concluded earlier and present a report in compliance with **Paragraph 4 of Item 4 of Article 1243** of the present Code.

5. The accredited entity shall undertake all reasonable and sufficient efforts to determine the rightholders entitled to obtain remuneration under licence agreements and remuneration payment agreements executed with such entity. If an item protected by copyrights or related rights is detected, and the author or other rightholder is assumed to be unknown, the accredited entity shall provide information on such item to the accredited entity managing the exclusive rights to the items protected by copyrights and related rights whose authors or other rightholders are assumed to be unknown (Article 1244.2).

Unless otherwise established by law, the accredited entity shall not be entitled to refuse to membership of such entity to a rightholder entitled to obtain remuneration under the licence agreements and remuneration payment agreements executed with such entity.

6. The accredited organisations shall perform their activity under the control of the authorised federal executive body fulfilling the functions of control and supervision in the area of copyright and adjacent rights (the authorised federal executive body).

The annual accountancy (financial) reports of the accredited organisation and the annual accountancy (financial) reports of the special funds created by it as legal entities are subject to obligatory audit and shall be disclosed by way of placement together with the auditor's conclusion on it on the official Internet site of the accredited organisation not later than in 10 working days after the date of receiving the auditor's conclusion but not later than on December 31 of the year following the accounting year. Information on such placement, pointing out the date of the placement, shall be presented by the accredited organisation to the authorised federal executive body within three working days after the day of the

placement.

The annual accountancy (financial) reports and the auditor's conclusion on them shall be available on the official Internet site of the accredited organisation in the course of five years from the date of placement.

The accredited organisations are obliged to annually present reports to the authorised federal executive body on their activity compiled in accordance with the form approved by the authorised federal executive body.

The accredited organisations shall reveal information on the activity performed by them, including on the applied method for the collection and distribution of the collected remuneration as well as on the activity of the special funds they have created as legal entities. The standard for the accredited organisations disclosing information which envisages its composition and the procedure and the time terms for disclosing it shall be approved by the Government of the Russian Federation.

7. The model charter of an accredited organisation shall be approved in the procedure defined by the Government of the Russian Federation.

8. The remuneration which is not demanded by the right holder within three years, beginning with January 1 of the year following that year in which such remuneration was distributed by the accredited organisation, shall be included by the accredited organisation into the sums subject to the regular distribution on the condition that it takes measures stipulated in **Item 5** of this Article.

Article 1244.1. Supervisory Council of the Accredited Organisation

1. A supervisory council shall be set up in the accredited organisation, which shall be the collegiate management body of the accredited organisation exerting control over the activity of its executive bodies and resolving other questions assigned by the model rules of the accredited organisation to its exclusive competence while taking into account the provisions of **Item 3** of this Article and **Article 65.3** of this Code.

2. The supervisory council of the accredited organisation is formed of the rights-holders, cultural organisations, creative unions, users, representatives of the federal executive body undertaking normative-legal regulation in the area of copyright and adjacent rights, the federal executive bodies authorised to exert control (supervision) over the observation by the accredited organisation of the demands of the legislation of the Russian Federation, as well as of the persons wielding the powers of members of the collegiate executive bodies of the accredited organisation. The person wielding the powers of the one-man executive body of the accredited organisation cannot be a member of the supervisory council of the accredited organisation but shall take part in the supervisory council's sessions with the right of a consultative vote.

The quantitative composition of the supervisory council shall not be less than 11 members. The procedure for the formation of the supervisory council shall be approved by the authorised federal executive body.

3. The exclusive competence of the accredited organisation's supervisory council shall include:

- control over the activity of the organisation's executive bodies;
- control over the organisation's financial and economic activity;
- control over the expenditure of monetary means by the special funds;
- other questions placed in the accredited organisation's model rules within its exclusive competence.

The questions put within the exclusive competence of the supervisory council cannot be handed over for resolving to other bodies of the accredited organisation.

4. The supervisory council of the accredited organisation performs its activity on voluntary principles.

Article 1244.2. Management over the Exclusive Rights for Items Protected by Copyrights and Related Rights Whose Authors or Other Rightholders Are Assumed to Be Unknown

1. An author or another rightholder of the items protected by copyrights or related rights is assumed to be unknown if no name or title thereof is determined, or the name or title thereof is determined but there is no information on the place of residence of the citizen (**Article 20**) or address of the legal entity (**Item 3 of Article 54**) for delivery of a message relevant in law to the rightholder under Article 165.1 hereof (hereinafter referred to as the information allowing delivery of a message relevant in law).

2. In the instances established herein (**Articles 1280.1**, 1306.1), the person intending to use the item whose author or other rightholder is assumed to be unknown, shall be entitled to deliver to the accredited entity (**Subitem 7 of Item 1 of Article 1244**), an application for the right to use such item after it has completed proper efforts undertaken to determine the author or other rightholder and/or place of residence or location thereof (hereinafter referred to as the efforts to determine the author or another rightholder). The application of the person intending to use the item protected by copyrights or related rights shall contain the following:

1) information on the item protected by copyrights or related rights;

2) information of the efforts undertaken by the applicant to find the author or another rightholder;

3) information of the term, territory, methods and other conditions for supposed use of the item protected by copyrights or related rights.

3. Efforts to find the author or another rightholder shall include the following:

1) asking public information sources corresponding to the category of the items protected by copyrights or related rights;

2) asking the entities managing the rights on a collective basis, or use of the public information systems of such entities (**Item 5 of Article 1243**);

3) use of search and information systems;

4) searching through library and archive stocks.

4. The federal executive body authorised for regulatory control over copyrights and related rights shall establish the requirements for the composition of information contained in the application of the person intending to use the items protected by copyrights or related rights, list of the efforts to find the author or another rightholder, list of the public information systems where the information on copyrights and related rights and of the rights thereto is posted, and list of other sources to be used.

The procedure for filing the application of the person intending to use the item protected by copyrights or related rights shall be established by the duly accredited entity.

5. The accredited entity shall, within 15 business days from the date of delivery of the application filed by the person intending to use the item protected by copyrights or related rights, verify the following:

1) completeness of information contained in the application;

2) compliance of the item protected by copyrights or related rights and supposed methods for use thereof, with **Articles 1280.1**, 1306.1 hereof;

3) correctness of attribution of the relevant item protected by copyrights or related rights to the protected items, as well as the fact of disclosure of such item;

4) unavailable public application to grant the option to use the item protected by copyrights or related rights free of charge (**Item 5 of Article 1233**) or an open licence for use thereof (Article 1286.1), to an unlimited pool of persons;

5) option to determine the name or title of the author or another rightholder and assignees thereof, and in case when such information is obtained - the option to determine information required to deliver a message relevant in law to the rightholder, including that through a representative thereof.

6. Upon the outcomes of verification the accredited entity shall decide whether it is possible or not to use the item protected by copyrights or related rights under **Articles 1280.1**, 1306.1 hereof and shall notify the applicant of the adopted decision. In the event of a favourable decision the accredited entity shall post the announcement on seeking the author or another rightholder on its official Internet site.

The procedure for the accredited entity to adopt a decision on possible or impossible use of the items protected by copyrights or related rights under **Articles 1280.1**, 1306.1 hereof, as well as composition of the information contained in the announcement on seeking the author or another

rightholder, shall be established by the federal executive body authorised for regulatory control in the area of copyrights and related rights.

7. Should no author or another rightholder to be found within 90 business days from the date of posting of the announcement on seeking the author or another rightholder on the official Internet site of the accredited entity, and/or no information be detected to allow delivery of a message relevant in law, the accredited entity shall:

1) calculate the amount of remuneration payable to an author or another rightholder for use of the item protected by copyrights or related rights under the rules for calculation and rates established by the Government of the Russian Federation, and if there are several rightholders, - the portion of remuneration payable thereto;

2) enter the information on the item protected by copyrights or related rights into the uniform register and the public information system (**Paragraph 4 of Item 5 of Article 1243**), as well as the information of efforts undertaken to find the author or another rightholder.

8. The person intending to use the item protected by copyrights or related rights (**Articles 1280.1**, 1306.1) for which information thereon is entered into the uniform register and public information system, shall deliver to the accredited entity an application containing the following:

1) information on the item protected by copyrights or related rights;

2) information of the term, territory, methods and other provisions for use or supposed use of the item protected by copyrights or related rights required for calculation and payment of remuneration for such use.

9. The procedure for delivery of the application specified in **Item 8** of this Article shall be established by the accredited entity.

10. The accredited entity shall, within 15 business days from the date of delivery of the application specified in **Item 8** of this Article:

1) verify completeness of the information contained in the application;

2) verify availability of reasons for use of the item protected by copyrights or related rights under **Articles 1280.1**, 1306.1 hereof;

3) adopt a decision on possibility or impossibility of use of the item protected by copyrights or related rights under **Articles 1280.1**, 1306.1 hereof and shall notify the applicant of such decision;

4) calculate the amount of remuneration payable to the author or another rightholder for use of the item protected by copyrights or related rights under the rules for calculation and rates established by the Government of the Russian Federation, and if there are several rightholders, - the portion of remuneration payable thereto.

11. In case of favourable decision upon the outcomes of handling the application filed by the person specified in Item 2 or 8 of this Article, the accredited entity shall offer such person the opportunity to execute a non-exclusive licence agreement with an indicated term, territory, methods for use of the item protected by copyrights or related rights, remuneration amount, as well as the other provisions for use of the item protected by copyrights or related rights, including the amount of funds to be withheld under **Paragraph 2 of Item 4 of Article 1243** hereof to cover expenditures of the accredited entity, and the funds to be credited to the special funds founded by such entity. In the event of a dispute with regard to provisions of the non-exclusive licence agreement, the provisions of such agreement shall be established by a court.

The right for use of the relevant item protected by copyrights or related rights shall originate with the licensee from the time of payment of the remuneration specified in the licence agreement (if the item is used for more than one month - from the time of payment of each successive payment under the agreement).

The licensee shall transfer the remuneration for use of the item protected by copyrights or related rights to the nominal account specified by the accredited entity (**Article 1243.1**), with indication of the relevant item, and transfer the specified amount to cover expenditures of the accredited entity and the amounts to be credited to the special funds of such entity, to the account specified by the accredited entity.

12. The licensee shall be liable for the reliability and accuracy of the information submitted to the accredited entity, as well as that for use of the item protected by copyrights or related rights within the limits established in the licence agreement.

13. The accredited entity shall be liable for completeness of the verification specified in Items 5 and 10 of this Article, as well as that for timeliness of posting the announcement of seeking the author or another rightholder and entry of information into the uniform register and public information system.

The accredited entity shall be entitled to supervise observation by the licensee of the licence agreement provisions and judicial protection of the rightholder's interests.

14. Should the accredited entity, in course of the verification specified in Item 10 of this Article, determine that the item protected by copyrights or related rights has come into the public domain, therewith the remuneration available on the nominal account is not collected by the author or another rightholder within three years starting from January 1 of the year following the year when the item has come into the public domain, the accredited entity shall reallocate the funds obtained before the item came into the public domain for use of such item among the beneficiaries of the nominal account specified in **Item 3 of Article 1243.1** hereof, pro rata to the funds available on such account and payable to such beneficiaries.

When it is determined after crediting the remuneration under the licence agreement to the nominal account, that the same has been paid for use of the item protected by copyrights or related rights, and such item had actually come into the public dominion as of the crediting of the remuneration, the amount of such remuneration shall be refunded to the licensee.

15. Should the accredited entity obtain information on the author or another rightholder, or should the author or another rightholder demand payment of remuneration for use of the item protected by copyrights or related rights, the accredited entity shall make amendments concerning the author or another rightholder, and other required amendments to the public information system, and shall delete information on the relevant item protected by copyrights or related rights from the uniform register.

The author or another rightholder shall be entitled to terminate the licence agreement executed with the accredited entity, through a written notification delivered to the accredited entity. In such instance the accredited entity shall immediately notify the licensee that the licence agreement has been terminated on the initiative of the author or another rightholder. The agreement shall be terminated upon the expiry of 10 business days from the time when the licensee has received the notification from the accredited entity.

16. The author or another rightholder shall be entitled to claim the damage incurred due to unlawful acts or omission of the accredited entity and/or licensee, including that due to failure to undertake proper efforts to seek the author or another rightholder or to find information allowing delivery of a message relevant in law to the rightholder, and to apply other indemnities for the exclusive right under **Article 1252** hereof.

Article 1245. The Fee for Free Reproduction/Playback of Sound Recordings and Audio-Visual Works for Personal Purposes

1. The authors, performers and manufacturers of sound recordings and audio-visual works are entitled to receive a fee for free reproduction/playback of the sound recordings and audio-visual works exclusively for personal purposes. Such fee is of a compensatory nature, and is payable to right holders from the funds payable by the manufacturers and importers of the equipment and material media used for the reproduction/playback.

A list of the equipment and material media, and also the amount of, and procedure for collecting, the funds shall be approved by the Government of the Russian Federation.

2. The collection of the funds intended for disbursing fees for the free reproduction/playback of sound recordings and audio-visual works for personal purposes is the responsibility of the accredited organisation (**Article 1244**).

3. A fee for free reproduction/playback of sound recordings and audio-visual works for personal purposes shall be distributed among the right holders in the following proportion: 40 per cent to the

authors, 30 per cent to the performers, 30 per cent to the manufacturers of the sound recordings or audio-visual works. The distribution of the fee among specific authors, performers, manufacturers of sound recordings or audio-visual works shall be made pro rata to the actual use of the relevant sound recordings or audio-visual works. The procedure for distributing the fee and for paying it out shall be established by the Government of the Russian Federation.

4. No amounts of money for the purpose of paying out the fee for the free reproduction/playback of sound recordings and audio-visual works for personal purposes shall be collected from the manufacturers of the equipment and the material media deemed for exportation, or from the manufacturers and importers of professional equipment not intended for home use.

Article 1246. The State Regulation of Relationships in the Area of Intellectual Property

1. Where it is envisaged by this Code, the enactment of normative legal acts for the purpose of regulating relationships in the area of intellectual property which relate to objects of copyright and allied rights shall be the responsibility of the authorised federal executive body charged with normative legal regulation in the area of copyright and allied rights.

2. For the purpose of regulation of the relationships in the area of intellectual activity which are connected with inventions, utility models, industrial designs, computer programs, databases, integrated circuit layout designs, trademarks and service marks, geographical indications and the appellation of the origin of goods, the authorised federal executive body charged with normative legal regulation in the area of intellectual property shall endorse the forms of the documents (requests, applications, rejoinders, petitions and so on) serving as a basis for carrying out the actions relevant in law which are cited in **Item 3** of this article, shall establish the **rules** for drawing up and filing the cited documents, the rules and procedure for their consideration, including the criteria for adoption of decisions on the basis of the results of consideration of the cited documents, and shall issue other regulatory legal acts where such is provided for by this Code.

3. The legally-significant actions of the state registration of inventions, utility models, industrial designs, computer programs, databases, integrated circuit layout designs, trademarks and service marks, geographical indications and the appellation of origin of goods, including the acceptance and expert examination of relevant applications, of the issuance of patents and certificates proving the exclusive right of their right holders to the said results of intellectual activity and means of individualisation, and in the cases envisaged by a law, also other actions relating to the legal protection of the results of intellectual activity and means of individualisation, shall be committed by the federal executive body on intellectual property directly or through its subordinate institution. Where it is envisaged by **Articles 1401 to 1405** of this Code, the actions mentioned in this Paragraph may also be committed by the federal executive bodies authorised by the Government of the Russian Federation.

The federal executive body on intellectual property shall accredit a Russian scientific or educational organisation as an organisation that can conduct a preliminary information retrieval in relation to the claimed inventions or utility models and a preliminary assessment of their patentability (**Articles 1384**, **1386** and **1390**) (hereinafter referred to as the "scientific or educational organisation").

The procedure for accreditation of a scientific or educational organisation and the requirements for it, as well as the grounds and the procedure for terminating its accreditation shall be established by the Government of the Russian Federation.

4. In respect of breeding achievements the functions specified in **Items 2** and **3** of this article shall be carried out by the authorised federal executive body charged with normative legal regulation in the area of agriculture, and the federal executive body charged with breeding achievements respectively.

5. The Government of the Russian Federation is entitled to establish the rates of, and a procedure and term for paying out, an emolument for work-for-hire inventions, work-for-hire useful models and work-for-hire industrial designs. The cited rates, procedure for and term shall apply if the employer and the employee have not made the agreement fixing the rate, terms of and a procedure for paying a fee for a work-for-hire invention, work-for-hire useful model and work-for-hire industrial design.

6. The Government of the Russian Federation is entitled to establish minimum rates, a procedure for collecting, distributing and paying out a fee for specific types of using works, performances and phonograms, if under law such results of intellectual activities are used with the consent of their right holders and with the payment of a fee.

The Government of the Russian Federation is entitled to establish the rates of remuneration, a procedure for collection, distribution and payment of fees for the use of works, performances and phonograms, if under law such results of intellectual activities are used without the consent of their right holders but with payment of a fee thereto.

Article 1247. Patent Attorneys

1. Dealings with the federal executive body charged with intellectual property matters may be carried out by an applicant, right holder, or another person itself or through a patent attorney registered with the said federal body or through another representative.

2. Citizens who permanently reside outside the territory of the Russian Federation and foreign legal entities shall carry out their dealings with the federal executive body charged with intellectual property matters through patent attorneys registered with the said federal body, unless otherwise envisaged by an international treaty of the Russian Federation.

If an applicant, right holder or another person carries out dealings with the federal executive body charged with intellectual property matters on his/its own or through a representative not being a patent attorney registered with the said federal body, they shall provide an address on the territory of the Russian Federation for correspondence purposes at the request of the said federal body.

The powers of a patent attorney or another representative shall be certified by a power of attorney.

3. A patent attorney may be a registered citizen of the Russian Federation who permanently resides on the territory thereof. Other requirements applicable to a patent attorney, the procedure for attestation and registration thereof, and also his powers in respect of dealing with cases relating to the legal protection of the results of intellectual activity and means of individualisation shall be established by **law**.

Article 1248. Disputes Relating to Protection of Intellectual Rights

1. Disputes relating to the protection of violated or disputed intellectual rights shall be examined and resolved by a court (**Item 1 of Article 11**).

2. In the cases envisaged by the present code the protection of intellectual rights in relationships that have to do with filing and examining patent applications for inventions, utility models, industrial designs, breeding achievements, trademarks and service marks, geographical indications and the appellation of origin of goods with the state registration of these results of intellectual activities and means of individualisation, the issuance of the relevant right-establishing documents, the disputing of granting legal protection to, or termination of the legal protection of, these results and means shall be carried out by administrative means (**Item 2 of Article 11**) by the federal executive body charged with intellectual property matters and the federal executive body charged with breeding achievements, respectively, and in the cases envisaged by **Articles 1401-1405** of the present Code, by the federal executive body authorised by the Government of the Russian Federation (**Item 2 of Article 1401**). Decisions of these bodies shall take effect starting from the date when they are taken. They may be challenged in court in the procedure established by law.

If a dispute is considered in the procedure specified in **paragraph one** of this Item, the costs of the party to the dispute associated with compliance with this procedure shall be reimbursed to the party to the dispute in whose favour the federal executive body made the decision, by the other party to the dispute. These expenses shall consist of patent and other fees, as well as costs, including amounts of money payable to experts, specialists and translators, reasonable fees for the services of patent attorneys, lawyers and other persons providing legal assistance (representatives), and other expenses incurred in connection with consideration of the dispute. If, based on the results of consideration of the dispute, a decision is made to partially satisfy the claims, expenses shall be reimbursed to the party to the dispute proportionally to the

satisfied claims.

3. Rules for the examination and resolution of disputes in the procedure set out in **Item 2** of the present article by the federal executive body charged with intellectual property matters, and also the federal executive body charged with breeding achievements, shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property and the federal executive body charged with normative legal regulation in the area of agriculture respectively. The rules for the examination in the procedure set out in **Item 2** of the present article of disputes relating to secret inventions shall be established by the authorised body (**Item 2 of Article 1401**).

Article 1249. Patent Fee and Other Fees

1. Relevant patent and other fees shall be **charged** for carrying out legally-significant actions relating to a patent to an invention, utility model, industrial design or breeding achievement, the state registration of a computer program, database, integrated circuit layout-design, trademark and service mark, the state registration and granting of the exclusive right to a geographical indication or the appellation of origin of goods, and also the state registration of transfer of exclusive rights to other persons, the state registration of the pledge of these rights and granting the right to use the results of intellectual activity and individualisation means under a contract.

2. A list of the legally-significant actions which are related to a computer program, database and integrated circuit layout-design, and for which state fees are levied, the rate, procedure and term of payment, and grounds for being relieved of the duty to pay, the state fees, rebate, payment deferment or refund shall be established by the **legislation** of the Russian Federation on taxes and fees.

A list of other legally-significant actions, apart from those specified in the **first paragraph of this Item** of the present article, for the commission of which patent and other fees are charged, the rates thereof, procedure and term for payment, and also grounds for being relieved of the duty to pay fees, rebate, deferment of payment or refund shall be established by the Government of the Russian Federation.

Article 1250. The Protection of Intellectual Rights

1. Intellectual rights shall be protected by the remedies envisaged by this Code, with account taken of the essence of the right violated and of the consequences of the infringement of the right.

2. The remedies set out in this Code for intellectual rights shall be applicable at the request of right holders, organisations managing rights on a collective basis, and also other persons where it is established by law.

3. The measures of responsibility for breaching intellectual rights provided for by this Code are subject to application where there is the infringer's fault, unless otherwise established by this Code.

The absence of guilt shall be proved by the person that has infringed upon intellectual rights.

Unless otherwise established by this Code, the measures of responsibility for infringement upon intellectual rights by the infringer in the exercise of business activities by him, which are provided for by **Subitem 3 of Item 1** and **Item 3 of Article 1252** of this Code, are subject to application irrespective of the infringer's fault, if such person does not prove that the infringement of intellectual rights is the result of an act of God, that is, of extraordinary circumstances that could not be prevented under the given conditions.

4. The person against which the measures of protection of intellectual rights provided for by **Subitems 3** and **4 of Item 1** and **Item 3 of Article 1252** of this Code have been taken in the absence of guilt thereof is entitled to make a claim of exoneration for compensation of the suffered losses, including the amounts paid to third parties.

5. The absence of the infringer's guilt shall not relieve him of the duty to terminate infringement upon intellectual rights, and shall not exclude taking in respect of the infringer such measures as publication of the court decision on the infringement made (**Subitem 5 of Item 1 of Article 1252**), suppression of the actions breaking the exclusive rights to the result of intellectual activity or individualisation means or posing the threat of such right's infringement (**Subitem 2 of Item 1 of Article 1252**), confiscation and destruction of counterfeit material media (**Subitem 4 of Item 1 of Article 1252**).

The cited actions shall be made at the infringer's expense.

Article 1251. Protecting Personal Non-Property Rights

1. If the personal non-property rights of an author are violated, they shall be protected in particular by means of recognising the right, restoring the status quo as it was before the infringement of the rights, stopping the actions infringing the right or creating the threat of infringement thereof, compensating for moral harm and publishing the court's decision on the infringement committed.

2. The provisions of **Item 1** of the present article are also applicable to protection of the rights mentioned in **Item 4 of Article 1240**, **Item 7 of Article 1260**, **Item 4 of Article 1263**, **Item 4 of Article 1295**, **Item 1 of Article 1323**, **Item 2 of Article 1333** and **Subitem 2 of Item 1 of Article 1338** of the present Code.

3. The author's honour, dignity and business reputation shall be protected in accordance with the rules set out in **Article 152** of the present Code.

Article 1252. Protecting Exclusive Rights

1. The intellectual rights to the results of intellectual activities and individualisation means shall be protected, in particular, by making in the procedure provided by this Code claims for the following:

1) recognition of the right: against a person that denies or otherwise does not recognise the right and by doing so violates the interests of the right holder;

2) suppressing actions that infringe the right or create a threat of infringement thereupon: against the person committing such actions or making necessary preparations for such actions, as well as against other persons that can suppress such actions;

3) payment of damages: against the person that has illegally used the result of intellectual activity or means of individualisation without concluding an agreement with the right holder (use without a contract) or otherwise has violated the right holder's exclusive right and inflicted damage thereon, in particular has violated the right thereof to a fee provided for by **Article 1245**, **Item 3 of Article 1263** and **Article 1326** of this Code;

4) seizure of a material medium in accordance with **Item 4** of this article: against its manufacturer, importer, keeper, carrier, seller, another distributor or non-bona fide acquirer;

5) publication of a court decision on the infringement committed with reference to the actual right holder: against the violator of the exclusive right.

2. By way of securing a claim in a case of infringement on an exclusive right, the security measures adequate to the extent and nature of an offence established by the procedural legislation may be taken, including the imposition of arrest upon the material media, equipment and materials, prohibition to carry out the appropriate actions in information and telecommunication networks, if in respect of such material media, equipment and materials or in respect of such actions the assumption has been made about a violation of the exclusive right to the result of intellectual activity or individualisation means.

3. In the cases envisaged in the present Code for certain types of results of intellectual activity or means of individualisation, when an exclusive right is infringed, the right holder is entitled to claim compensation from the infringer for the infringement of the said right. The compensation shall be collected if the fact of infringement is proven. In this case, the right holder that has applied for a remedy shall be relieved of the duty to prove the amount of damage inflicted thereon.

The amount of compensation shall be determined by the court within the limits set by the present Code, depending on the nature of the infringement and other circumstances of the case with due regard to the requirements of reasonability and justice.

Where a single action has violated the rights to several results of intellectual activity or individualisation means, the rate of compensation shall be determined by court for each wrongfully used result of intellectual activities or individualisation means. With this, if the rights to the appropriate results or individualisation means are held by the same right holder, the total amount of compensation for violation of the rights to them subject to the nature and effects of the violation may be reduced by court

below the limit fixed by this Code but may not be less than 50 per cent of the amount of the minimum rates of all compensations for the violations made.

4. If the manufacture, distribution or other use, and also the importation, carriage or storage of the material media in which the result of intellectual activity or means of individualisation is expressed cause an infringement of the exclusive right to the result or means, such material media shall be deemed counterfeit and subject under a court decision to withdrawal from circulation and destruction without any compensation whatsoever, except as other circumstances are envisaged by the present Code.

5. Tools, equipment, and other means primarily used or intended for infringing the exclusive rights to the result of intellectual activity and means of individualisation shall be subject under a court decision to withdrawal from circulation and destruction at the infringer's expense, except when being subject to be converted into revenue of the Russian Federation.

5.1. In the event when the right holder and the violator of the exclusive right are legal entities and/or individual businessmen and the dispute shall be considered by an arbitration court, prior to filing a lawsuit for damages or compensation, the right holder must make a complaint.

The lawsuit for damages or compensation can be filed in the event of full or partial refusal to satisfy the complaint or if no reply thereto is received within 30 days from the date the complaint was filed unless a different deadline is provided for by the agreement.

The right holder is not required to make a claim before he presents a request envisaged in **Subitems 1**, **2**, **4** and **5 of Item 1** and **Item 5** of this Article.

6. If various means of individualisation (a firm name, trademark, service mark or commercial name) turn out to be identical or similar to the point of confusion, and as a result of this identity or similarity consumers and/or parties under a contract may be misled, then preference shall be given to the means of individualisation in respect of which the exclusive right came into being earlier, or, in the event of establishing the convention or exhibition priority, the individualisation means with the earlier priority.

If an individualisation means or industrial design turn out to be identical or similar to the point of confusion, and as a result of this identity or similarity consumers and/or parties under a contract may be misled, then preference shall be given to the means of individualisation or industrial design in respect of which the exclusive right came into being earlier, or, in the event of establishing the convention, exhibition or other priority, the individualisation means or industrial design with the earlier priority.

The holder of such exclusive right in the procedure established by this **Code** may claim for declaring invalid the provision of legal protection to a trademark or service mark, for declaring invalid the patent on the industrial design or the full or partial ban on the use of the firm's name or commercial designation.

For the purposes of this item the partial ban shall mean the following:

in respect of a firm's name - a ban on its use in particular kinds of activities;

in respect of a commercial designation - a ban on its use within the limits of a particular territory and/or in certain types of activities.

6.1. Where the same violation of the exclusive right to the result of intellectual activity or individualisation means is made by the joint actions of several persons, such persons shall be held jointly liable with respect to the right holder.

7. When an infringement of the exclusive right to the result of intellectual activity or means of individualisation has been recognised in the established procedure to be unfair competition, the protection of the exclusive right infringed may be ensured both in the manner envisaged by the present Code and in accordance with the antimonopoly legislation.

Article 1253. Liquidation of a Legal Entity and Termination of the Activities of an Individual Businessman in Connection with Violation of Exclusive Rights

If a legal entity several times or grossly infringes the exclusive rights to the results of intellectual activity and means of individualisation, a court may take a decision in accordance with **Item 3 of Article 61** of this Code on liquidating the legal entity at the demand of a prosecutor. If such infringements are committed by a citizen in the exercise by him/her of the activities as an individual businessman, the

activities thereof as an individual entrepreneur may be terminated by a court decision or judgment in the procedure established by **law**, if he/she is guilty of violating the exclusive rights.

Article 1253.1. The Details of Liability of an Information Mediator

1. The person that delivers material on an information and telecommunication network, for instance the Internet, the person that makes it possible to obtain the material or the information required for obtaining it through the use of an information and telecommunication network or the person that makes it possible to access the material in that network, i.e., an information mediator, is liable for a breach of intellectual rights in the information and telecommunication network on the general grounds envisaged by the present Code, if guilty with account being taken of the details established by **Items 2** and **3** of the present article.

2. An information mediator delivering material on an information and telecommunication network is not liable for a breach of intellectual rights that has occurred as a result of such delivery, if the following conditions are simultaneously observed:

1) he is not the initiator of that delivery and does not designate the recipient of said material;

2) he does not alter said material in the provision of communication services, save the alterations effectuated for the purpose of ensuring the technological process of material transmission;

3) he did not know and could not have known that the use of the relevant result of intellectual activity or means of individualisation by a person that initiated the delivery of the material containing the relevant result of intellectual activity or means of individualisation was wrongful.

3. An information mediator allowing an opportunity for placing material in an information and telecommunication network is not liable for a breach of intellectual rights that has occurred as a result of placement of the material in the information and telecommunication network by a third party or on the instructions thereof, given the simultaneous observance of the following conditions by the information mediator:

1) he did not know and could not have known that the use of the relevant result of intellectual activity or the means of individualisation contained in such material was wrongful;

2) having received an application in writing from the right-holder about a breach of intellectual rights with reference to the website page and/or to the web address on the Internet where such material has been placed he took timely measures, which were necessary and sufficient, to terminate the breach of the intellectual rights. A list of the measures deemed necessary and sufficient, and the procedure for implementing them may be established by law.

4. An information mediator which, according to the present article is not liable for a breach of intellectual rights, may be subjected to demands for protection of intellectual rights (**Item 1 of Article 1250**, **Item 1 of Article 1251**, **Item 1 of Article 1252** of the present Code) which do not imply the taking of civil-law liability measures, for instance deleting the information that infringes exclusive rights or demands for restriction of access to the information.

5. The rules of the present article are applicable to the persons that provide an opportunity for obtaining access to material or the information required for obtaining it through the use of an information and telecommunication network.

Article 1254. The Details of Protection of a Licensee's Rights

If an infringement by third parties of the exclusive right to the result of intellectual activity or means of individualisation, the use of which is covered by an exclusive licence, affects the licensee's rights obtained by the licensee under a licence contract, then the licensee, apart from other remedies, may protect his/its rights by the methods envisaged by **Articles 1250** and **1252** of the present Code.

Chapter 70. Copyright Law

Article 1255. Copyrights

1. The intellectual rights subsisting in scientific, literary and artistic works are copyrights.

2. The author of a work has the following rights:
1) an exclusive right to the work;
2) the right of attribution;
3) the right to one's own name;
4) a right to integrity of the work;
5) a right to publish the work.

3. Apart from the rights mentioned in **Item 27** of the present article, in the cases envisaged by the present Code the author of the work has other rights, including the right to a fee for service work, the right of withdrawal, the resale royalty right, and the right of access to an artistic work.

Article 1256. The Effect of the Exclusive Right to Scientific, Literary and Artistic Works on the Territory of the Russian Federation

1. The exclusive right to scientific, literary and artistic works extends to:
1) works promulgated on the territory of the Russian Federation, or not promulgated but located in any objective form on the territory of the Russian Federation, and recognised to be held by their authors (their successors) irrespective of the citizenship thereof;
2) works promulgated outside the territory of the Russian Federation or not promulgated but located in any objective form outside the territory of the Russian Federation, and recognised to be held by authors being citizens of the Russian Federation (their successors);
3) the works promulgated outside the territory of the Russian Federation or non-promulgated but located in any objective form outside the territory of the Russian Federation, and it is recognised on the territory of the Russian Federation to be held by authors (their successors) being citizens of other states or stateless persons in accordance with international treaties of the Russian Federation.

2. A work is also deemed promulgated for the first time by publication in the Russian Federation if within 30 days after the date of the first publication outside the territory of the Russian Federation it is published on the territory of the Russian Federation.

3. When, in accordance with international treaties of the Russian Federation, protection is provided to a work on the territory of the Russian Federation, the author of the work or another initial right holder shall be determined by the law of the state on whose territory the legal fact serving as grounds for the acquisition of copyright took place.

4. On the territory of the Russian Federation, protection shall be granted to works in accordance with international treaties of the Russian Federation in respect of the works which have not passed into the public domain in the country of origin of the work due to the expiry of the exclusive right's duration established in that country for these works, and which have not passed into the public domain in the Russian Federation due to the expiry of the effective term of exclusive right thereto envisaged by the present Code.

When protection is granted to works under international treaties of the Russian Federation the effective term of the right to these works on the territory of the Russian Federation shall not exceed the effective term of the exclusive right established in the country of origin of the works.

Article 1257. The Author of a Work

The author of a scientific, literary or artistic work is the citizen by whose creative work it has been created. The person cited as an author on the original or a copy of a work or in some other way in compliance with **Item 1 of Article 1300** shall be deemed its author, unless otherwise proven.

Article 1258. Co-Authorship

1. Citizens who have created a work by their joint creative work shall be deemed co-authors irrespective of this work's being an integral entity or being composed of parts each having an independent significance.

2. A work created through co-authorship shall be used by the co-authors jointly, except as

otherwise envisaged by agreement between them. If the work is an integral entity, neither of the co-authors is entitled to ban the use of the work without a sufficiently good reason.

A work's part that can be used independently of other parts, i.e., a part having independent significance, may be used by its author at his own discretion, except as otherwise envisaged by agreement among the co-authors.

3. The co-authors' relationships relating to the distribution of incomes from the use of the work and to the disposition of the exclusive right to the work are subject to the rules of **Item 3 of Article 1229** of the present Code respectively.

4. Each of the co-authors is entitled to take measures on his own to protect his rights, in particular, when the work created by the co-authors makes up an integral entity.

Article 1259. The Objects of Copyrights

1. The objects of copyright are scientific, literary and artistic works, irrespective of the merit and significance of the work or the method whereby it is expressed:

literary works;

dramatic and dramatic-musical works, script works;

choreographic works and mime shows;

musical works with or without a text;

audio-visual works;

painting, sculpture, graphic, design, graphic stories, comics and other works of art;

artistic craftsmanship and scenographic works;

works of architecture, city planning and landscaping, including designs, drawings, images and models;

photographic works and works produced by methods similar to photography;

geographic maps and other maps, layouts, sketches and plastic works that have to do with geography and other sciences;

other works.

Also computer programs protected as literary works are deemed objects of copyright.

2. The following shall be deemed objects of copyright:

1) derivative works, i.e., works being a remake of other works;

2) composite works, i.e., works being the result of a creative work in terms of selection or arrangement of materials.

3. Copyright extends both to promulgated and non-promulgated works expressed in any objective form, including written or oral forms (in the form of a public pronouncement, public performance and in another similar form), in the form of an image, in the form of a sound or video recording or in a three-dimensional spatial form.

4. The occurrence, exercising and protection of copyright require neither registration of the work nor observation of any formalities.

In respect of computer programs and databases, registration is possible that takes place if the right holder so wishes, in accordance with the rules of **Article 1262** of the present Code.

5. Copyrights do not extend to ideas, concepts, principles, methods, processes, systems, manners or the resolution of technical, organisational or other problems, inventions, facts, programming languages and to geological information on subsoil.

6. The following are not objects of copyright:

1) the official documents of state bodies and local government bodies of municipal formations, including laws, other normative acts, court decisions, other materials of a legislative, administrative and judicial nature, the official documents of international organisations, and also the official translations thereof;

2) state symbols and signs (flags, coats-of-arms, orders, banknotes and coins, etc.) and also the symbols and signs of municipal formations;

3) popular creative works (folklore) having no specific authors;

4) announcements about events and facts that have an exclusively informative nature (news-of-the-day announcements, television program timetables, transport timetables, etc.).

7. Copyright extends to a part of a work, to the name of a work, a character in a work if by the nature thereof they may be deemed an independent result of the author's creative work and meet the requirements set out in **Item 3** of the present article.

Article 1260. Translations and Other Translated Works. Composite Works

1. The translator and also the author of another derivative work (remake, screen version, arrangement, dramatisation or another similar work) own copyrights to the translation and another processing of another (original) work, respectively.

2. The compiler of a collection and the author of another composite work (anthology, encyclopaedia, database, website, atlas or another similar work) shall own copyrights in the selection or arrangement of materials (compilation).

A database is an aggregate, presented in an objective form, of independent materials (articles, calculations, normative acts, court decisions and other similar materials), which are systematised so that these materials can be found and processed by means of a computer.

3. The translator, compiler or other author of a derivative or composite work shall exercise his copyrights on the condition that the rights of authors of the works used to create the derivative or composite work are observed.

4. The copyrights of the translator, compiler or other author of a derivative or composite work are protected as rights to independent objects of copyright, irrespective of the protection of the rights of the authors of the works on which the derivative or composite work is based.

Both the copyrights of the translator, compiler and another author of the derivative or composite work, and the rights of the authors of the works on which the derivative or composite work is based shall be subject to protection in case of misuse of the derivative or composite work.

5. The author of a work placed in a collection or another composite work is entitled to use his work independently of the composite work, except as otherwise envisaged by a contract with the creator of the composite work.

6. Copyrights to a translation, collection, another derivative or composite work shall neither bar other persons from translating or processing the same original work, nor create their own composite works by means of another selection or arrangement of the same materials.

7. The publisher of encyclopaedias, encyclopaedic dictionaries, periodical and serial collections of scientific works, newspapers, magazines/journals and other periodical publications have the right to use these publications. Every time the publication is used the publisher is entitled to have his name mentioned or to demand that it be mentioned.

The authors or other owners of exclusive rights to the works included in such publications shall preserve their rights, irrespective of the publisher's or other person's right to use such publications as a whole, except for cases when these exclusive rights have been assigned to the publisher or other persons or have been transferred to the publisher or other persons on other grounds envisaged by law.

Article 1261. Computer Programs

Copyrights in any and all types of computer programs (including operating systems and software complexes) which may be expressed in any language and in any form, including the initial text and compiled code, are protected in the same way as copyrights to literary works. A computer program is an aggregate of data and commands presented in an objective form and intended for the operation of a computer and other computer apparatus for the purpose of obtaining a certain result, including the preparatory materials produced in the course of elaboration of the computer program, and the audio-visual representations generated by it.

Article 1262. The State Registration of Computer Programs and Databases

1. Within the effective term of the exclusive right to a computer program or database, the right holder, if he so wishes, may register the program or database with the federal executive body charged with intellectual property matters.

Computer programs and databases containing information classified as **state secrets** are not subject to state registration. A person that files a state registration application (applicant) shall be accountable for disclosing information on the computer programs and databases containing information classified as a state secret under the **legislation** of the Russian Federation.

2. An application for state registration of a computer program or database (a registration application) shall cover one computer program or one database.

The registration application shall comprise the following:

an application for state registration of the computer program or database, including reference to the right holder and the author, unless he has refused to be mentioned in this capacity, and the place of residence or whereabouts of each of them;

the deposited materials identifying the computer program or database, including a synopsis;

paragraph five has **lost force** from October 1, 2014.

The **rules** for drawing up a registration application shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

3. On the basis of the registration application, the federal executive body charged with intellectual property matters shall verify the availability of the necessary documents and materials and their compliance with the requirements set out in **Item 2** of this article. If the results of the verification are positive, the said federal body shall enter the computer program or database into the Register of Computer Programs or the Register of Databases, respectively, issue to the applicant a certificate of state registration in the form of an electronic document and, upon the request of the applicant, on paper, and publish information on the computer program or database registered in a published edition of that body.

At the request of the said federal body or on his own initiative, the author or other right holder is entitled to do the following until the time of the state registration of a computer program or database: make additions and amendments into the documents and materials mentioned in the registration application.

4. The procedure for state registration of computer programs and databases, the forms of certificates of state registration, a list of the details to be indicated therein, and a list of the details to be published in the publication of the federal executive body charged with intellectual property matters shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

5. The transfer of the exclusive right to a computer program or database to another person on a contractual basis or without a contract and a pledge of the exclusive right to a registered programme for an electronic computing machine or a database is subject to state registration with the federal executive body charged with intellectual property matters.

5.1. On the basis of the right holder's application, the federal executive body charged with intellectual property matters shall make the amendments related to the data on the right holder and/or the author of a computer program or database, in particular to the right holder's denomination or name, the location or residence thereof, the author's name or postal address, as well as the amendments connected with correction of evident technical mistakes in the Register of Computer Programs or the Register of Databases and in the state registration certificate.

The federal executive body charged with intellectual property matters may make amendments connected with correction of evident technical mistakes in the Register of Computer Programs or the Register of Databases on its own initiative or at the request of any person having preliminarily notified the right holder thereof.

The federal executive body charged with intellectual property matters shall publish in the official bulletin data on the amendments made in the Register of Computer Programs or the Register of Databases.

6. The details entered in the Register of Computer Programs or the Register of Databases shall be

deemed reliable unless otherwise proven. Responsibility for the reliability of the information provided for state registration purposes shall be borne by the applicant.

Article 1263. Audio-visual Work

1. An audio-visual work is a work made up of a fixed series of interrelated images (accompanied or not accompanied by sound) and intended for visual and audio (if accompanied by sound) perception using the relevant technical apparatus. Audio-visual works include cinematographic works, and also all works expressed by means similar to cinematographic ones (television and video films and other similar works), irrespective of the method whereby they are initially or subsequently fixed.

2. The following are the authors of an audio-visual work:

1) the director;

2) the author of the script;

3) the composer being the author of a musical work (with or without a text) specifically created for the audio-visual work;

4) the art director of an animated film (cartoon).

3. In the event of a public performance or broadcasting or cable transmission, including re-transmission, of an audio-visual work, the authors of a musical work (with or without a text) used in the audio-visual work shall retain a right to a fee for the said types of use of their musical work.

4. The rights of the manufacturer of an audio-visual work, i.e., of the person that has organised the creation of the work (producer), shall be defined in accordance with **Article 1240** of this Code.

The manufacturer shall hold the exclusive right to an audio-visual work on the whole, unless otherwise results from the contracts made by him/her with the authors of the audio-visual work which are cited in **Item 2** of this article.

The manufacturer in case of any kind of use of an audio-visual work is entitled to cite the name or denomination thereof or to demand such citing. Unless otherwise proven, as the manufacturer of an audio-visual work shall be deemed the person whose name or denomination is cited on this work in a traditional way.

5. Each author of a work that is incorporated in an audio-visual work, either existing before (the author of the work that underlies the script, and others) or created in the course of working on it (photography director, art director and others) shall retain an exclusive right to his work, except for cases when this exclusive right has been assigned to the manufacture or other persons or has been transferred to the manufacture or other persons on other grounds set out by law.

Article 1264. Draft Official Documents, Draft Designs of Symbols and Signs

1. The right of attribution to a draft official document, including a draft official translation of such document, and also a draft design of an official symbol or sign shall be owned by the person that created the draft (designer/author).

The designer/author of a draft official document or a draft design of a symbol or sign is entitled to promulgate the draft, unless it is prohibited by the state body or the local government body of a municipal formation or the international organisation on whose order the draft has been elaborated. When the draft is promulgated the designer/author is entitled to indicate his/her name.

2. A draft official document or a draft design of a symbol or sign may be used by the state body or local government body or international organisation for the preparation of a relevant official document, elaboration of the symbol or sign without the designer's/author's consent if the draft has been promulgated by the designer/author for use by the body or organisation or has been sent by the designer/author to the relevant body or organisation.

When an official document or an official symbol or sign is being elaborated on the basis of the relevant draft, amendments may be made thereto at the discretion of the state body or local government body or international organisation that prepares the official document or elaborates the official symbol or sign.

After the draft has been formally accepted for consideration by the state body or local government body or international organisation, the draft may be used without mentioning the name of the designer/author.

Article 1265. The Right of Attribution and the Right to One's Own Name

1. The right of attribution, i.e., the right of being recognised as the author of a work, and the right to one's own name, i.e., the right to use or permitting the use of a work under the author's name, a pseudonym or without an indication of a name, i.e., anonymously, are unalienable and unassignable, for instance, when the exclusive right to the work is assigned to another person or transferred to another person, and when the right to use the work is granted to another person. The waiver of these rights is deemed null and void.

2. When a work is published anonymously or pseudonymously (except for cases when the author's pseudonym leaves no doubt as to his identity) the publisher (**Item 1 of Article 1287**) whose name is indicated on the work shall be deemed the author's representative, unless otherwise proven, and in this capacity is entitled to protect the author's rights and ensure the exercising of such rights. This provision shall remain effective until the author of the work discloses his identity or announces his authorship.

Article 1266. The Right to the Integrity of a Work and the Protection of a Work against Distortions

1. Without the author's consent it is prohibited to make modifications, cuts and addenda to the work, to attach illustrations, a preface, afterword, comments or any explanations (the right of integrity of the work).

When a work is used after the author's death, the person owning the exclusive right to the work is entitled to permit modifications, cuts or addenda to the work, provided that the author's idea is not distorted and the integrity of perception remains intact, and it does not conflict with the author's will expressly stated in a will, letters, diaries or other written form.

2. A perversion, distortion or another modification of a work that denigrates the honour, dignity or business reputation of the author, and equally an attempt at committing such actions authorises the author to claim protection of his honour, dignity or business reputation in accordance with the rules of **Article 152** of the present Code. In these cases, the protection of the honour and dignity of an author is for instance admissible after his death if the persons concerned so claim.

3. Where it is provided for by **Item 5 of Article 1233** and **Item 2 of Article 1286.1** of this Code, the author may give its consent to making in future changes, abbreviations and additions in the work thereof, if it is caused by a need for it (correction of mistakes, specification or supplementation of factual data and such) on the condition that it does not distort the author's tendency and does not break the integrity of the work's perception.

Article 1267. Protecting Authorship, Author's Name and Integrity of a Work after an Author's Death

1. The authorship, the name of the author and the integrity of a work shall be protected indefinitely.

2. In the procedure set out for designating the executor of a will (**Article 1134**) the author may indicate the person in which he vests the duty to protect authorship, the name of the author, and the integrity of a work (**Paragraph 2 of Item 1 of Article 1266**) upon the author's death. The person shall execute his duties for life.

If there is no such indication or if the person designated by the author has refused to execute these powers, and also after the death of the person, the protection of authorship, the name of the author and the integrity of the work shall be carried out by the author's heirs, their successors and other persons concerned.

Article 1268. The Right to Promulgate a Work

1. The author is entitled to promulgate his work, i.e., has a right to commit an action or to consent to the commission of an action which opens the work to the public for the first time by means of publication, public show, public performance, broadcast or cable or in any other manner.

In this case, the publication (issuing) is the release for circulation of copies of the work which are copies of the work in any material form in a quantity sufficient for meeting the public's reasonable needs depending on the nature of the work.

2. An author who has transferred a work to another person for use shall be deemed to have agreed to the promulgation of the work.

3. A work that has not been promulgated in the author's lifetime may be promulgated on his death by the person having the exclusive right to the work, unless promulgation is contrary to the author's will expressly stated by the author in writing (in a will, letters, diaries, etc.).

Article 1269. Right of Withdrawal

1. The author is entitled to waive the decision on promulgation of a work taken earlier (the right of withdrawal) before its actual promulgation, on condition that compensation is provided to the person to which the exclusive right to the work has been alienated or to which the right to use the work has been granted for the damage caused by the decision.

2. The rules of this article are not applicable to computer programs, service works and works incorporated into a complex object (**Article 1240**).

Article 1270. The Exclusive Right to a Work

1. The author of a work or another right holder owns an exclusive right to use the work in accordance with **Article 1229** of the present Code in any form and in any manner not conflicting with the law (the exclusive right to the work), including the methods specified in **Item 2** of the present article. The right holder may dispose of the exclusive right to the work.

2. Irrespective of relevant actions being or not being committed for the purpose of making a profit or without such purpose, the use of a work means the following:

1) the reproduction of the work, i.e., the manufacture of one or more copies of the work or a part thereof in any material form, including in the form of an audio or video recording, the manufacture of one or more three-dimensional copies of a two-dimensional work, and of one or more two-dimensional copies of a three-dimensional work. In this case, a recording of the work on an electronic medium, including saving in a computer's memory, shall also be deemed reproduction. As reproduction shall not be deemed a short-term recording of a work which is of temporary or accidental nature and is an integral and significant part of a technological process solely intended for the legal use of a work, or is the transfer of a work on an information telecommunication network between third parties by an information broker, provided that such record has no independent economic importance;

2) the distribution of the work by sale or another alienation of its original or copies;

3) the public show of the work, i.e., any showing of the original or a copy of the work directly either on a screen by means of a film, transparency, television still or other technical facilities, and also the showing of separate stills of an audio-visual work without the observance of sequence thereof directly by technical facilities in a place open to the public or in a place where a significant number of persons are present who do not belong to an ordinary family group, irrespective of the work's being perceived in the place where it is shown or in another place simultaneously with the showing of the work;

4) the import of the original or copies of the work for the purpose of distribution;

5) the hiring out of the original or a copy of the work;

6) the public performance of the work, i.e., the presentation of the work through live performance or technical facilities (radio, television and other technical facilities), and also the showing of an audio-visual work (with or without sound) in a place open to the public or in a place where a significant number of persons are present who do not belong to an ordinary family group, irrespective of the work's being perceived in the place where it is performed or shown or in another place simultaneously with the performance or show of the work;

7) the radio or television broadcasting, i.e., making the work known to the public, except for cable communications. In this case, communications means any actions whereby the work becomes open for

audio and/or visual perception, irrespective of its being actually perceived by the public. When a work is broadcast via satellite broadcasting means the reception of signals from a ground station by a satellite and transmission of signals from the satellite, such signals being capable of making the work known to the public, irrespective of the signals being actually received by the public. An encoded signal transmission is deemed broadcast if decoders are provided to an unlimited group of persons by a broadcasting organisation or with the consent thereof;

8) cable communication, i.e., the transmission of the work for the public's notice, by radio or television via cable, wire, optical fibre or similar facilities. An encoded signal transmission shall be deemed cable communication if decoders are provided to an unlimited group of persons by a cable services organisation or with the consent thereof;

8.1) rebroadcasting, that is, the reception and simultaneous transmission (in particular through a satellite) or via cabling of a full and unchanged radio or television broadcast or an essential part thereof which is aired or transmitted via cabling by an organisation engaged in on-air or cable broadcasting;

9) the translation or other processing of the work. In this case, the processing of a work means the creation of a derivative work (remake, screen version, arrangement, dramatisation, etc.). The processing (modification) of a computer program or database means any change therein, including the translation of the program or database from one language into another, except for adaptation, i.e., amendment made exclusively for the purposes of running the computer program or database on specific hardware of a user or under the control of specific programs of a user;

10) the practical implementation of an architectural, design, town planning or landscaping project;

11) bringing the work to the notice of the public so that any person can obtain access to the work from any place and at any time as the person chooses (bringing it to the notice of the general public).

3. The practical implementation of the provisions making up the content of a work, including the provisions being a technical, economic, organisational or other solution, shall not be deemed a use of the work as much as the rules of the present chapter are concerned, except for the use envisaged by **Subitem 10 of Item 2** of the present article.

4. The rules of **Subitem 5 of Item 2** of the present article are not applicable to a computer program, except for cases when such program is the main object of hiring-out.

Article 1271. Copyright Mark

For the purpose of warning of his exclusive right to a work, the right holder is entitled to use a copyright mark that is placed on each copy of the work and is composed of the following components:

the Latin letter "C" in a circle;

the name of the right holder;

the year of the first publication of the work.

Article 1272. Distributing the Original or Copies of a Published Work

If the original or copies of a work have been legally introduced into civil-law transactions on the territory of the Russian Federation as they were sold or otherwise alienated, the further distribution of the original or copies of the work may take place without the consent of the right holder and without a fee being paid to the right holder, except for the case envisaged by **Article 1293** of the present Code.

Article 1273. Free Reproduction for Personal Purposes

1. A citizen may reproduce, if necessary and exclusively for personal purposes, a legally promulgated work without the author's or other right holder's consent and without paying a fee, except for the following:

1) the reproduction of works of architecture in the form of buildings and similar structures;

2) the reproduction of databases or significant parts thereof, except as provided for by **Article 1280** of this Code;

3) the reproduction of computer programs, except for the cases envisaged by **Article 1280** of the

present Code;

4) the reproduction of books (in full) and musical notation texts (**Article 1275**), that is the facsimile reproduction with the help of technical facilities for purposes other than publication;

5) the video recording of an audio-visual work when it is publicly performed in a place open to the public or in a place attended by a significant number of persons who do not belong to the ordinary family group;

6) the reproduction of an audio-visual work using professional equipment not intended for home use.

2. When phonograms and audio-visual works of art are reproduced exclusively for personal purposes, authors, performers and manufacturers of the phonograms and audio-visual works of art have the right to the remuneration provided for by **Article 1245** of this Code.

Article 1274. The Free Use of a Work for Information, Scientific, Educational or Cultural Purposes

1. The following is admissible without the consent of the author or other right holder and without paying a fee but with a compulsory reference to the name of the author whose work is used and of the source as well:

1) quoting in the original and in a translation for scientific, discussion, critical, information and educational purposes, for the purpose of disclosing the author's creative design of legally promulgated works within the scope justified by the purpose of the quotation, including the reproduction of excerpts from newspaper and magazine articles in the form of press reviews;

2) using legally promulgated works and excerpts from them as illustrations in educational publications, radio and television programs, sound and video recordings within the scope justified by the purpose set;

3) reproducing in a periodical print and subsequent distribution copies of this publication, on-air or cable reports, bringing to public knowledge of the articles legally published in periodical prints on current economic, political, social and religious issues or broadcast works of the same nature, or works of the same nature broadcast on air or via cabling or brought to public knowledge, unless such reproduction, reporting or bringing to knowledge has been specifically prohibited by the author or other right holder;

4) reproducing in a periodical print and subsequent distribution of copies of this publication, on-air or cable reporting, publicly pronounced political speeches, addresses, reports and other similar works within a scope justified for information purposes. In this case, the authors of such works shall retain the right to publish them in collections;

5) reproducing, or disseminating, or broadcasting on air or via cabling, bringing to public in current events reviews (in particular by means of photography, cinematography, television or radio) works which are seen or heard in the course of these events, as justified for information purposes;

6) public performance of lawfully promulgated works by way of their live reproducing without profit-making at educational organisations, medical organisations, social servicing organisations and institutions of the penal system by the staff (employees) of the given organisations and institutions and by the persons serviced by these organisations or kept at these institutions;

7) recording on an electronic medium, including recording to the computer memory and bringing to public knowledge of dissertation papers' auto-abstracts.

2. Creation of copies of lawfully published works in formats intended exclusively for use by the blind, visually impaired or by persons with other print disabilities (in embossed font and in other special ways accessible to the blind, visually impaired or persons with other print disabilities) (special formats), as well as reproduction, distribution and import of such copies without the purpose of making a profit, are allowed without the consent of the author or another owner of the exclusive copyright and without paying him or her a fee, but with the obligatory indication of the name of the author whose work is used, and the source of borrowing.

Libraries may provide the blind, visually impaired, and persons with other print disabilities with copies of works created in special formats for temporary free use at home.

Libraries and other organisations, the list of which is determined by the Government of the Russian Federation, may, without the consent of the author or another owner of the exclusive right and without paying him remuneration, provide the persons specified in paragraph one of this Item with access through information and telecommunication networks to copies of works created in special formats, and carry out a cross-border exchange of such copies in accordance with the Marrakesh Treaty to Facilitate Access for the Blind, Visually Impaired or Otherwise Print Disabled to Published Works, including through information and telecommunication networks. A list of special formats, a list of indications, provided the presence of which persons with disabilities to perceive printed information may use copies of works created in special formats, a list of libraries and other organiaations that provide access through information and telecommunication networks to copies of works created in special formats, and having the right to carry out a cross-border exchange of copies of works created in special formats, in accordance with the Marrakesh Treaty to Facilitate Access for the Blind and Persons with Visual Impairments or Other Print Disabilities to Published Works, including through information and telecommunication networks, the procedure for providing such access and cross-border exchange of these copies shall be determined by the Government of the Russian Federation.

Any further reproduction or communication to the public of a copy of the work, intended solely for the use of the blind, visually impaired and persons otherwise pring disabled, in other formats is not allowed.

Provisions of this Item shall not apply to works created for the purpose of use in special formats, as well as to phonograms consisting mainly of musical works.

3. It is allowed without the consent of the author or another right holder and without paying a fee to carry out an audio description or to accompany a work with a sign language translation for the purpose of simplifying the work's perception by persons with limited physical abilities.

4. The creation of a work in the style of a literary, musical or other parody or in the style of a caricature on the basis of another (original) work that has been lawfully promulgated and the use of these parodies or caricature is allowed without the consent of the author or other holder of the exclusive right to the original work and without paying a fee thereto.

Article 1275. Free Use of Works by Libraries, Archives and Educational Organisations

1. Public libraries, as well as archives where access to archival documents is not restricted, provided that there is no aim to derive profits, are entitled without the consent of the author or other right holder and without paying a fee to provide for the temporary free (in particular by way of mutual use of library stocks) use of the originals or copies of the works that have been lawfully put into civil circulation.

In so doing, copies of works in electronic form may be solely provided for temporary gratuitous use at the premises of a library or archive, provided that it is impossible to create any more copies of the work in electronic form.

2. Public libraries, as well as archives where access to archival documents is not restricted, provided that there is no aim to derive profits, are entitled without the consent of the author or other right holder and without paying a fee but with mandatory citing of the name of the author whose work is used and the source of borrowing to make single copies, in particular in electronic form, of copies of the works held by them and lawfully put into civil circulation:

1) for the purpose of ensuring safekeeping and availability for users:

of dilapidated, worn-out, spoiled and defective copies of works;

of singular and/or rare copies of works and manuscripts whose issuance to users may lead to their loss, spoilage or destruction;

of copies of works recorded on machine-readable media for whose use there are no required facilities;

of copies of works which are of exceptional scientific and educational importance, provided that they have not been within over 10 years from the date of publication of their last publications in the territory of the Russian Federation;

2) for the purpose of restoration, replacement of lost or spoiled copies of works, as well as for providing with copies of works other libraries and archives where access to archival documents is not restricted that have lost them for some reason.

3. Copies of the works made in electronic form in compliance with **Item 2** of this article may be provided to users subject to the conditions provided for by **Item 1** of this article.

4. Libraries receiving copies of dissertation papers in compliance with the law on the obligatory copy of a document, where there is no aim to derive profits, are entitled without the consent of the author or other right holder and without paying a fee but with the mandatory citing of the name of the author whose work is used and of the source of borrowing to make single copies of such dissertation papers, in particular in electronic form, for the purposes provided for by **Item 2** of this article.

Copies of dissertation papers made in electronic form shall be provided to users subject to the conditions provided for by **Item 1** of this article.

5. Public libraries, as well as archives where access to archival documents is not restricted, provided that there is no aim to derive profits, are entitled without the consent of the author or other right holder and without paying a fee but with the mandatory citing of the name of the author whose work is used and of the source of borrowing to make a single copy and provide copies, in particular in electronic form, of individual articles and small-size works lawfully published in collections, newspapers and other periodical prints, short extracts from other lawfully published written works (with illustrations and without such) at the requests of citizens for scientific and educational purposes.

6. Educational organisations, provided that there is no aim to derive profit, are entitled without the consent of the author or other right holder and without paying a fee but with mandatory citing of the name of the author whose work is used and of the source of borrowing to make copies, in particular in electronic form, of individual articles and small-size works lawfully published in collections, newspapers and other periodical prints, of short extracts from other lawfully published written works (with illustrations and without such) and to provide these copies to trainees and pedagogical workers for conducting examinations, classes and self-training in the number which is required for this purpose.

7. The state archives are entitled within the scope of authority thereof to make singular copies of the works placed on the Internet for keeping in an archive with the subsequent reproduction and bringing to public knowledge to be excluded.

Article 1276. Free Use of a Work Which Is Permanently Located in a Public Place

1. It is allowed without the consent of the author or other right holder and without paying a fee to reproduce and distribute produced copies, to transmit on air or through a cable, to bring to public knowledge works of fine arts or photographic works which are permanently located in a public place, except if the image of the work is the main object of use or the image of a work is used for the purpose of deriving profit.

2. It is allowed to freely use by way of reproduction and distribution of produced copies, transmission on air or through a cable, bringing to public knowledge in the form of images the works of architecture, town-planning and landscape arts located in a public place or visible from that place.

Article 1277. The Free Public Performance of a Lawfully Promulgated Musical Work

A musical work which is lawfully promulgated may be performed without the author's or other right holder's consent and without paying a fee during an official or religious ceremony or funeral within the scope justified by the nature of the ceremony.

Article 1278. The Free Reproduction of a Work for Law-Enforcement Purposes

A work may be reproduced without the author's or other right holder's consent and without paying a fee for the purpose of implementing proceedings in a case of administrative offence, of inquiring, preliminary investigation or legal proceedings within the scope justified by the purpose.

Article 1279. The Free Recording of a Work by a Broadcasting Organisation for the Purpose of Short-Term Use

A broadcasting organisation is entitled to make a record, without the author's or other right holder's consent and without paying a fee, for the purpose of short-term use of the work in respect of which the organisation has obtained a right to broadcast communication, provided a record is made by the broadcasting organisation by means of its own equipment and for its own broadcasts. In this case, the organisation shall destroy the record within six months after it was made, unless a longer term has been agreed upon with the right holder or established by law. Such record may be preserved without the consent of the right holder in state or municipal archives if it has an exclusively documentary nature.

Article 1280. The Right of the User of a Computer Program and Database

1. The person that legally possesses a copy of a computer program or database (user) is entitled to do the following without the author's or other right holder's consent and without paying out a fee:

1) carry out actions required for the functioning of a computer programr or database (in particular in compliance with their use for their purpose), including recording and storing in the computer memory (of a single computer or single network), making amendments in a computer programr or database solely for their functioning at the user's facilities, and to correct obvious errors, unless otherwise provided for by the contract made with the right holder;

2) make a copy of the computer program or database, provided this copy is intended only for archiving purposes or for replacing the legally acquired copy if the copy is lost, destroyed or inoperable. In this case, the copy of the computer program or database shall not be used for purposes other than those mentioned in **Subitem 1** of the present item, and it shall be destroyed if the possession of the copy of the computer program or database is no longer legal.

2. The person legally possessing a copy of a computer program is entitled to do the following without the right holder's consent and without paying a fee: to study, research or test the operation of the program for the purpose of assessing the ideas and principles underlying any component of the computer program by means of carrying out the actions envisaged by **Subitem 1 of Item 1** of the present article.

3. The person legally possessing a copy of a computer program is entitled to do the following without the right holder's consent and without paying a fee: to reproduce and convert the compiled code into the initial text (to decompile the computer program) or to instruct other persons to carry out such actions if they are needed to enable a program independently developed by this person for a computer to interact with other programs which can interact with the program decompiled, provided the following conditions are observed:

1) the information required for enabling the interaction was not available to this person from other sources;

2) the said actions are committed only in respect of those portions of the decompiled computer program which are needed for enabling the interaction;

3) the information obtained as a result of the decompilation may only be used to enable the interaction of the independently developed computer program with other programs; it shall not be transferred to other persons, except for cases when it is required for enabling the interaction of the independently developed computer program with other programs, or be used for developing a computer program of a kind significantly similar to the computer program decompiled or for committing another action infringing the exclusive right to the computer program.

4. The application of the provisions of the present article shall neither conflict with the normal use of a computer program or database nor infringe without grounds the lawful interests of the author or another right holder.

Article 1280.1. Use of the Pieces of Literature, Figurative Arts, Ornamental-Applied Arts, Photographs, Pieces Obtained by Methods Similar to Photography, Musical Pieces (With a Text or Without a Text) Whose Authors or Other Rightholders Are Assumed to Be

Unknown, and Lawfully Declared as Public

1. Should an author or another holder of the exclusive right to an item be assumed unknown (**Item 1 of Article 1244.2**), the following shall be allowed under the procedure established in **Article 1244.2** hereof to:

1) reproduction of the pieces of literature, figurative arts, ornamental-applied arts, photographs, pieces obtained by the methods similar to photography, musical pieces (with a text or without a text), if they are lawfully declared as public, including that through creation of a digital copy of the piece;

2) distribution of the pieces specified in **Subitem 1** of this Item, through sale or other alienation of copies thereof;

3) communication to the public domain of the pieces specified in **Subitem 1** of this Item.

2. Should the exclusive right to the piece specified in **Subitem 1 of Item 1** of this Article to be held by several persons or the piece comprise other protected pieces and not all rightholders are determined upon the outcomes of seeking thereof under **Article 1244.2** hereof, the use of such piece under Article 1244.2 hereof shall be permitted only subject to consent obtained from all known rightholders, unless another procedure for use obtaining consent is established by agreement between the rightholders. The amount of remuneration payable to the known rightholders and rightholders assumed to be unknown (Article 1244.2), shall be determined under **Item 3 of Article 1229** hereof, but shall not be less than the amount determined under **Subitem 1 of Item 7 of Article 1244.2** hereof.

Article 1281. The Duration of the Exclusive Right to a Work

1. The exclusive right to a work shall be effective for the whole lifetime of the author, and 70 years from January 1 of the year following the year of the author's death.

The exclusive right in a work created by co-authors shall be effective for the whole lifetime of the author who survives other co-authors and 70 years from January 1 of the year following the year of his death.

2. For a work promulgated anonymously or pseudonymously, the effective term of the exclusive right shall expire after 70 years from January 1 of the year following the year of its legal promulgation. If within the said term the author of the work promulgated anonymously or pseudonymously discloses his identity or if his identity is no longer in doubt, the right shall be effective for the term established by **Item 1** of this article.

The rules of this Item shall cover the pieces of literature, figurative arts, ornamental-applied arts, photographs, pieces obtained by the methods similar to photography, musical pieces (with a text or without a text), whose authors are assumed to be unknown (**Article 1244.2**).

3. The exclusive right to a work promulgated after the author's death shall be effective for 70 years after the promulgation thereof from January 1 of the year following the year of the promulgation, provided the work is promulgated within 70 years of the death of the author.

4. If the author of a work has been subjected to repression and posthumously rehabilitated, the effective term of the exclusive right shall be deemed extended, and 70 years shall be counted from January 1 of the year following the year of rehabilitation of the author of the work.

5. If an author worked during the Great Patriotic War or took part in it, the effective term of the exclusive right established in the present article is extended by four years.

Article 1282. The Passing of a Work into the Public Domain

1. Upon the expiry of the exclusive right, a scientific, literary or artistic work, be it promulgated or not, shall pass into the public domain.

2. A work that has passed into the public domain may be freely used by any person without anybody's consent or permission and without paying a royalty. In this case, the attribution, name of the author and integrity of the work are preserved.

3. A non-promulgated work that has passed into the public domain may be promulgated by any person, unless the promulgation thereof is contrary to the author's will expressly stated by the author in writing (in a will, letters, diaries, etc.).

The rights of the citizen who has legally promulgated such work are determined in accordance with **Chapter 71** of the present Code.

Article 1283. The Transfer of the Exclusive Right to a Work in Line of Succession

1. The exclusive right to a work is inheritable.

2. In the cases envisaged by **Article 1151** of the present Code, the exclusive right to a work included in a will shall be terminated, and the work shall pass into the public domain. With this, in the event of the death of one of the co-authors, the exclusive right shall be terminated in the part thereof held by him/her, if a work consists of several parts, each of which is of independent importance or, where a work is inseparable, the share of the late co-author in the exclusive right shall pass over in equal portions to all the co-authors who are alive.

Article 1284. Levy of Execution on the Exclusive Right to a Work and the Right to Use a Work under a Licence

1. Levy of execution is prohibited on the exclusive right to a work owned by the author, except when execution is levied under the contract of pledge made by the author and whose subject is the exclusive right to a specific work cited in the contract and held by the author. The author's claims in respect of other persons under contracts of alienation of the exclusive right to the work and under licence contracts, and also the incomes received from the use of the work are subject to levy of execution.

The exclusive right owned by a person other than the author and the right to use the work owned by a licensee are subject to levy of execution.

The rules of **Paragraph 1** of the present item extend to the heirs of the author, their heirs and so on within the effective term of the exclusive right.

2. If the right to use a work owned by a licensee is sold at a public sale for the purpose of levying execution on the right, the author shall have a priority right to acquire it.

Article 1285. A Contract of Alienation of the Exclusive Right to a Work

Under a contract of alienation of the exclusive right to a work, the author or other right holder shall assign or undertake to assign his exclusive right to the work in full to the acquirer of the right.

Article 1286. A Licence Contract Granting the Right to Use a Work

1. Under a licence contract one party, the author or other right holder (licensor), grants or undertakes to grant to another person (licensee) a right to use the work within the limits set by the contract.

2. The licence contract shall be made in writing. A contract granting a right to use a work in a periodical printed publication may be concluded in oral form.

3. An onerous licence agreement shall specify the rate of a fee for the use of a work or a procedure for estimation of such fee.

4. The user of a computer program or database, along with the rights held by him by virtue of **Article 1280** of this Code, may be granted the right under the licence agreement to use the computer program or database within the limits established by the contract.

5. The licence agreement made with the user on granting thereto an ordinary (non-exclusive) licence to use a computer program or database may be concluded in a simplified procedure.

The licence agreement made in a simplified procedure shall be an agreement of adhesion whose terms may be stated, in particular, on the copy of the computer program or database to be acquired or on the packing of such copy, as well as in electronic form (**Item 2 of Article 434**). As the start of using a computer programr or database by the user, as it is defined by the cited terms, shall be deemed the consent thereof to make the agreement. On such occasion, the written form of the agreement shall be regarded as observed.

A licence agreement made in a simplified procedure shall be onerous, unless otherwise provided by the agreement.

Article 1286.1. The Open Licence for Using a Work of Science, Literature or Arts

1. The licence agreement under which the author or other right holder (licensor) grants to the licensee an ordinary (non-exclusive) licence for using a work of science, literature or arts may be made in a simplified procedure (open licence).

An open licence shall be an agreement of adhesion. All its terms shall be accessible to an indefinite group of persons and shall be inserted so that the licensee can get familiar with them before starting to use the corresponding work. An open licence may contain an indication of the actions whose making shall be deemed to be the acceptance of its terms (**Article 438**). On such occasion, the written form of the agreement shall be deemed observed.

2. Seen as the subject of an open licence shall be the use of a work of science, literature or arts within the limits provided for by an agreement.

The licensor may grant to the licensee the right to use the work owned by him for creation of a new result of intellectual activities. On such occasion, unless otherwise provided for by an open licence, it shall be deemed that the licensor has made the offer to make the agreement (**Item 2 of Article 437**) on the use of the work owned by him by any person wishing to use the new result of intellectual activities created by the licensee on the basis of this work within the limits and under the terms which are provided for by the open licence. The acceptance of such offer shall be also deemed the acceptance of the licensor's offer to make a licence agreement in respect of this work .

3. An open licence shall be free, unless otherwise provided for by it.

If the duration of an open licence is not fixed, in respect of a computer program or database the agreement shall be deemed made for the whole time period while an exclusive right is in effect and in respect of other kinds of works the agreement shall be deemed made for five years.

If an open licence does not cite the territory in which it is allowed to use the relevant work, such use shall be allowed worldwide.

4. The licensor that has granted an open licence is entitled to renounce the agreement unilaterally in full or in part (**Item 2 of Article 450.1**), if the licensee grants to third parties the right to use the work held by the licensor or the right to the use of a new result of intellectual activities created by the licensee on the basis of this work beyond the scope of the rights and/or under the terms, other than those which are provided for by the open licence.

5. The author or other right holder, if the exclusive rights to a work are violated by wrongful actions as to the provision or use of an open licence, are entitled to demand taking against the violator measures of protection of the exclusive right in compliance with **Article 1252** of this Code.

Article 1287. The Special Terms of a Publisher's Licence Contract

1. Under a contract of granting a right to use a work concluded by the author or other right holder with a publisher, i.e., the person which under the contract undertakes to publish the work (publisher's licence contract), the licensee shall commence the use of the work within the term set in the contract. If this duty is not observed the licensor is entitled to waive the contract without compensation to the licensee for the losses due to such waiver.

If the contract does not contain a specific term for commencing the use of the work, it shall be commenced within the term which is usual for this type of work and the method of use. Such contract may be rescinded by the licensor on the grounds and in the procedure set out in **Article 450** of the present Code.

2. Where a publisher's licence contract is rescinded on the basis of the provisions set out in **Item 1** of the present article, the licensor is entitled to claim that the fee envisaged by the contract be paid out thereto in full.

Article 1288. An Author's Order Contract

1. Under an author's order contract one party (author) undertakes to create on the order of the other

party (customer) the scientific, literary or artistic work stipulated by the contract on a material medium or in another form.

The material medium of the work shall be transferred to the customer for ownership, unless it is being transferred to the customer for temporary use as required by agreement of the parties.

An author's order contract is defrayable, unless otherwise envisaged by agreement of the parties.

2. The author's order contract may include a clause whereby the exclusive right to the work that has to be created by the author is going to be alienated to the customer or that the customer is going to obtain a right to use the work within the limits set by the contract.

3. Where an author's order contract requires the alienation of the exclusive right to the work that has to be created by the author to the customer, such contract is subject accordingly to the rules of the present Code on exclusive right alienation, except as otherwise ensues from the essence of the contract.

4. If an author's order contract is concluded on the condition that the customer acquires the right to use the work within the limits set by the contract such contract shall be subject accordingly to the provisions of **Articles 1286** and **1287** of the present Code.

Article 1289. The Term for Discharging the Author's Order Contract

1. The work that has to be created under the author's order contract shall be transferred to the customer within the term established by the contract.

A contract that neither specifies a term for the discharge thereof nor allows one to determine the due date of the discharge thereof shall be deemed unconcluded.

2. Upon the onset of the due date of discharge of an author's order contract, the author -- if necessary and if there is good reason for completing the work -- shall be given an additional grace period of one quarter of the term set for the discharge of the contract, unless a longer grace period is envisaged by agreement of the parties. In the cases envisaged by **Item 1 of Article 1240** of the present Code this rule shall apply, unless otherwise envisaged by the contract.

3. Upon the expiry of the grace period granted to the author under **Item 2** of the present article the customer shall be entitled to unilaterally waive the author's order contract.

Also, the customer is entitled to waive the author's order contract immediately upon the expiry of the term set by the contract for the discharge thereof, unless the contract has been discharged by that time, if it ensues from the terms of the contract that the customer loses his interest in the contract if the term for discharge of the contract is broken.

Article 1290. Liabilities under the Contracts Concluded by the Author of a Work

1. The liability of an author under a contract of alienation of the exclusive right to a work and under a licence contract shall be limited to the sum of the actual damage caused to the other party, unless a smaller sum of author's liability is envisaged by the contract.

2. In the event of default on, or the improper performance of, an author's order contract for which the author is responsible, the author shall refund to the customer the advance payment and also pay a forfeit money amount if envisaged by the contract. In this case, the sum total of these disbursements shall be limited to the sum of the actual damage sustained by the customer.

Article 1291. Alienating an Original Work and the Exclusive Right to a Work

1. When alienation is effected by the author of an original work (manuscript, original work of painting, sculpture, etc.), for instance when an original work is alienated under an author's order contract, the exclusive right to the work shall be retained by the author, unless otherwise envisaged by the contract.

When the original work is alienated by the owner thereof holding the exclusive right to the work but not being the work's author, the exclusive right to the work shall pass over to the acquirer of the original work, unless otherwise provided for by an agreement.

The rules of this item related to the author of a work shall also extend to the author's heirs, to their heirs and so on within the limits of the effective period of the exclusive right to the work.

2. If the exclusive right to the work has not been transferred to the acquirer of the original thereof, the acquirer is entitled without the author's consent and without paying out a fee to the author to show the original work acquired and reproduce it in catalogues of exhibitions and in publications dedicated to his collection, and also to hand over the original work to be exhibited at exhibitions organised by other persons.

The acquirer of an original work of fine arts or photographic work who is pictured in this work is entitled without the author's consent or that of another right holder and without paying a fee thereto to use this work as an illustration when publishing works of literature thereof, as well as to reproduce, demonstrate in public and distribute without the aim of deriving profit copies of the work, unless otherwise provided for by the agreement made with the author or other right holder.

The acquirer of a photographic work which is pictured in this work is also entitled to freely use it in connection with publication of the works dedicated to the acquirer's biography, unless otherwise provided for by the agreement made with the author or other holder of the rights to the photographic work.

Article 1292. The Right of Access

1. The author of a work of fine arts is entitled to claim from the owner of an original work that an opportunity be given to him to exercise his right to reproduce his work (right of access). In this case, the owner of the original work shall not be asked to deliver the work to the author.

2. The author of a work of architecture is entitled to claim from the owner of the original work that an opportunity be given to him to make photographic pictures and video the work, unless otherwise envisaged by the contract.

Article 1293. Artists' Resale Right

1. If alienation is effected by the author of an original work of fine arts, every time the relevant original work is publicly re-sold with the participation of a legal entity or individual businessman as a mediator, a buyer or seller (in particular, an auction company, art gallery, art show or art shop), the author is entitled to receive a fee from the seller in the form of interest on the re-sale price (artist's resale right). The rate of the interest and also the terms and procedure for paying out the interest shall be defined by the Government of the Russian Federation. The legal person or individual entrepreneur specified in this Item, is required to provide the information necessary to ensure payment of the remuneration, the author or the organisation for the management of rights on a collective basis representing its interests, including on the basis of the relevant request of the author or collective management organisation, in the order established by the Government of the Russian Federation.

The list of information provided for in this Item, as well as the **amount** of interest deductions, conditions and **procedure** for their payment are determined by the Government of the Russian Federation.

2. Authors shall exercise the artists' resale right in the procedure established by **Item 1** of the present article, and also in respect of the authors' manuscripts (autographs) of literary and musical works.

3. The artists' resale right is unalienable but it shall pass to the heirs of the author for the effective term of the exclusive right to the work.

Article 1294. The Rights of the Author of a Work of Architecture, Town Planning or Landscaping

1. The author of a work of architecture, town planning or landscaping has an exclusive right to use his work in accordance with **Items 2** and **3 of Article 1270** of the present code, including by means of elaborating construction documentation and by means of implementing an architectural, town-planning or landscaping project design, unless otherwise stipulated in the **contract**.

The use of an architectural, town-planning or landscaping project design is only admissible as a one-off event, except as otherwise established by the contract under which the project is created. The project and the construction documentation prepared on the basis thereof may be used again only with the consent of the author of the project design, unless otherwise stipulated in the **contract**.

2. The author a work of architecture, town planning or landscaping is entitled to carry out author's

control in respect of construction documentation elaboration and the author's supervision over the construction of a building or structure or another implementation of the project design. The procedure for exercising author's control and author's supervision shall be established by the federal executive body charged with architecture and town planning matters.

3. The author of a work of architecture, town planning or landscaping is entitled to demand from the customer of an architectural, town-planning or landscaping project that he be given the right to take part in implementing his project design, unless otherwise established by a contract.

Article 1295. Service Work

1. Copyrights to a scientific, literary or artistic work created within the job description limits established for an employee (author) (a service work) are owned by the author.

2. The employer has an exclusive right to a service work, unless otherwise envisaged by the labour contract or civil law contract between the employer and the author.

If within three years of the date when a service work was put at his disposal the employer did not start to use the work or did not assign the exclusive right to it to another person or did not inform the author that the work is kept in secret, the exclusive right to the service work shall be returned to the author.

If within the term mentioned in **Paragraph 2** of the present item the employer starts to use the service work or assigns the exclusive right to another person, the author shall be entitled to a fee. Also, the author shall acquire said right to a fee if the employer has decided to keep the service work secret, and accordingly did not start to use the work within the said term. The rate of the fee, the terms and procedure for the employer to pay it shall be defined by a contract between the employer and the employee, or by a court in the case of a dispute.

The right to a fee for service work shall be unalienable and shall not be inherited but the author's rights under the agreement made by him/her with the employer and the income which is not received by the author shall pass over to heirs thereof.

3. If according to **Item 2** of this article the exclusive right to service work is owned by the author, the employer is entitled to use the corresponding service work under the terms of an ordinary (non-exclusive) licensee with a fee to the right holder to be paid. The limits of a service work's use, the amount, terms of a procedure for paying a fee shall be determined by the agreement made by the employer and author or, if there is a dispute, by court.

4. An employer may promulgate a service work if the agreement made by him and the author does not stipulate otherwise, as well as to cite when using the service work the name or denomination thereof or to demand it to be cited.

Article 1296. Computer Programs and Databases Created by Order

1. The exclusive right to a computer program, database or other work created under a contract having the creation thereof as its subject matter (by order), shall be held by the client, unless otherwise envisaged by the contract between the contractor (performer) and the client.

2. If according to **Item 1** of this article the exclusive right to a work is owned by the client, the contractor (performer) is entitled, insofar as not otherwise envisaged by a contract, to use such work for his own needs under the terms of a gratuitous ordinary (non-exclusive) licence within the whole effective term of the exclusive right.

3. If according to a contract concluded between a contractor (performer) and a client the exclusive right to a work is owned by the contractor (performer), the client is entitled to use such work for the own needs thereof on the terms of a gratuitous ordinary (non-exclusive) licence within the whole effective term of the exclusive right.

4. The author of a work made by order who does not own an exclusive right to the work is entitled to a fee in accordance with **Paragraph 3 of Item 2 of Article 1295** of this Code.

5. The rules of this article shall not extend to contracts under which the contractor (performer) is the author proper (**Article 1288**).

Article 1297. Pieces of Work Created When Carrying Out Works under a Contract

1. The exclusive right to a computer program, database or other piece of work created when a contractor's contract or a contract for the performance of research and development works or technological works was performed, such contracts not expressly requiring the creation thereof, shall be held by the contractor (performer), except as otherwise envisaged by a contract between him and the client.

Unless otherwise envisaged by a contract, in this case the client is entitled to use the work so created for the purposes for which the relevant contract has been concluded, on the terms of an ordinary (non-exclusive) licence within the whole effective term of the exclusive right without paying out an additional fee for such work's use. If the exclusive right to a work has been assigned by the contractor (performer) to another person, the client shall retain the right to use the work.

2. If according to a contract between the contractor (performer) and the client the exclusive right to work has been assigned to the client or to a third party indicated by the client, then the contractor (performer) is entitled to use the work he has created for his own needs under the terms of a gratuitous ordinary (non-exclusive) licence within the whole effective term of the exclusive right, except as otherwise envisaged by a contract.

3. The author of the work mentioned in **Item 1** of this article who does not own an exclusive right to the work is entitled to a fee in accordance with **Paragraph 3 of Item 2 of Article 1295** of this Code.

Article 1298. Scientific, Literary and Artistic Works Created under a State or Municipal Contract

1. The exclusive right to scientific, literatury or artistic works created under a state or municipal contract for state or municipal needs, shall belong to the performer being author or another person performing the state or municipal contract, except for the cases established by **paragraph 1 of Item 3** and **Item 4 of Article 1240.1** of this Code.

A state or municipal contract may provide that the exclusive right to a work of science, literature or art created under a state or municipal contract for state or municipal needs shall belong jointly to the performer and the Russian Federation, the performer and the subject of the Russian Federation, or the performer and the municipality, except for cases established by **paragraph 1 of Item 3** and **Item 4 of Article 1240.1** of this Code.

2. An employee (author) whose exclusive right has been transferred to the performer has the right to obtain remuneration in accordance with paragraph three of **Item 2 of Article 1295** of this Code.

3. The rules of this article also apply to computer programs and databases, creation of which was not provided for by a state or municipal contract for state or municipal needs, but which were created in the performance of such a contract.

Article 1299. Technical Facilities Intended for Copyright Protection

1. Technical facilities intended for copyright protection are any technologies, technical apparatus or components thereof controlling access to a work, preventing or limiting the carrying out of actions not permitted by the author or other right holder in respect of a work.

2. The following is prohibited in respect of a work:

1) the commission of actions without the permission of the author or other right holder aimed at eliminating the limits imposed on the uses of the work by means of using the technical facilities intended for copyright protection;

2) manufacturing, distributing, hiring out, granting for temporary free-of-charge use, importing and advertising any technology, any technical apparatus or components thereof, using such technical facilities for profit-making or providing relevant services if such actions make it impossible to use the technical facilities intended for copyright protection or to disable them in terms of ensuring the appropriate protection of the copyright.

3. In the event of a breach of the provisions of **Item 2** of the present article the author or other right holder is entitled at his discretion to claim a payment of damages or compensation according to **Article**

1301 of the present Code from the infringer.

4. If **Items 1 to 3 of Article 1274** and **Article 1278** of this Code permit to use a work without the consent of the author of it or another right holder and such use is impossible by virtue of the presence of technical means of copyright's protection, the person rightfully claiming to such use may demand of the author or another right holder to remove the restrictions as to the use of the work imposed by way of applying technical means of copyright's protection or to provide an opportunity of such use at the right holder's choice on condition that it is technologically possible and does not require major outlays.

Article 1300. Information on Copyright Law

1. Information on copyright law is any information that identifies a work, an author or another right holder or the information on the terms of using a work available on the original work or a copy of the work, is attached thereto or appears in connection with a broadcast or cable program or in connection with the bringing of the work to the notice of the general public, and also any figures and codes containing such information.

2. The following is prohibited in respect of a work:

1) deleting or modifying information on copyright law without the author's or other right holder's consent;

2) the playback/reproduction, distribution, importation for the purpose of distribution, public performance, broadcasting or cable transmission, bringing to the notice of the general public of a work in respect of which information on copyright law has been deleted or modified without the author's or other right holder's consent.

3. In the event of a breach of the provisions of **Item 2** of the present article the author or other right holder is entitled at his discretion to claim from the infringer the payment of damages or compensation in accordance with **Article 1301** of the present Code.

Article 1301. Liability for a Breach of the Exclusive Right to a Work

In the event of a breach of the exclusive right to a work, the author or other right holder may claim), in accordance with **Item 3 of Article 1252** of this Code, the following compensation from the infringer instead of payment of damages, along with the use of other applicable remedies and measures of liability established by this Code (**Articles 1250**, **1252** and **1253**):

1) in the amount from 10,000 to 5,000,000 roubles as determined at the discretion of the court on the basis of the nature of violation;

2) in the twofold cost of counterfeit copies of the work;

3) in the twofold cost of the right to use the work determined on the basis of the price normally charged in comparable circumstances for the legal use of the work in the way that the infringer has used.

Article 1302. Security for a Claim in a Copyright Violation Case

1. A court may forbid the defendant or the person believed on sufficient grounds to be an infringer of copyright carrying out certain actions (manufacture, reproduction, sale, hiring out, import or other use envisaged by this Code, and also the transportation, storage or possession) of copies of a work for the purpose of using them in civil law transactions, if the copies are understood to be counterfeit.

A court may also take security measures which are adequate to the extent and nature of an offence aimed at suppressing the wrongful use of works in information and telecommunication networks, in particular at restricting access to materials containing illegally used works. A procedure for restricting access to such materials shall be established by the legislation of the Russian Federation on information.

2. The court may order the seizure of all copies of a work that are assumed to be counterfeit, and also of materials and equipment used or intended for the manufacture or reproduction/playback thereof.

If sufficient information is on hand concerning an infringement of copyright, the inquiry or investigation bodies shall take measures for searching and seizing the copies of the work assumed to be counterfeit, and also material and equipment used or intended for the reproduction/playback of the said

copes of the work, including, where necessary, measures for seizing them and putting in custody.

3. **Abrogated** from October 1, 2014.

Chapter 71. The Rights Allied to Copyright

§ 1. General Provisions

Article 1303. Basic Provisions

1. Intellectual rights to the results of a performance activity (performance), sound recordings, broadcast or cable-transmitted radio and television programs (the services of broadcasting and cable services organisations), to the contents of databases, and also to the scientific, literary and artistic works promulgated for the first time after they have passed into the public domain are deemed rights allied to copyright (allied rights).

2. Allied rights include the exclusive right, and also personal non-property rights in the cases envisaged by the present Code.

3. Allied rights shall be exercised with the observance of copyright with respect to works of science, literature and arts that were used in creating the object of the allied rights. Allied rights shall be recognised and shall be effective, regardless of whether the copyright in respect of such works is available and effective or not.

Article 1304. The Objects of Allied Rights

1. The objects of allied rights are as follows:

1) the results of performance activities (performances), these comprising performances by performers and conductors, if these performances are expressed in a form allowing their reproduction and distribution by technical facilities, the productions of performances by directors, if these productions are expressed in a form allowing their repeated public staging with the recognisability of a specific production by spectators being preserved, as well as in a form allowing their reproduction and distribution by technical facilities;

2) sound recordings, i.e., any exclusively sound records of performances or of other sounds or of their representations, except for a sound recording included in an audio-visual work;

3) the transmission of programs of broadcasting or cable-services organisations, including programs created by the broadcasting or cable services organisation proper or on its order with its funds by another organisation;

4) databases as far as concerns their protection against unauthorised retrieval and repeated use of the materials available in the contents thereof;

5) scientific, literary and artistic works promulgated after they have passed into the public domain, in as much as it concerns the rights of publishers of such works.

2. For the purposes of the occurrence, exercising and protecting of allied rights, they neither need registration nor do any other formalities need be completed.

3. The granting of protection on the territory of the Russian Federation to allied rights in accordance with international treaties of the Russian Federation shall take place in respect of the performances, sound recordings, transmissions of programs of broadcasting or cable-services organisations that have not passed into the public domain in their countries of origin due to the expiry of the effective term of exclusive rights to such object established in those countries, and which have not passed into the public domain in the Russian Federation due to the expiry of the effective term of exclusive right envisaged by the present Code.

Article 1305. The Mark of Legal Protection of Allied Rights

The manufacturer of a sound recording and performer, and also another owner of the exclusive right to a sound recording or performance is entitled to use for the purpose of warning about the exclusive right held by them, a mark of protection of allied rights to be placed on each original or copy of the sound

recording and/or on each case containing it, or in any other way in accordance with **Article 1310** of this Code, the mark being composed of the following three elements: the Latin letter "P" in a circle, the name or company name of the owner of the exclusive right, and the year of initial publication of the sound recording. With this, a copy of the sound recording means its copy on any material medium manufactured directly or indirectly from the sound recording and including all the sounds or part of the sounds or a representation of the sounds fixed in the sound recording. The representation of sounds means their being represented in a digital form that requires the relevant technical facilities to convert it into an audible form.

Article 1306. Using Objects of Allied Rights without the Consent of the Right Holder and without Paying a Fee

The use of objects of allied rights without the consent of the right holder and without paying a fee is admissible in cases of the free use of works (**Articles 1273**, **1274**, **1277**, **1278** and **1279**), and also in other cases envisaged by this Chapter.

Article 1306.1. Use of Phonograms and Embodiments Whose Authors Are Assumed to be Unknown, and Those Lawfully Declared as Public

1. If the producer of a phonogram or other holder of the exclusive right to a phonogram, as well as performer or other holder of the exclusive right for a performance is assumed to be unknown (**Item 1 of Article 1244.2**), it is permitted to use such items protected by related rights by the methods indicated in **Item 1 of Article 1280.1** hereof, under the procedure established in **Article 1244.2** hereof.

2. Should the exclusive right for a phonogram or performance be held by several persons or such phonogram or performance comprise other protected articles of copyrights and related rights, and not all rightholders are known (**Item 1 of Article 1244.2**), use of such article of related rights shall be managed under **Item 2 of Article 1280.1** hereof.

Article 1307. The Contract of Alienation of the Exclusive Right to an Object of Allied Rights

Under a contract of alienation of the exclusive right to an object of allied rights one party being a performer, the manufacturer of a sound, recording, a broadcasting or cable-services organisation, the manufacturer of a database, the publisher of a scientific, literary or artistic work or another right holder assigns or undertakes to assign his/its exclusive right to the relevant object of allied rights in full to the other party being an acquirer of the exclusive right.

Article 1308. The Licence Contract for Granting the Right to Use an Object of Allied Rights

1. Under a licence contract one party, a contractor, the manufacturer of a sound recording, a broadcasting or cable-services organisation, the manufacturer of a database, the publisher of a scientific, literary or artistic work or another right holder (licensor) grants or undertakes to grant to the other party (licensee) the right to use the relevant object of allied rights within the limits established by the contract.

2. The licence agreement under which an ordinary (non-exclusive) licence for the use of an object of allied rights is granted may be concluded in a simplified procedure (open licence). The provisions on granting an open licence for the use of works of science, literature or arts (**Article 1286.1**) shall apply to such agreement.

Article 1308.1. The Transfer of Exclusive Rights to Objects of Allied Rights by Way of Inheritance

The provisions on the transfer of the exclusive right to a work by way of inheritance (**Article 1283**) shall accordingly apply to the exclusive rights to the performance, phonograms, on-air or cable broadcast of radio and TV programs, to the content of databases, as well as to works of science, literature and arts promulgated after their becoming the public domain.

Article 1309. Technical Facilities Intended for Protecting Allied Rights

Any technologies, technical apparatus or components thereof controlling access to an object of allied rights, preventing or restricting the commission of actions not permitted by the right holder in respect of the object (technical facilities intended for protecting allied rights) respectively are subject to the provisions of **Articles 1299** and **1311** of the present Code.

Article 1310. Information on an Allied Right

In respect of any information that identifies an object of allied rights or a right holder or information on the terms for using the object and that is available on the relevant material medium, is attached thereto or appears in connection with the broadcast or cable transmission of the object to the notice of the general public, and also any figures and codes comprising such information (information on an allied right) respectively is subject to the provisions of **Articles 1300** and **1311** of the present Code.

Article 1311. Liability for Infringement of the Exclusive Right to an Object of Allied Rights

In the event of a breach of an exclusive right to an object of allied rights, the owner of the exclusive right is entitled, apart from the use of other applicable remedies and measures of liability established by this Code (**Articles 1250**, **1252** and **1253**), to claim in accordance with **Item 3 of Article 1252** of this Code from the infringer at the owner's discretion the following compensation instead of payment of damages:

1) in an amount of 10,000 to 5,000,000 roubles as determined at the court's discretion on the basis of the nature of the offence;

2) in the amount of double the cost of counterfeit copies of a phonogram;

3) in the amount of double the cost of the right to use the object of allied rights to be estimated on the basis of the price which under comparable circumstances is normally taken for the rightful use of the object in the way that has been used by the infringer.

Article 1312. A Security for a Claim in a Case of Infringement of Allied Rights

For the purpose of provision of a security for a claim in a case of infringement of allied rights, a defendant or a person believed on a sufficient ground to be an infringer of allied rights, and also the objects of allied rights believed to be counterfeit are respectively subject to the measures set out in **Article 1302** of the present Code.

§ 2. Performance Rights

Article 1313. The Performer

The performer (the author of a performance) is a citizen by whose creative labour a performance has been created, i.e., a performing actor (actor, singer, musician, dancer or another person playing a role, reading, reciting, singing, playing a musical instrument or otherwise taking part in the performance of a literary, artistic or folklore work, including a variety, circus or puppet show), and also the conductor, director of a play (the person who has staged a theatrical, circus, puppet, variety or another theatrical performance).

Article 1314. Allied Rights to a Joint Performance

1. Allied rights to a joint performance are owned jointly by the members of the performing team who have taken part in the creation thereof (the actors engaged in a play, members of the orchestra and other members of the performing team), irrespective of this performance being an integral entity or being composed of elements each having independent significance.

2. An allied right to a joint performance shall be exercised by the head of the performing team, or if there is no such head, jointly by the members of the performing team, unless otherwise envisaged by agreement among them. If a joint performance is an integral entity, none of the members of the performing

team is entitled without good reason to ban the use thereof.

An element of a joint performance that can be used independently of other elements, i.e., an element having independent significance, may be used by the performer who has created it at his own discretion, unless otherwise envisaged by an agreement among the members of the performing team.

3. The relationships of the members of a performing team which have to do with distributing earnings from a joint performance are subject to the rules of **Item 3 of Article 1229** of the present Code.

4. Each member of a performing team is entitled to take measures on his own to protect his allied rights to a joint performance, including in cases when such performance is an integral entity.

Article 1315. Performer's Rights

1. The performer owns the following rights:

1) the exclusive right to the performance;

2) the right of attribution, i.e., the right to be recognised as the author of the performance;

3) a right to the name, i.e., the right to have his name or pseudonym indicated on copies of a sound recording and in other cases when the performance is used, and in the case described in **Item 1 of Article 1314** of the present Code, a right to have the name of the performing team indicated, except for cases when the nature of the use of a performance makes it impossible to indicate the name of the performer or the name of the performing team;

4) the right to the integrity of a performance, in particular of a production, i.e., the right to have the performance protected against any distortion, that is, against modifying it so that its sense is distorted or that the integrity of perception of the performance is broken, in its recording, broadcast or cable transmission, when bringing the performance to public notice, as well as when the production of a play is publicly performed.

2. Performers shall exercise their rights in the observance of the rights of the authors of the works performed.

3. The rights of a performer shall be recognised and shall have their effect irrespective of the existence or effect of copyrights in the work performed.

Article 1316. The Protection of Attribution, Performer's Name and Integrity of a Performance upon the Death of a Performer

1. The attribution, the name of the performer, and the integrity of a performance are protected indefinitely.

2. A performer is entitled, in the procedure envisaged for designating the executor of a will (**Article 1134**), to designate the person in whom he vests responsibility for protecting authorship, the name of the performer, and the integrity of the performance upon the death of the performer. That person shall execute his powers for life.

If no such indications have been made or if the person designated by the performer has refused to execute these powers, and also on the death of that person the protection of the name of the performer and the integrity of the performance shall be ensured by his heirs, their successors or other persons concerned.

Article 1317. The Exclusive Right to a Performance

1. The performer owns an exclusive right to use the performance in accordance with **Article 1229** of the present Code in any manner that does not conflict with a law (the exclusive right to a performance), including the methods specified in **Item 2** of the present article. The performer may dispose of the exclusive right to the performance.

2. The following shall be deemed the use of a performance:

1) the broadcasting, i.e., communicating of the performance for the notice of the general public, by means of its being broadcast by radio or television (including re-transmission), except for cable broadcasting. In this case, communication means any action whereby the performance is made available for audio and/or visual perception, irrespective of its actual perception by the public. When the performance is broadcast via satellite, broadcasting means the reception of the signals from a ground

station by the satellite and the transmission of the signals from the satellite, such signals serving to bring the performance to the notice of the general public, irrespective of its actual reception by the public. The transmission of encoded signals shall be deemed on-air broadcasting, if the decoding facilities are provided to an unlimited group of persons by an on-air broadcasting organisation or with its consent;

2) cable communication, i.e., the communication of the performance for the notice of the general public by means of transmitting it by radio or television by means of a cable, wire, optical fibre or similar facilities (including re-transmission);

3) bringing the performance to public notice so that any person may provide access thereto from any place and at any time at the own choice thereof (bringing to public notice);

4) the recording of the performance, i.e., the fixation of sounds and/or an image or of representations thereof by means of technical facilities in any material form enabling their multiple perception, reproduction/playback or communication;

5) the reproduction of a recording of the performance, i.e., making one or more copies of a performance or of a part thereof in any material form. In this case, a recording of the performance on an electronic medium, including a record made in the memory of a computer, shall be also deemed reproduction. As reproduction shall not be deemed a recording of a temporary or accidental nature and one which is an integral and significant part of a technological process solely aimed at legally using the record, or transmission of the performance on an information and telecommunication network by an information broker to third parties, provided that such recording is of no independent economic importance;

6) the distribution of a recording of the performance by means of selling or another alienation of its original or of copies being copies of the recording on any material medium;

7) an action taken in respect of a recording of the performance and envisaged by **Subitems 1-3** of this item;

8) public playback of a recording of the performance, i.e., any communication of the recording by means of technical facilities in a place open to the public or in a place where a significant number of people are present who do not belong to the ordinary family group, irrespective of whether the recording is perceived in the place where it is communicated or in another place simultaneously with the communication thereof;

9) hiring out of an original recording of the performance or of copies thereof.

10) the public performance of a play, that is, live performance or that with the help of technical facilities at a public place or at a place where are present a considerable number persons who do not belong to the ordinary family circle, regardless of whether the performance of the play is perceived at the place of its performance or at some other place concurrently with the play's performance.

3. The exclusive right to a performance does not extend to the reproduction, broadcasting or cable transmission, and public playback of a recording of the performance in cases when such recording has been made with the consent of the performer, and its reproduction, broadcasting or cable transmission or public playback takes place for the same purposes for which the performer's consent was obtained when the performance was recorded.

4. If a contract is concluded with a performer for the creation of an audio-visual work, the performer's consent to the use of the performance within the audio-visual work is assumed. The performer's consent to separate use of the sound or image fixed in the audio-visual work shall be expressly stated in the contract.

5. When a performance is used by a person other than the performer thereof, the rules of **Item 2 of Article 1315** of the present Code are applicable respectively.

Article 1318. The Effective Term of the Exclusive Right to a Performance, the Inheritance of the Right and the Passing of the Performance into the Public Domain

1. The exclusive right to a performance shall be in effect for the whole life of the performer, but for at least 50 years from January 1 of the year following the year in which the performance was made by the performer or conductor, or a record of the performance was taken or the communication of the

performance by means of a broadcast or cable service took place, or the performance was brought to public notice.

The exclusive right of the director of a play to its staging shall be in effect for the whole life of the director but at least 50 years from January 1 of the year following the year in which the first public performance of the director's production of the play took place.

2. If a performer has been subjected to repression and posthumously rehabilitated, the effective term of the exclusive right shall be deemed extended, and 50 years shall be counted from January 1 of the year following the year in which the performer was rehabilitated.

3. If a performer worked during the Great Patriotic War (World War II) or took part in it, the effective term of the exclusive right established by **Item 1** of the present article shall be extended by four years.

4. The exclusive right to a performance shall be transferred to the performer's heirs within the limits of the remaining part of the time period cited in **Items 1-3** of this article.

5. Upon the expiry of the effective term of the exclusive right to a performance, the right thereto shall pass into the public domain. A performance that has passed into the public domain is subject to the rules of **Item 2 of Article 1282** of this Code.

Article 1319. Levy of Execution on the Exclusive Right to a Performance and on the Right to Use a Performance under a Licence

1. It is not allowed to levy execution against the exclusive right held by the performer, except when execution is levied under the contract of pledge which is made by the performer and whose subject is the exclusive right to a specific performance cited in the contract and held by the performer. Execution may be levied against the right of claim of the performer against other persons under contracts of alienation of the exclusive right to a performance and under licence agreements, as well as against the income derived from the use of a performance.

An exclusive right owned by a person other than the performer proper and the right to use a performance owned by a licensee are subject to levy of execution.

The rules of **Paragraph 1** of the present item extend to the heirs of the performer, their heirs and so on within the limits of the effective term of the exclusive right.

2. In the event of a public sale of a right to use a performance owned by a licensee for the purposes of levy of execution on the right the performer enjoys a priority right to acquire it.

Article 1320. A Performance Created in the Line of Duty

The rights to a performance that has been created within the limits of the labour duties established for an employee (performer), including the rights to a joint performance created in this line are subject to the rules of **Article 1295** of the present Code.

Article 1321. The Effect of the Exclusive Right to a Performance on the Territory of the Russian Federation

The exclusive right to a performance is effective on the territory of the Russian Federation if:

the performer is a citizen of the Russian Federation;

the first performance took place on the territory of the Russian Federation;

the performance is fixed as a sound recording protected in accordance with the provisions of **Article 1328** of the present Code;

a performance that has not been fixed as a sound recording is included in a broadcast or cable transmission protected under the provisions of **Article 1332** of the present Code;

in other cases envisaged by international treaties of the Russian Federation.

§ 3. The Right to a Sound Recording

Article 1322. The Manufacturer of a Sound Recording

The manufacturer of a sound recording is the person who has initiated, and is responsible for, the first recording of the sounds of a performance or other sounds or representations of these sounds. Unless otherwise proven, the manufacturer of a sound recording is the person whose name is indicated in the ordinary manner on a copy of the sound recording and/or on the packaging thereof, or in some other way in compliance with **Article 1310** of this Code.

Article 1323. The Rights of the Manufacturer of a Sound Recording

1. The manufacturer of a sound recording owns:

1) an exclusive right to the sound recording;

2) a right to indicate his/its name on copies of the sound recording and/or on the packaging thereof;

3) a right to have the sound recording protected against distortions as it is being used;

4) a right to have the sound recording promulgated, i.e., to commit an action that makes the sound recording available for the first time to the general public by means of its publication, public show, public performance, broadcast, or cable transmission or otherwise. In this case, the publication (issuance) is the release for circulation of copies of the sound recording with the consent of the manufacturer in a quantity sufficient for meeting the public's reasonable needs.

2. The manufacturer of a sound recording shall exercise his/its rights in the observance of the rights of the authors of works and of the rights of performers.

3. The rights of the manufacturer of a sound recording are recognised and are effective, irrespective of the existence and effect of copyrights and performers' rights.

4. A right to indicate one's name on the copies of a sound recording and/or on the packaging thereof and a right to have a sound recording protected against distortions are effective and protected for the whole life of the citizen or until the termination of the legal entity being the manufacturer of the sound recording.

Article 1324. The Exclusive Right to a Sound Recording

1. The manufacture of a sound recording owns the exclusive right to use the sound recording according to **Article 1229** of the present Code in any manner that does not conflict with the law (exclusive right to a sound recording), including the methods specified in **Item 2** of the present article. The manufacturer of a sound recording may dispose of the exclusive right to the sound recording.

2. The uses of a sound recording are as follows:

1) a public performance, i.e., any communication of the sound recording by technical facilities in a place open to the public or in a place where a significant number of people are present who do not belong to the ordinary family group, irrespective of the sound recording's being perceived in the place where it is communicated or in another place simultaneously with the communication thereof;

2) a broadcast, i.e., the communication of the sound recording for the notice of the general public by means of its being broadcast by radio or television (including re-transmission), except for cable communication. In this case, the communication means any action whereby the sound recording is made available for audio perception, irrespective of its actually being perceived by the public. The transmission of encoded signals shall be deemed on-air broadcasting, if the decoding facilities are provided to an unlimited group of persons by an on-air broadcasting organisation or with its consent. When the sound recording is broadcast via satellite the broadcasting means the reception of the signals from a ground station by the satellite and the transmission of the signals from the satellite, such signals making it possible for the sound recording to be brought to the general public's notice, irrespective of its actually being received by the public;

3) a cable communication, i.e., the communication of the sound recording for the notice of the general public by radio or television cable, wire, optical fibre or similar facilities (including retransmission);

4) the bringing of the sound recording to the notice of the general public so that any person may

have access to the sound recording from any place and at any time at the person's own discretion (bringing to the notice of the general public);

5) reproduction, i.e., the manufacturing of one or more copies of a phonogram or of a part thereof in any material form. In this case, the recording of the phonogram or a part thereof on an electronic medium, including saving in the memory of a computer, shall also be deemed reproduction. As reproduction shall not be deemed short-term recording of a phonogram, which is of a temporary or accidental nature or is an integral and significant part of a technological process solely aimed at legally using the phonogram or its transmission to an information and telecommunication network by an information broker to third parties, provided that such recording does not have independent economic importance;

6) the distribution of the sound recording by means of a sale or other alienation of the original or copies which are copies of the sound recording on any material medium;

7) the importation of the original or copies of the sound recording for the purpose of distribution, including the copies manufactured with the permission of the right holder;

8) the hiring out of the original and copies of the sound recording;

9) the processing of the sound recording.

3. A person who has legally processed a sound recording acquires an allied right to the processed sound recording.

4. When a sound recording is used by a person other than the manufacturer thereof, the rules of **Item 2 of Article 1323** of the present Code are applicable.

Article 1325. Distributing the Original or Copies of a Published Sound Recording

If the original or copies of a sound recording have been legally published through the release thereof for civil-law transactions on the territory of the Russian Federation by means of a sale or other alienation, the further distribution of the original or copies is admissible without the consent of the owner of the exclusive right to the sound recording and without a fee being paid thereto.

Article 1326. Using a Sound Recording Published for Commercial Purposes

1. The public performance of a sound recording published for commercial purposes, and also the broadcasting or cable transmission thereof is admissible without the permission of the owner of the exclusive right to the sound recording and of the owner of the exclusive right to the performance fixed in the sound recording, but with a fee being paid thereto.

2. The collection of the fee described in **Item 1** of the present article from users and the distribution of the fee shall be carried out by organisations managing rights on a collective basis and holding state accreditation for the pursuance of the relevant types of activity (**Article 1244**).

3. The fee described in **Item 1** of this article shall be distributed to the right holders according to the following proportion: 50 per cent to performers, 50 per cent to the manufacturers of phonograms. The fee distribution to specific performers and manufacturers of phonograms shall be carried out pro rata to the actual use of the relevant sound recordings. The Government of the Russian Federation is entitled to fix the fee rates, as well as a procedure for collection, distribution and payment of fees.

4. The users of sound recordings shall file reports with the organisation managing rights on a collective basis on the uses of sound recordings, and also provide other information and documents required for fee collection and distribution.

Article 1327. The Effective Term of the Exclusive Right to a Sound Recording, the Transfer of the Right to Successors and the Passing of a Sound Recording into the Public Domain

1. The exclusive right to a sound recording is in effect for 50 years from January 1 of the year following the year in which the recording took place. In the event of promulgation of a sound recording, the exclusive right is in effect for 50 years from January 1 of the year following the year in which it was promulgated, provided the sound recording is promulgated within 50 years of the recording taking place.

2. The exclusive right to the sound recording is transferred to the heirs and other successors of the manufacturer of a sound recording within the limits of the remaining portions of the terms specified in **Item 1** of the present article.

3. Upon the expiry of the effective term of the exclusive right to a phonogram it shall pass into the public domain, that is, it may be freely used by any person without anybody's consent or permit and without paying a fee.

Article 1328. The Effect of the Exclusive Right to a Sound Recording on the Territory of the Russian Federation

The exclusive right to a sound recording is effective on the territory of the Russian Federation if:

the manufacturer of the sound recording is a citizen of the Russian Federation or a Russian legal entity;

the sound recording has been promulgated or its copies have been publicly distributed for the first time on the territory of the Russian Federation;

other cases contemplated by international treaties of the Russian Federation.

§ 4. The Rights of Broadcasting and Cable-Services Organisations

Article 1329. Broadcasting or Cable-Services Organisation

As a broadcasting or cable-services organisation shall be deemed a legal entity independently determining the content of radio and TV programs (the totality of sounds and/or images or of their presentations) and communicating them over the air or by cable by their own assets or with the help of third parties.

Article 1330. The Exclusive Right to the Communication of Radio or Television Programs

1. A broadcasting or cable-services organisation owns an exclusive right to legally communicate broadcast or cable programs in accordance with **Article 1229** of the present Code in a manner that does not conflict with the law (the exclusive right to the communication of a radio or television program), including by methods specified in **Item 2** of the present article. A broadcasting or cable-services organisation may dispose of the exclusive right to the communication of a radio or television program.

2. The following is deemed to be the communication of a radio or television program (broadcasting/transmitting):

1) the recording of the communication of a radio or television program, i.e., the fixation of sounds and/or image or of representations thereof by technical facilities in any material form that makes it possible for it to be perceived, reproduced or communicated several times;

2) reproduction of a record of a radio or TV broadcast, i.e., the manufacturing of one or more copies of the record of a radio or TV broadcast or of a part thereof in any material form. In this case, a record of a radio or TV broadcast or a part thereof on an electronic medium, including saving in the memory of a computer, shall be also deemed reproduction. As reproduction shall not be deemed a short-term record which is of a temporary or accidental nature, or is an integral and significant part of a technological process solely aimed at legally using a record of a radio or TV broadcast phonogram or its transmission to an information and telecommunication network by an information broker for third parties, provided that such record does not have independent economic importance;

3) the distribution of the communication of a radio or television program by selling or another alienation of the original or copies of a record of the communication of the radio or television program;

4) the re-transmission, i.e., reception and simultaneous broadcasting (for instance, via satellite) or by cable of a radio or television program or of a significant part thereof aired or cabled by an organisation engaged in on-air or cable broadcasting;

5) the bringing of the communication of a radio or television program to the notice of the general public so that each person can have access to the communication of the radio or television program from

any place and at any time at the person's own discretion (bringing to the notice of the general public);

6) the public performance, i.e., any communication of a radio or television program by technical facilities in places where an entry fee is charged, irrespective of its being perceived in the place where communicated or in another place simultaneously with the communication.

7) hiring of the original or copies of a record of a radio or TV broadcast.

3. **Abrogated** from October 1, 2014.

4. The right to use the communication of a radio or television program is subject, respectively, to the rules of **Item 3 of Article 1317** of the present Code.

5. Broadcasting and cable-services organisations exercise their rights in observance of the rights of authors of works, the rights of performers, and, in the relevant cases, of owners of the rights to a sound recording and the rights of other broadcasting and cable-services organisations to the communication of radio and television programs.

6. The rights of a broadcasting and cable-services organisation are recognised and are effective independently of the existence and effect of copyrights, performers' rights, and also the rights to a sound recording.

Article 1331. The Effective Term of the Exclusive Right to the Communication of a Radio or Television Program, the Transfer of This Right to Successors and the Passing of the Communication of a Radio or Television Program into the Public Domain

1. The exclusive right to the communication of a radio or television program is effective for 50 years from January 1 of the year following the year in which the communication of the radio or television program by broadcasting or by cable took place.

2. The exclusive right to the communication of a radio or television program is transferred to the successors of the broadcasting and cable-services organisation within the limits of the remaining portion of the term specified in **Item 1** of the present article.

3. Upon termination of the exclusive right to the communication of a radio or television program it shall pass into the public domain, that is, it may be freely used by any person without anybody's consent or permit and without paying a fee.

Article 1332. The Effect of the Exclusive Right to the Communication of a Radio or Television Program on the Territory of the Russian Federation

The exclusive right to the communication of a radio or television program is effective on the territory of the Russian Federation if the broadcasting and cable-services organisation is located on the territory of the Russian Federation and carries out communication by means of transmitters located on the territory of the Russian Federation, and also in other cases envisaged by international treaties of the Russian Federation.

§ 5. The Right of the Manufacturer of a Database

Article 1333. The Manufacturer of a Database

1. The manufacturer of a database is the person that has organised the creation of the database and the work of gathering, processing and arranging the materials making up the database. Unless otherwise proven, the manufacturer of a database is the citizen or legal entity whose name is indicated in an ordinary manner on a copy of the database and/or on the packaging thereof.

2. The manufacturer of a database owns the following:

the exclusive right of the manufacturer of the database;

a right to indicate his/its name on copies of the database and/or on the packaging thereof.

a right to promulgate a database, that is, to make the action for the first time making the database accessible for the general public by way of its publication, bringing to public notice, broadcasting over air or by cable, or in some other way. With this, as publication (release) shall be deemed release for

circulation of the databases' copies by the producer's approbation in the number which is sufficient for meeting reasonable public demand.

The right to cite on the databases' copies and/or on their packing his/its name or denomination shall be in effect and protected within the whole effective term of the exclusive right of the database's manufacturer.

Article 1334. The Exclusive Right of the Manufacturer of a Database

1. The manufacturer of a database whose creation (including the processing or presentation of the relevant materials) requires significant financial, material, organisational or other costs, owns an exclusive right to retrieve materials from the database and subsequently use them in any form and in any manner (the exclusive right of the manufacturer of the database). The manufacturer of the database may dispose of the said exclusive right. Unless otherwise proven, a database whose creation requires significant cost is a database comprising at least 10,000 independent information elements (materials) making up the content of the database (**Paragraph 2 of Item 2 of Article 1260**).

Nobody is entitled to retrieve materials from a database and subsequently use them without the permission of the right holder, except for the cases described in the present Code. In this case, the retrieval of materials means the transfer of the whole content of the database or of a significant portion of the materials making it up to another information medium through the use of any technical facilities and in any form.

2. The exclusive right of the manufacturer of a database is recognised and is effective independently of the existence and effect of the copyrights and other exclusive rights of the manufacturer of the database and of other persons to the materials making up the database, and also to the database as a whole as a composite work.

3. Within the effective term of the exclusive right to a database, the right holder may at the will thereof register the database with the federal executive body in charge of intellectual property matters, The rules of **Article 1262** of this Code shall apply to such registration.

Article 1335. The Effective Term of the Exclusive Right of the Manufacturer of a Database

1. The exclusive right of the manufacturer of a database comes into being as of the time of completion of creation thereof and it shall be in effect for 15 years, from January 1 of the year following the year in which it was created. The exclusive right of the manufacturer of a database promulgated within the said period is effective for 15 years, counted from January 1 of the year following the year in which it was promulgated.

2. The terms set out in **Item 1** of the present article shall be resumed every time the database is updated.

Article 1335.1. Actions Which Are Not Deemed to Be a Violation of the Exclusive Right of the Database's Manufacturer

1. The person rightfully using a promulgated database is entitled without the consent of the exclusive right's holder being the database's producer and insofar as such actions do not violate the copyright of the database's producer and of other persons to retrieve materials from the database and subsequently use them:

with the aim for which the database is provided thereto to any extent, unless otherwise provided for by a contract;

for personal, scientific and educational purposes to the extent justified by the cited purposes;

for other purposes to the extent making up an insignificant part of the database.

The use of the materials retrieved from a database in a way envisaging the provision of access thereto of an unlimited group of persons shall be accompanied by citing the database these materials have been retrieved from.

2. Making the actions encompassed by an exclusive right of the database's producer by another

person shall not be deemed a violation of such right, if such person can prove that he/it could not establish the identity of the database's producer and that he/it under the circumstances reasonably believed that the effective term of the exclusive right to the database has expired.

3. Multiple retrieval or use of the materials making up an insignificant part of the database is not allowed, if such actions go counter to the normal use of the database and unreasonably infringe the legitimate interests of the database's producer.

4. The database producer may not prohibit using individual materials which, though being contained in the database, have been rightfully received by the person using them from sources other than this database.

Article 1336. The Effect of the Exclusive Right of the Manufacturer of a Database on the Territory of the Russian Federation

1. The exclusive right of the manufacturer of a database is effective on the territory of the Russian Federation if:

the manufacturer of the database is a citizen of the Russian Federation or a Russian legal entity;

the manufacturer of the database is a foreign citizen or a foreign legal entity, provided that the legislation of the relevant foreign state grants protection on the territory thereof to the exclusive right of a manufacturer of the database if manufactured by a citizen of the Russian Federation or a Russian legal entity;

in other cases set out in international treaties of the Russian Federation.

2. If the manufacturer of a database is a stateless person, depending on whether his place of residence is on the territory of the Russian Federation or a foreign state, said manufacturer is respectively subject to the rules of **Item 1** of the present articles concerning citizens of the Russian Federation or foreign citizens.

§ 6. The Right of a Publisher to a Scientific, Literary or Artistic Work

Article 1337. The Publisher

1. The publisher is a citizen who has legally promulgated or organised the promulgation of a scientific, literary or artistic work that has not been promulgated earlier and that has not passed into the public domain (**Article 1282**) or that is in the public domain due to its not having been protected by copyright.

2. The rights of a publisher extend to works that, irrespective of the time of creation thereof, could be deemed objects of copyright in accordance with the rules of **Article 1259** of the present Code.

3. The provisions of the present paragraph do not extend to works kept in state and municipal archives.

Article 1338. The Rights of the Publisher

1. The publisher owns the following:

1) the exclusive right of the publisher to a work he has promulgated (**Item 1 of Article 1339**);

2) a right to have his name indicated on copies of a work he has promulgated and in other cases when it is used, including cases when it is translated or otherwise processed.

2. When a work is being promulgated the publisher shall observe the terms set out in **Item 3 of Article 1268** of the present Code.

3. Within the effective term of the exclusive right of the publisher to a work, the publisher has the authority set out in **Paragraph 2 of Item 1 of Article 1266** of the present Code. The same rights are owned by the person to which the exclusive right of a publisher to a work has been transferred.

Article 1339. The Exclusive Right of the Publisher to a Work

1. The publisher of a work owns the exclusive right to use the work in accordance with **Article 1229** of the present Code (the exclusive right of the publisher to the work) in the manner described in **Subitems 1-8.1** and **11 of Item 2 of Article 1270** of the present Code. The publisher of the work may dispose of the said exclusive right.

2. The exclusive right of the publisher to a work is also recognised if the work has been promulgated by the publisher in a translation or in another processed form. The exclusive right of the publisher to a work is recognised and is effective independently of the existence and effect of the copyright of the publisher or of other persons to a translation or another processed form of the work.

Article 1340. The Effective Term of the Exclusive Right of the Publisher to a Work

1. The exclusive right of the publisher to a work comes into being from the time when the work is promulgated, and it shall be in effect for 25 years from January 1 of the year following the year in which it was promulgated.

2. After termination of the publisher's exclusive right, a work may be freely used by any person without anybody's consent or permit and without paying a fee.

Article 1341. The Effect of the Exclusive Right of the Publisher to a Work on the Territory of the Russian Federation

1. The exclusive right of the publisher extends to a work:

1) promulgated on the territory of the Russian Federation, irrespective of the publisher's citizenship;

2) promulgated outside the territory of the Russian Federation by a citizen of the Russian Federation;

3) promulgated outside the territory of the Russian Federation by a foreign citizen or stateless person, provided that the legislation of the foreign state where the work was promulgated grants protection on the territory thereof to the exclusive right of a publisher who is a citizen of the Russian Federation;

4) in other cases envisaged by international treaties of the Russian Federation.

2. In the case specified in **Subitem 3 of Item 1** of the present article the effective term of the publisher's exclusive right to a work on the territory of the Russian Federation shall not exceed the effective term of the publisher's right to a work established in the state on whose territory the legal fact serving as grounds for the acquisition of the exclusive right took place.

Article 1342. Early Termination of the Exclusive Right of the Publisher to a Work

The exclusive right of the publisher to a work may be terminated before due time in a judicial procedure upon a complaint of a person concerned if in the use of the work the right holder violates the requirements set out in the present Code concerning the protection of attribution, name of the author, or integrity of the work.

Article 1343. Alienation of the Original of a Work and the Exclusive Right of the Publisher to the Work

1. When the original of a work (manuscript, original work of painting, sculpture or another similar work) is alienated by its owner holding the exclusive right of publisher to the work alienated, this exclusive right is transferred to the acquirer of the original work, except as otherwise envisaged by a contract.

2. If the exclusive right of the publisher to a work has not been transferred to the acquirer of the original of a work, the acquirer is entitled without the consent of the holder of the exclusive right of the publisher to use the original work in the manner specified in **Item 2 of Article 1291** of the present Code.

Article 1344. Distributing the Original or Copies of a Work Protected by the Exclusive Right of the Publisher

If the original or copies of a work promulgated in accordance with the present paragraph have been legally subjected to civil-law transactions by means of being sold or otherwise alienated the further distribution of the original or copies is admissible without the consent of the publisher and without a fee being paid to the publisher.

Chapter 72. The Patent Law

§ 1. Basic Provisions

Article 1345. Patent Rights

1. Intellectual rights to inventions, utility models and industrial designs are patent rights.

2. The author of an invention, utility model or industrial design owns the following rights:

1) an exclusive right;

2) the right of attribution.

3. In the cases envisaged by the present Code the author of an invention, utility model or industrial design also owns other rights, including the right to obtain a patent, the right to a fee for a service invention, utility model or industrial design.

Article 1346. The Effect of Exclusive Rights to Inventions, Utility Models and Industrial Designs on the Territory of the Russian Federation

The following is recognised on the territory of the Russian Federation: the exclusive rights to inventions, utility models and industrial designs certified by patents issued by the federal executive body charged with intellectual property matters, as well as in other cases provided for by international treaties of the Russian Federation.

Article 1347. The Author of an Invention, Utility Model or Industrial Design

The author of an invention, utility model or industrial design is the citizen by whose creative labour the relevant result of intellectual activity has been created. Unless otherwise proven, the person mentioned as the author in a patent application filed for an invention, utility model or industrial design shall be deemed the author of the invention, utility model or industrial design.

Article 1348. The Co-Authors of an Invention, Utility Model or Industrial Design

1. The citizens who have created an invention, utility model or industrial design shall be deemed co-authors.

2. Each of the co-authors shall be entitled to use the invention, utility model and industrial design at his own discretion, except as otherwise envisaged by agreement between them.

3. The relationships of the co-authors that have to do with the distribution of incomes from the use of the invention, utility model and industrial design and with disposing of the exclusive right to the invention, utility model and industrial design are subject respectively to the rules of **Item 3 of Article 1229** of the present Code.

The co-authors shall jointly dispose of a right to obtain a patent to the invention, utility model and industrial design.

4. Each of the co-authors shall be entitled to take measures on his own to protect his rights to the invention, utility model and industrial design.

Article 1349. The Objects of Patent Rights

1. The objects of patent rights are the results of intellectual activities in the area of science and technology that meet the requirements established by the present Code as applicable to inventions and utility models, and the results of intellectual activities in the area of design that meet the requirements established by the present Code as applicable to industrial designs.

2. Inventions comprising information constituting a state secret (secret inventions) are covered by the provisions of the present Code, except as otherwise envisaged by the special rules of **Articles 1401-1405** of the present Code and other legal acts enacted in accordance with them.

3. Utility models and industrial designs comprising information constituting a **state secret** shall not have legal protection in accordance with the present Code.

4. The following shall not be objects of patent rights:

1) human cloning techniques and a clone thereof;

2) the techniques for modifying the genetic integrity of human embryo cells;

3) the uses of human embryos for industrial and commercial purposes;

4) the results of intellectual activities cited in **Item 1** of this article, if they run counter to the public interest and humane and moral principles.

Article 1350. The Conditions for Patentability of an Invention

1. A technical solution in any area is protected as an invention if it relates to a product (including a device, substance, strain of microorganisms, plant, or animal cell culture) or a method (the process of carrying out actions in respect of a material object by material means), in particular, to the application of a product or method for a particular purpose.

An invention is provided with legal protection if it is novel, has an inventive step, and is industrially exploitable.

2. An invention is novel if it is not known from the state of the art.

An invention has an inventive step if for a specialist it does not obviously ensue from the state of the art.

The state of the art with respect to invention includes any information that has become available to the public in the world before the priority date of the invention.

When the novelty of an invention is being assessed, the state of the art shall also include all patent applications filed for inventions, utility models and industrial designs by other persons in the Russian Federation if they have earlier priority dates and if any person is entitled to read the documents related thereto in accordance with **Items 2** and **4 of Article 1385** or **Item 2 of Article 1394** of the present Code, and the inventions, utility models and industrial designs patented in the Russian Federation.

3. The disclosure of information concerning an invention by the author of the invention, by an applicant or any person that has received this information from them directly or indirectly (in particular, as a result of showing an invention at an exhibition) which made the essence of the invention available to the general public shall not be deemed a circumstance precluding recognition of the invention's patentability, provided a patent application has been filed with the federal executive body charged with intellectual property matters within twelve months after the date of the information disclosure. The burden of proving the existence of the circumstance due to which the information disclosure does not preclude recognition of the invention's patentability shall be borne by the applicant.

4. An invention is deemed industrially exploitable if it can be used in industry, agriculture, public health and other branches of the economy or in the social sphere.

5. The following shall not be deemed inventions, in particular:

1) discoveries;

2) scientific theories and mathematical methods;

3) solutions concerning only the appearance of articles and aimed at meeting aesthetical needs;

4) the rules and methods of games and of intellectual or economic activities;

5) computer programs;

6) solutions consisting in the presentation of information only.

In accordance with the present item these objects cannot be deemed inventions only when a patent application for an invention concerns these objects per se.

6. No legal protection shall be provided to the following as inventions:

1) varieties of plants, breeds of animals and the biological methods for producing them, that is, the

methods consisting in full of cross-breeding and selection, except for microbiological methods and products made by such methods;

2) integrated circuit layout-designs.

Article 1351. The Conditions for the Patentability of a Utility Model

1. A technical solution relating to an apparatus is protected as a utility model.

A utility model is given legal protection if it is novel and industrially exploitable.

2. A utility model is deemed novel if the aggregate of its significant features is not known from the state of the art.

The state of the art in respect of a utility model includes all data that have become generally available worldwide before the priority date of the useful model. The state of the art also includes (upon condition of an earlier priority) all the patent applications filed for an invention, utility model or industrial design by other persons in the Russian Federation if any person is entitled to read the documents related thereto in accordance with **Items 2** and **4 of Article 1385** or **Item 2 of Article 1394** of this Code, and the inventions and utility models patented in the Russian Federation.

3. The disclosure of information concerning a utility model by the author thereof, applicant or any other person that has directly or indirectly obtained this information from them (in particular, as a result of showing the utility model at an exhibition) making information on the essence of the utility model available to the general public shall not be deemed a circumstance precluding the recognition of patentability of the utility model, provided that a patent application for the utility model was filed with the federal executive body charged with intellectual property matters within six months after the information disclosure. The burden of proving the existence of the circumstances due to which information disclosure does not preclude the recognition of patentability of the utility model shall be borne by the applicant.

4. A utility model is industrially exploitable if it can be used in industry, agriculture, public health and other branches of the economy or in the social sphere.

5. As utility models shall not be deemed, in particular, the objects cited in **Item 5 of Article 1350** of this Code.

In compliance with this item, the possibility of classifying the cited objects as utility models shall only be excluded in instances when a patent application for a utility model concerns the cited objects as such.

6. Legal protection as to a utility model shall not be provided to the objects cited in **Item 6 of Article 1350** of this Code.

Article 1352. The Conditions for the Patentability of an Industrial Design

1. As an industrial design shall be protected the appearance solution of a factory-made or home-made article.

An industrial design shall enjoy legal protection if it is novel and original in terms of its significant features.

Seen as the significant features of an industrial design shall be the features determining the aesthetic details of the appearance of an article, including the form, configuration, decoration, colour and line pattern, the outline of an article, the texture or finish of the material an article is made of.

The features determined solely by the technical function of an article shall not be deemed the protected features of an industrial design.

2. An industrial design shall be deemed novel if the aggregate of its significant features reflected on images of the article's appearance is not known from the information that was made available to the public worldwide before the priority date of the industrial design.

3. An industrial design shall be deemed original, if its significant features are stipulated by the creative nature of the article's features, in particular if it is not known from the data that have become generally available worldwide before the priority date of an industrial design that is the solution of the appearance of an article of similar purpose making upon an informed consumer the same general

impression as the industrial design shown on images of the article's appearance.

4. When the novelty and originality of an industrial design is being established, account shall also be taken (upon condition of an earlier priority) of all the applications for inventions, utility models and industrial designs and applications for state registration of trademarks and service marks filed in the Russian Federation by other persons and with whose documents any person is entitled to be familiarised in compliance with **Items 2** and **4 of Article 1385**, **Item 2 of Article 1394** and **Item 1 of Article 1493** of this Code.

The disclosure of information about an industrial design by the author thereof, an applicant or any person that has directly or indirectly received this information from them (in particular as a result of showing an industrial design at an exhibition) which made information on the essence of the industrial design available to the general public shall not be deemed a circumstance precluding recognition of patentability of the industrial design, provided that a patent application for the industrial design was filed with the federal executive body charged with intellectual property matters within 12 months after the information disclosure. The burden of proving the existence of the circumstances due to which the disclosure of information does not preclude the recognition of patentability of the industrial design shall be borne by the applicant.

5. No legal protection shall be granted to the following as to industrial designs:

1) solutions all of whose features are exclusively due to the technical function of an article;

2) solutions that can mislead the article's consumer, in particular in respect of the article's manufacturer or the place of manufacture of the article or of the goods for which the article serves as the tare, packing or label, in particular the solutions which are identical to the objects cited in **Items 4 to 9 of Article 1483** of this Code, or those making the same general impression or comprising the cited objects, if the rights to the cited objects had originated before the priority of an industrial design, except if the legal protection of an industrial design is requested by the person enjoying the exclusive right to such object.

The provision of legal protection to the industrial designs which are identical to the objects cited in **Item 4**, **Subitems 1** and **2 of Item 9 of Article 1483** of this Code or make the same general impression or comprise the cited objects shall be allowed by approbation of the owners or of the persons authorised by owners or of the holders of rights to the cited objects.

Article 1353. The State Registration of Inventions, Utility Models and Industrial Designs

The exclusive right to an invention, utility model or industrial design is recognised and protected on the condition of the state registration of the relevant invention, utility model or industrial design, such registration serving as grounds for the federal executive body charged with intellectual property matters to issue a patent for the invention, utility model or industrial design.

Article 1354. The Patent for an Invention, Utility Model or Industrial Design

1. A patent for an invention, utility model or industrial design certifies the priority of the invention, utility model or industrial design, the authorship of, and the exclusive right to the invention, utility model or industrial design.

2. Protection of intellectual rights to an invention or utility model is granted under a patent within the scope defined by the invention or utility model claim respectively contained in the patent. A description and drawings, as well as 3D pattern of the invention and utility model in electronic form (**Item 2 of Article 1375** and **Item 2 of Article 1376**) may be used for the purpose of construing the invention claim and the utility model claim.

3. Protection of intellectual rights to an industrial design shall be granted under a patent within the scope defined by the aggregate of significant features of the industrial design which are reflected in images of the article's appearance contained in the industrial design's patent.

Article 1355. Provision of State Incentives for Creating and Using Inventions, Utility Models and Industrial Designs

The state shall provide incentives for the creation and use of inventions, utility models or industrial designs, and grant privileges in accordance with the legislation of the Russian Federation to their authors and also to the patent holders and licensees that use the relevant inventions, utility models or industrial designs.

§ 2. Patent Rights

Article 1356. The Right of Attribution in Respect of an Invention, Utility Model or Industrial Design

The right of attribution, i.e., the right of being recognised as the author of an invention, utility model or industrial design is unalienable and unassignable, for instance, when this right or the exclusive right to the invention, utility model or industrial design is transferred to another person and when the right to use it is granted to another person. The waiver of this right is null and void.

Article 1357. The Right to Obtain a Patent for an Invention, Utility Model or Industrial Design

1. The right to obtain a patent for an invention, utility model or industrial design is initially owned by the author of the invention, utility model or industrial design.

2. The right to obtain a patent for an invention, utility model or industrial design may pass to another person (successor) or may be assigned thereto in the cases and on the grounds established by law, including in line of universal succession or under a contract including a labour contract.

3. A contract of alienation of a right to obtain a patent to an invention, utility model or industrial design shall be concluded in writing. Non-observance of the written form shall cause invalidity of the contract.

4. Except as otherwise envisaged by agreement of the parties to a contract of alienation of a right to obtain a patent for an invention, utility model or industrial design, the risk of non-patentability shall be borne by the acquirer of the right.

Article 1358. The Exclusive Right to an Invention, Utility Model or Industrial Design

1. The patent holder shall own the exclusive right to use the invention, utility model or industrial design in accordance with **Article 1229** of this Code in any manner that does not conflict with the law (the exclusive right to an invention, utility model or industrial design), for instance, by the methods described in **Item 2** of this article. The patent holder may dispose of the exclusive right to the invention, utility model or industrial design.

2. The following in particular, shall be deemed to be the use of an invention, utility model or industrial design:

1) the import onto the territory of the Russian Federation, manufacture, application, offer for sale, sale, other introduction into civil law transactions or storage for such purposes of the product in which the invention or utility model is used or of an article in which the industrial design is used;

2) committing the actions described in **Subitem 1** of this item in respect of a product directly made by a patented method. If the product made by the patented method is novel, then an identical product shall be deemed produced by the patented method, unless otherwise proven;

3) committing the actions described in **Subitem 1** of this item in respect of an apparatus in whose functioning (operation) the patented method is automatically implemented;

4) committing the actions provided for by **Subitem 1** of this item in respect of the product intended for application in compliance with the purpose thereof cited in the formula of an invention, when the invention is protected in the form of the product's use for a particular purpose;

5) the implementation of the method in which the invention is used, for instance, by means of applying the method.

3. An invention shall be deemed used in a product or in a method if the product contains and the

method uses each feature of the invention that had been stated in an independent item of the formula of the invention contained in the patent, or a feature equivalent thereto, and that had become known as such in the given field of technology before the invention's priority date.

A utility model shall be deemed used in a product if the product contains each feature of the utility model stated in an independent item of the formula of the utility model contained in the patent.

When establishing the use of an invention or utility model, the formula of the invention or utility model shall be interpreted in compliance with **Item 2 of Article 1354** of this Code.

An industrial design shall be deemed used in an article if this article contains all the essential features of the industrial design or the totality of the features making on an informed consumer the same general impression as the patented industrial design, provided that the article has a similar purpose.

4. If in the use of an invention or utility model all the features are also used that are stated in an independent item of the formula of another invention contained in the patent, or the feature which is equivalent thereto that had become known as such in the given field of technology before the priority date of another invention, or each feature stated in an independent point of the formula of another utility model contained in the patent or, when using an industrial design, each essential feature of another industrial design or the totality of features of another industrial design making upon an informed consumer the same general impression as the industrial design, provided that an article has a similar purpose, another invention, another utility model or another industrial design shall be also deemed to be used.

5. If the owners of a patent for an invention, utility model or industrial design are two or more persons, the relations between/among them shall be governed respectively by the rules of **Items 2** and **3 of Article 1348** of this Code, irrespective of whether any of the patent owners is the author of this result of intellectual activity or not.

Article 1358.1. A Dependent Invention, Dependent Utility Model and Dependent Industrial Design

1. An invention, utility model or industrial design whose use in a product or method is impossible without using another invention, utility model or industrial design protected by a patent and having an earlier priority shall be deemed a dependent invention, dependent utility model or dependent industrial design.

Seen as a dependent invention shall be, in particular, an invention protected in the form of application for a particular purpose of the product in which another invention protected by a patent and having an earlier priority is used.

An invention or utility model related to a product or method shall be also deemed to be dependent, if the formula of such invention or such utility model differs from the formula of another patented invention or another patented utility model with an earlier priority solely by the purpose of the product or method.

2. An invention, utility model and industrial design may not be used without a permit of the holder of the patent to another invention, another utility model or another industrial design with respect to which they are dependent ones.

Article 1359. Actions Not Deemed an Infringement of the Exclusive Right to an Invention, Utility Model or Industrial Design

The following are not deemed an infringement of the exclusive right to an invention, utility model or industrial design:

1) the use of a product in which the invention or utility model is used, and the use of an article in which the industrial design is used, in the design, in auxiliary equipment or in the operation of vehicles (water, air, road and rail means of transport) or spacecraft of foreign states, provided these vehicles or spacecraft are temporarily or incidentally located on the territory of the Russian Federation and the said product or article is used solely for the needs of the vehicles or spacecraft. Such action shall not be deemed an infringement of the exclusive right in respect of vehicles or spacecraft of the foreign states that grant the same rights in respect of the vehicles or spacecraft registered in the Russian Federation;

2) the carrying out of scientific research of a product or method in which the invention or utility model is used, or of scientific research of an article in which the industrial design is used, or the carrying out of an experiment in respect of such product, method or article;

3) the use of the invention, utility model or industrial design in emergency circumstances (natural calamities, disasters, accidents), with the patent holder being notified of this use as soon as possible and with commensurate compensation being paid henceforth to the patent holder;

4) the use of the invention, utility model or industrial design for meeting personal, family, household or other needs other than entrepreneurial activity, unless profit-making or making earnings is the purpose of the use;

5) the one-off manufacturing of medicines with the use of the invention in a chemist's shop on a physician's prescription;

6) the importation onto the territory of the Russian Federation, the application, offer for sale, sale, another introduction into civil-law transactions or storage for such purposes of a product in which the invention or utility model is used or of an article in which the industrial design is used, if the product or article has been earlier introduced into civil-law transactions on the territory of the Russian Federation by the patent holder or by another person by permission of the patent holder, or without a permit thereof, but upon condition that such introduction into civil law transactions was rightfully effected in the instances established by this Code.

Article 1360. Using an Invention, Utility Model or Industrial Design in the Interests of National Security

1. In the event of extreme necessity related to ensuring the defence and security of the state, or protecting the life and health of citizens the Government of the Russian Federation is entitled **to take** a decision on the use of an invention, utility model or industrial design without the consent of the patent holder, with the patent holder being notified as soon as possible and with commensurate compensation being paid to the patent holder.

2. The **methodology** for determining the amount of compensation and the procedure for its payment is approved by the Government of the Russian Federation.

Article 1360.1. The Use of an Invention for the Production of a Medicinal Product for the Purpose of Its Export in Accordance with an International Treaty of the Russian Federation

1. The Government of the Russian Federation shall have the right, in the cases and on the conditions provided for by the international treaty of the Russian Federation, to make a decision to use an invention for the production of a medicinal product on the territory of the Russian Federation for the purpose of exporting it without the consent of the patent holder, notifying him/her of this as soon as possible and with the payment of proportionate compensation to him/her. The specified decision must contain information on the volume of production of a medicinal product determined by the needs of a foreign state, to the territory of which the medicinal product is to be exported. The packaging of such a medicinal product must have a special designation.

2. The procedure for sending the notification, specified in **Item 1** of this Article, the grounds and procedure for making a decision to use the invention for the production of a medicinal product on the territory of the Russian Federation for the purpose of exporting it and terminating its validity, the procedure for determining the validity period of the decision, as well as the procedure for determining the amount of compensation and the procedure for its payment shall be approved by the Government of the Russian Federation in accordance with the international treaty of the Russian Federation.

Article 1361. The Right of Prior Use of an Invention, Utility Model or Industrial Design

1. A person that prior to the priority date of an invention, utility model or industrial design (**Articles 1381** and **1382**) had been properly using on the territory of the Russian Federation an identical solution or a solution that only differs from the invention by equivalent features (**Item 3 of Article 1358**)

created independently of the author, or had made the necessary preparations for this, shall retain the right of further free use of the identical solution without broadening the scope of the use (the right of prior use).

2. The right of prior use may be assigned to another person only with the enterprise in which the use of the identical solution took place or the necessary preparations were made for it.

Article 1362. The Compulsory Licence for an Invention, Utility Model or Industrial Design

1. If an invention or industrial design is not used or is insufficiently used by the patent holder within four years after the issuance of the patent, and a utility model within three years after the issuance of the patent, which leads to insufficient provision of the relevant goods, works or services in the market, any person willing and ready to use the invention, utility model or industrial design -- if the patent holder refuses to conclude a licence contract with this person on terms meeting the prevailing practices -- is entitled to file a claim with the court for the patent holder to issue a compulsory simple (non-exclusive) licence for the use of the invention, utility model or industrial design on the territory of the Russian Federation. In its claim the person shall set out terms for the provision of the licence, including the scope of use of the invention, utility model or industrial design, the amount of, procedure and term for, payment.

Unless the patent holder proves that his/its non-use or insufficient use of the invention, utility model or industrial design was due to a good reason, the court shall take a decision on granting the licence specified in **Paragraph 1** of the present Item and on the terms for the granting thereof. The sum total of payments for the licence shall be set in the court decision as at least equal to a licence price determined in comparable circumstances.

A compulsory simple (non-exclusive) licence may be terminated in a judicial procedure upon a claim of the patent holder, if the circumstances due to which the licence has been issued are no longer existing and it is unlikely that they are going to appear again. In this case the court shall establish a term and procedure for termination of the compulsory simple (non-exclusive) licence and of the rights that have come into being due to the receipt of the licence.

Granting, in compliance with the rules of this item, of a compulsory simple (non-exclusive) licence for the use of an invention pertaining to the technology of semi-conductors shall be allowed solely for its non-commercial use in state, social or other public interests or for changing a situation which is recognised in the established procedure as failure to satisfy the requirements of the **antimonopoly legislation** of the Russian Federation.

2. Unless a patent holder cannot use an invention to which he/it has an exclusive right, without infringing on the rights of the holder of another patent (first patent) for an invention or utility model which has refused to conclude a licence contract on terms complying with the prevailing practices, the holder of the patent (second patent) is entitled to file a claim with a court against the holder of the first patent for the issuance of a compulsory simple (non-exclusive) licence for the use of the invention or utility model of the holder of the first patent on the territory of the Russian Federation. In the claim the holder of the second patent shall indicate his/its terms for granting such licence thereto, including the scope of use of the invention or utility model, the amount of, procedure and term for, payment.

If the patent holder having an exclusive right to such dependent invention manages to prove that it is an important technical achievement and that is has significant economic advantages over the invention or utility model of the holder of the first patent, the court shall take a decision on granting a compulsory simple (non-exclusive) licence thereto. The right to use the invention protected by the first patent obtained under such licence shall not be assigned to other persons, except for the case of alienation of the second patent.

The sum total of payments for a compulsory simple (non-exclusive) licence shall be set in the court's decision as at least equal to a licence price determined in comparable circumstances.

When a compulsory simple (non-exclusive) licence is granted in accordance with the present item, the holder of the patent for the invention or utility model which may be used under the right granted on the basis of the said licence also has the right to obtain a simple (non-exclusive) licence for the use of the dependent invention in connection with which the compulsory simple (non-exclusive) licence was issued,

on terms complying with the prevailing practices.

3. Under the court decision described in **Items 1** and **2** of the present article, the federal executive body charged with intellectual property matters shall grant state registration of granting and termination of the right to use an invention, utility model or industrial design under the terms of the compulsory simple (non-exclusive) licence.

Article 1363. The Effective Term of Exclusive Rights to an Invention, Utility Model and Industrial Design

1. The exclusive right to an invention, utility model, industrial design, and to the patent certifying this right shall be effective provided that the requirements established by this Code are satisfied, from the day when the patent application was filed with the federal executive body charged with intellectual property matters, or, in the event of a divisional application (**Item 4 of Article 1381**), from the date when the initial application is filed:

20 years for inventions;

10 years for utility models;

five years for industrial design.

The protection of a patented exclusive right may only be exercised after the state registration of an invention, utility model, industrial design and the issuance of the patent (**Article 1393**).

2. If more than five years have elapsed from filing a patent application for an invention relating to such a product as a medicine, pesticide or agrochemical substance, which requires that permission be secured in the procedure established by law, up to the receipt of the first permission for using it, the effective term of the exclusive right to the relevant invention and the patent certifying this right shall be extended on the basis of an application of the patent holder by the federal executive body charged with intellectual property matters.

The said term shall be extended by the period that has elapsed since filing the patent application for an invention to the date of receipt of the first permission to use the product, less five years, but at most for five years. In this case, the effective term of the patent for the invention shall not be extended by a term exceeding five years.

A term-extension application shall be filed by the holder of a patent within the effective term of the patent before the expiry of six months after the receipt of the first permission to use the product or the date of issuance of the patent, whichever of these terms expires latest.

The patent holder may be asked for additional materials, if without them the consideration of an application is impossible. The additional materials may be presented within three months from the date of forwarding such request. If the patent holder does not present the requested materials within this term or does not file a petition for extension of the term, an application shall be rejected. The term fixed for presenting additional materials may be extended by the federal executive body in charge of intellectual property matters by at most 10 months.

When extending on the basis of Paragraph One of this item the effective term of an exclusive right, an additional patent shall be issued containing the totality of the features of the patented invention describing the product for whose use a permit has been obtained.

3. The effective term of the exclusive right to an industrial design and the patent certifying this right may be repeatedly extended on the basis of an application of the patent holder by five years but in total at most by 25 years from the date of filing a patent application with the federal executive body charged with intellectual property matters or, in the event of filing a divisional application (**Item 4 of Article 1381**), from the date of filing the initial application.

4. The procedure for issuance and operation of an additional patent for and invention and for extending the effective term of a patent for an invention or industrial design shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

5. The validity of the exclusive right to an invention, utility model, or industrial design and the patent certifying this right, including an additional patent, shall be recognised invalid or terminated early

on the grounds and in the procedure provided for by **Articles 1398** and **1399** of this Code.

The extension of the term of the exclusive right to an invention relating to such product as drug, pesticide or agrochemical, as well as validity of an additional patent certifying it, shall be recognised as invalid in case of violation of conditions provided for in **Item 2** of this article.

The extension of the term of the exclusive right to an invention and the validity of an additional patent certifying it in case of violation of the conditions provided for in **Item 2** of this article may be challenged by filing a claim with the federal executive authority for intellectual property in accordance with the procedure established by **Item 2 of Article 1398** of this Code.

If the extension of the term of the exclusive right to an invention and the validity of the additional patent certifying it is recognised as invalid, the additional patent shall be canceled from the day following the day of the expiration of the patent established in accordance with **Item 1** of this article.

Article 1364. The Passing of an Invention, Utility Model, Industrial Design into the Public Domain

1. Upon the expiry of the effective term of the exclusive right the invention, utility model, industrial design shall pass into the public domain.

2. An invention, utility model, industrial design that has passed into the public domain may be freely used by any person without anybody's consent or permission and without a fee being paid for the use thereof.

§ 3. Disposing of the Exclusive Right to an Invention, Utility Model or Industrial Design

Article 1365. The Contract of Alienation of the Exclusive Right to an Invention, Utility Model or Industrial Design

1. Under a contract of alienation of the exclusive right to an invention, utility model, industrial design (contract of alienation of a patent) one party (patent holder) shall assign or undertake to assign his/its exclusive right to the relevant result of intellectual activity in full to the other party, that is, to the acquirer of the exclusive right (acquirer of the patent).

2. The alienation of the exclusive right to an industrial design is not allowable if it could cause consumers to be misled in respect of goods or the producer thereof.

Article 1366. A Public Offer for Concluding a Contract of Alienation of a Patent for an Invention

1. An applicant being the sole author of an invention, before adoption on the basis of the application of the decision on the patent's issuance or on the refusal to issue the patent, or on declaring the application withdrawn, may file an application to the effect that if a patent is issued he/it undertakes to conclude a contract of alienation of the patent on the terms complying with the prevailing practices with any citizen of the Russian Federation or Russian legal entity which is the first to express such a will and notifies accordingly the patent holder and the federal executive body charged with intellectual property matters. If the cited application exists, the patent duties envisaged by this Code shall not be collected for the commission of legally significant actions, the list of which has been established by the Government of the Russian Federation from the applicant for the patent application for the invention and for the patent issued under the application. The duties paid before filing the cited application shall not be returned.

The federal executive body charged with intellectual property matters shall publish information on the said application in its gazette.

The number of applications submitted within a year by one applicant, in respect of which, when submitting the specified application, the applicant is exempted from paying patent fees provided for by this Code, shall be established by the Government of the Russian Federation.

2. A person that has concluded a contract for alienation of a patent for an invention with the holder of the patent on the basis of his/its application described in **Item 1** of the present article shall pay all the patent duties from which the applicant (patent holder) was relieved. Henceforth, patent duties shall be paid

in the established **procedure**.

The state registration of transfer of the exclusive right to the acquirer under a contract of patent's alienation shall be effected with the federal executive body in charge of intellectual property matters upon condition of paying all the patent duties of which the applicant (patent holder) has been relieved.

3. Unless within two years after the publication of information on the issuance of a patent for an invention in respect of which the application specified in **Item 1** of the present article has been made the federal executive body charged with intellectual property matters has received a notice in writing of the intention to conclude a contract for alienation of the patent, the holder of the patent may file a petition with the said federal body withdrawing his/its application. In this case, the patent duties specified by the present Code from which the applicant (patent holder) was relieved shall be payable. Henceforth, patent duties shall be paid in the established **procedure**.

The federal executive body charged with intellectual property matters shall publish information on the withdrawal of the application specified in **Item 1** of the present article in its gazette.

Article 1367. A Licence Contract on Granting a Right to Use an Invention, Utility Model or Industrial Design

Under a licence contract one party, the patent holder (licensor) shall grant or undertakes to grant within the limits established by the contract to the other party (licensee) the right to use an invention, utility model or industrial design certified by a patent.

Article 1368. An Open Licence for an Invention, Utility Model or Industrial Design

1. The holder of a patent may file an **application** with the federal executive body charged with intellectual property matters on the possibility of granting any person the right to use the invention, utility model or industrial design (open licence).

In this case, the rate of **patent duty** for keeping the patent for the invention, utility model or industrial design in effect shall be cut by 50 per cent starting from the year following the year of publication by the federal executive body charged with intellectual property matters of information on the open licence.

The licence terms on which a right to use the invention, utility model or industrial design may be granted to any person shall be announced by the patent holder to the federal executive body charged with intellectual property matters which shall publish on the patent holder's account relevant information on the open licence. The patent holder shall conclude a licence contract on the terms of a simple (non-exclusive) licence with a person expressing his/its design to use the said invention, utility model or industrial design.

2. If within two years after the publication of information about the open licence the patent holder has not received offers in writing to conclude a licence contract on the terms in his/its application, then upon the expiry of two years he/it may file a petition with the federal executive body charged with intellectual property matters withdrawing his/its open licence application. In this case, a patent duty for keeping the patent in effect shall be additionally paid for the period that has elapsed since the publication of information on the open licence, and henceforth it shall be payable in full. The said federal body shall publish information on the withdrawal of the application in its gazette.

Article 1369. The Form of a Contract of Disposing of the Exclusive Right to an Invention, Utility Model or Industrial Design and State Registration and the State Registration of Transfer of an Exclusive Right, Its Pledge and Granting of the Right to Use an Invention, Utility Model o Industrial Design

1. A contract on alienation of a patent, a licence contract, and also other contracts whereby one disposes of the exclusive right to an invention, utility model or industrial design shall be concluded in writing. Failure to observe the written form thereof shall entail the contract's invalidity.

2. The alienation and pledge of the exclusive right to an invention, utility model or industrial design, or granting under a contract of the right to their use are subject to state registration in the procedure

established by **Article 1232** of this Code.

§ 4. An Invention, Utility Model or Industrial Design Created in the Line of Execution of a Service Assignment or When Works Were Performed under a Contract

Article 1370. The Service Invention, Service Utility Model and Service Industrial Design

1. An invention, utility model or industrial design created by an employee in the course of his duties or a specific assignment of the employer shall be deemed a service invention, utility model or industrial design.

2. The right of attribution in respect of a service invention, service utility model or service industrial design is owned by the employee (author).

3. The exclusive right to a service invention, service utility model or service industrial design and the right to obtain a patent are owned by the employer, except as otherwise envisaged by a labour contract or civil law contract between the employee and the employer.

4. Unless a contract between the employer and the employee comprises agreement to the contrary, the employee shall notify in writing the employer that a result that can be legally protected has been created in the course of execution of his duties or of a specific assignment.

Unless within six months after being notified by the employee, the employee files a patent application for the relevant service invention, service utility model or service industrial design with the federal executive body charged with intellectual property matters, assigns the right to obtain a patent to the service invention, service utility model or service industrial design to another person, or notifies the employee that information on the relevant result of intellectual activity is kept secret, the right to obtain a patent for the invention, utility model or industrial design shall be returned to the employee. In this case within the effective term of the patent the employer shall be entitled to use the service invention, service utility model or service industrial design at the employer's production facilities on the terms of a simple (non-exclusive) licence, with remuneration being paid to the holder of the patent of which the rate, terms and payment procedure are defined by a contract between the employee and the employer, or by a court in the case of a dispute.

If the employer obtains a patent for the service invention, service utility model or service industrial design, or decides to keep information about the invention, utility model or industrial design secret and notify the employee accordingly or assigns the right to obtain a patent to another person or does not receive a patent on an application filed by the employer for reasons under the employer's control, the employee shall be entitled to a fee. The amount of the fee, the terms and procedure for the employer to pay it shall be defined by a contract between the employer and the employee, or by a court in the case of a dispute.

Paragraph 4 is **abrogated**.

The right to remuneration for a service invention, service utility model, or service industrial design shall be inseparable and shall pass over to the author's heirs for the remaining effective term of the exclusive right.

4.1. If an employer that received a patent for a service invention, service utility model or service industrial design in his own name decides to terminate the patent early, he shall notify an employee (author) and, upon his request, transfer the patent to him free of charge. The transfer of the exclusive right shall be formalised by an agreement on the gratuitous alienation of the exclusive right.

If the employer refuses to conclude an agreement on the gratuitous alienation of the exclusive right to the author or fails to respond to the author's written proposal to conclude the agreement within a month from the date of sending such proposal, the author has the right to apply to court with a claim against the patent holder for compulsion to conclude an agreement on gratuitous alienation of exclusive rights.

If the employer has not notified the author of the early termination of the patent, the author has the right to apply to the court with a claim against the employer for compulsion to file a petition for the

restoration of the patent at the expense of the employer.

5. An invention, utility model or industrial design created by an employee through the use of money, technical or other material means of the employer but other than in the line of duty or a specific assignment of the employer shall not be deemed service. The right to obtain a patent and the exclusive right to such invention, utility model or industrial design are owned by the employee. In this case the employer is entitled at his/its own discretion to claim a free-of-charge simple (non-exclusive) licence for the use of the created result of intellectual activity for his/its own needs for the whole effective term of the exclusive right or compensation for the expenses incurred by the employer in connection with the creation of the invention, utility model or industrial design.

Article 1371. An Invention, Utility Model or Industrial Design Created When Works Have Been Performed under a Contract

1. The right to receiving a patent and the exclusive right to an invention, utility model or industrial design created in the course of performance of a contractor's contract or a contract of performance of research and development or technological works, which did not directly require the creation thereof, are owned by the contractor (performer), except as otherwise envisaged by a contract between the contractor and the customer.

In this case the customer is entitled, except as otherwise envisaged by the contract, to use the invention, utility model or industrial design so created for the purposes for which the relevant contract was concluded, on the terms of a simple (non-exclusive) licence during the whole effective term of the patent without an additional fee being charged for the use. If the contractor (performer) assigns the right to obtain a patent or to alienate the patent proper to another person, the customer shall retain the right to use the invention, utility model or industrial design on the said terms.

2. If under the contract between the contractor (performer) and the customer the right to obtain a patent or the exclusive right to the invention, utility model or industrial design is assigned to the customer or to a third party designated by the customer, the contractor (performer) is entitled to use the created invention, utility model or industrial design for his/its own needs on the terms of a free-of-charge simple (non-exclusive) licence during the whole effective term of the patent, except as otherwise envisaged by the contract.

3. In accordance with **Item 4 of Article 1370** of the present Code a fee shall be paid to the author of the invention, utility model or industrial design described in **Item 1** of the present article who is not the holder of the patent.

Article 1372. An Industrial Design Created to Order

1. The right to obtain a patent and the exclusive right to an industrial design created under a contract which had the creation thereof as its subject matter (to order) are owned by the customer, except as otherwise envisaged by a contract between the contractor (performer) and the customer.

2. If according to **Item 1** of the present article the right to obtain a patent and the exclusive right to an industrial design is owned by the customer the contractor (performer) is entitled, except as otherwise envisaged by a contract, to use the industrial design for his/its own needs on the terms of a free-of-charge simple (non-exclusive) licence for the whole effective term of the patent.

3. If according to a contract between the contractor (performer) and the customer the right to obtain a patent and the exclusive right to the industrial design is owned by the contractor (performer), the customer is entitled to use the industrial design for the purposes for which the relevant contract has been made on the terms of a free-of-charge ordinary (non-exclusive) licence for the whole effective term of the patent.

4. In accordance with **Item 4 of Article 1370** of the present Code a fee shall be paid to the author of an industrial design created to order who is not the holder of the patent.

Article 1373. Invention, Utility Model and Industrial Design Created When Performing Works

under a State or Municipal Contract

1. The right to obtain a patent and the exclusive right to an invention, utility model or industrial design created when performing works under a state or municipal contract for state or municipal needs belongs to a person performing the state or municipal contract (contractor), except for the cases established by the **first paragraph of Item 3** and **Item 4 of Article 1240.1** of this Code.

A state or municipal contract may provide that the right to obtain a patent and the exclusive right to an invention, utility model or industrial design belong jointly to the contractor and the Russian Federation, the contractor and the constituent entity of the Russian Federation, or the contractor and the municipality, except for the cases established by the **first paragraph of Item 3** and **Item 4 of Article 1240.1** of this Code.

2. If, in accordance with a state or municipal contract, the right to obtain a patent and the exclusive right to an invention, utility model or industrial design belong to the Russian Federation, a constituent entity of the Russian Federation or a municipal formation, the state or municipal customer may apply for a patent within six months from the date of notifying him in written by the performer of the result of intellectual activity capable of legal protection as an invention, utility model or industrial design. If within the specified period the state or municipal customer fails to file an application or fails to make a decision on keeping the invention, utility model, industrial design secret, then the right to the patent shall belong to the contractor.

3. If the Russian Federation, a constituent entity of the Russian Federation or a municipality that is the owner of a patent for an invention, utility model or industrial design created when performing work under a state or municipal contract for state or municipal needs, within two years from the date of issue of a patent for the cited invention, utility model or industrial design fails to ensure the use of the corresponding invention, utility model or industrial design, or fails to grant the right to use such invention, utility model or industrial design under a licensing agreement or transfer the exclusive right to an invention, industrial design or utility model to another person, the contractor shall have the right to demand the exclusive right to the corresponding invention, utility model or industrial design free of charge. The transfer of the exclusive right shall be formalised with an agreement on the gratuitous alienation of the exclusive right.

If the Russian Federation, a constituent entity of the Russian Federation or a municipality refuses to conclude an agreement on the gratuitous alienation of an exclusive right, as well as if the patent owner's respond to a written request from the contractor is not received within three months from the date of sending such proposal, the contractor shall have the right to apply to a court with a claim against the patent holder for compulsion to conclude an agreement on the gratuitous alienation of the exclusive right. If the patent owner does not prove that his non-use of the invention, utility model or industrial design is due to valid reasons, the court shall take a decision on the compulsory conclusion of an agreement on the gratuitous alienation of the exclusive right to the corresponding invention, utility model or industrial design.

4. If the performer that received the exclusive right to an invention, utility model or industrial design in the procedure provided for in **Item 2** of this Article did not begin, within two years from the date of obtaining the right, using the corresponding invention, utility model or industrial design, or did not transfer the exclusive right to an invention, utility model or industrial design to another person, the author shall have the right to demand that the exclusive right to the corresponding invention, utility model or industrial design be transferred to him free of charge. The transfer of the exclusive right shall be formalised with an agreement on the gratuitous alienation of the exclusive right.

If the patent holder refuses to conclude an agreement on the gratuitous alienation of exclusive rights, as well as if the patent owner's response to the author's written proposal to conclude such an agreement was not received within a month from the date of sending this proposal, the author has the right to apply to the court with a claim against to the patent owner on compulsion to conclude an agreement on the gratuitous alienation of exclusive rights. If the patentee does not prove that his non-use of the invention, utility model or industrial design is due to valid reasons, the court shall take a decision on the

compulsory conclusion of an agreement on the gratuitous alienation of the exclusive right to the corresponding invention, utility model or industrial design.

5. If a performer that received a patent for an invention, utility model or industrial design in accordance with **Items 2** and **3** of this article in his own name (including together with other rightholders) decides to early terminate the patent, he shall notify the author of the invention, useful model or industrial design on the early termination of the patent and, upon request, transfer to him the exclusive right to such invention, utility model or industrial design free of charge. The transfer of the exclusive right shall be formalised with an agreement on the gratuitous alienation of the exclusive right.

If the performer refuses to conclude an agreement with the author on the gratuitous alienation of the exclusive right or fails to respond to the author's written proposal to conclude the agreement within a month from the date of sending such proposal, the author has the right to apply to the court with a claim against the performer for compulsion to conclude an agreement gratuitous alienation of exclusive rights.

If the performer has not notified the author of the early termination of the patent, the author has the right to apply to the court with a claim against the performer for compulsion to file a petition for the restoration of the patent at the expense of the performer.

6. Authors of inventions, utility models or industrial designs mentioned in **Item 1** of this Article, that are not patent holders shall be paid remuneration in accordance with **Item 4 of Article 1370** of this Code.

7. Items from 2 to 5 of this Article shall not apply to the results of intellectual activity directly related to ensuring defence and security (**Item 2 of Article 1240.1** of this Code).

§ 5. Obtaining a Patent

1. The Patent Application, Its Amendment and Revocation

Article 1374. Filing a Patent Application for an Invention, Utility Model or Industrial Design

1. A patent application for an invention, utility model or industrial design shall be filed with the federal executive body charged with intellectual property matters by a person entitled to obtain a patent according to the present Code (applicant).

2. The patent application for an invention, utility model or industrial design shall be filed in the Russian language. Other documents of the application shall be filed in the Russian language or in another language. If the documents of the application are filed in another language a translation thereof into Russian shall be attached to the application.

3. The patent application for an invention, utility model or industrial design shall be signed by the applicant, or if filed through a patent agent or another representative, by the applicant or his/its representative filing the application.

4. The requirements applicable to patent application documents for an invention, utility model or industrial design shall be established on the basis of the present Code by the federal executive body charged with normative legal regulation in the area of intellectual property.

5. Abrogated from October 1, 2014.

Article 1375. The Patent Application for an Invention

1. A patent application for an invention (invention application) shall relate to one invention or a group of invention interconnected to the extent that they form a united inventive concept (the concept of unity of an invention).

2. The invention application shall comprise the following:

1) a patent **application** including an indication of the author of the invention and of the applicant, that is, of the person entitled to receive a patent, and also the place of residence or location of each of them;

2) a **description of the invention** that discloses its essence to the extent which is sufficient for making the invention by an expert in a given field of technology;

3) the **invention claim** clearly expressing the essence thereof and fully based on its description;

4) drawings and other **materials** if required for understanding the essence of the invention, including, upon the request of an applicant, its 3D pattern in electronic form;

5) a **synopsis**.

3. The date of filing of the invention application is the date when the federal executive body charged with intellectual property matters receives an application comprising a patent application, a description of the invention and drawings if the description contains reference thereto, and the date of receipt of the last document if the said documents were not filed simultaneously.

Article 1376. The Patent Application for a Utility Model

1. A patent application for a utility model (a utility model application) shall relate to one utility model (the requirement for unity of a utility model).

2. The utility model application shall comprise the following:

1) a patent application including an indication of the author of the utility model and of the applicant, that is, of the person entitled to receive the patent, and also the place of residence or location of each of them;

2) a description of the utility model that discloses its essence to the extent which is sufficient for making the utility model by an expert in a given field of technology;

3) the formula of the utility model related to a single technical solution clearly showing its essence and fully based on its description;

4) **drawings** and, upon request of an applicant, its 3D pattern of the utility model in electronic form if required for understanding the essence of the utility model;

5) a **synopsis**.

3. The date of filing of the utility model application is the date when the federal executive body charged with intellectual property matters receives an application comprising a patent application, a description of the utility model and drawings if the description contains reference thereto, and the date of the last of the documents if said documents were not filed simultaneously.

Article 1377. The Patent Application for an Industrial Design

1. A patent application for an industrial design (industrial design application) shall relate to one industrial design or a group of industrial designs interrelated to the extent of forming a united creative concept (the concept of unity of an industrial design).

2. The industrial design application shall comprise the following:

1) a patent **application** with an indication of the author of the industrial design and of the applicant - of the person enjoying the right to receive the patent, and also the place of residence or location of each of them;

2) a **set** of images of the article (including, upon the request of an applicant, its 3D pattern in electronic form) that provide the complete idea of the essential features of the industrial design that determine the specifics of the article's appearance;

3) a general view drawing of the article and assembly chart, if they are required for disclosing the essence of the industrial design;

4) **a description of the industrial design**;

5) **abrogated** from October 1, 2014.

3. The date of filing of the industrial design application is the date when the federal executive body charged with intellectual property matters receives an application comprising a patent application and a set of the article's images giving a full idea of the essential features of an industrial design that determine the specifics of the article's appearance, and the date of receipt of the last of the documents if these document were not filed simultaneously.

Article 1378. Amending the Documents of the Application for an Invention, Utility Model or Industrial Design

1. An applicant is entitled to make in the documents of the application for an invention, utility model or industrial design, additions, updates and corrections by means of filing additional materials at the request of the federal executive body in charge of intellectual property matters, until the decision on issuing a patent, or on refusing to issue a patent, or on declaring the application withdrawn, is taken on the application, unless these additions, updates and corrections change the essence of the application for the invention, utility model or industrial design.

The applicant has the right, on his/her own initiative, to submit an amended claim that does not change the application for an invention in essence, and to make the appropriate changes into description when filing a request for an examination of the application for an invention in essence and (or) after receiving a report on preliminary information retrieval or information retrieval, carried out in accordance with the procedure established by **Item 6 of Article 1384** or **Paragraph Four of Item 2 of Article 1386** of this Code, to submit the useful amended claim which does not change the application for a useful model in essence, and to introduce the corresponding amendments into description after receiving the report on preliminary information retrieval carried out in the procedure prescribed by **Paragraph Two of Item 1 of Article 1390** of this Code.

2. The additional materials are deemed to change the essence of an application for an invention or utility model in one of the following instances, if they contain the following:

another invention that does not satisfy the requirement for the integrity of the invention in respect of the invention or a group of inventions accepted for consideration or other utility model;

the features which are subject to inclusion into the formula of an invention or utility model and which are not disclosed in the documents of an application which are provided for by **Subitems 1-4 of Item 2 of Article 1375** or **Subitems 1-4 of Item 2 of Article 1376** of this Code and presented as of the date of filing the application;

an indication of the technological result which is ensured by an invention or utility model and is not connected with the technological result contained in the same documents.

3. Additional materials shall change an application in respect of an industrial design on its merits, if they contain images of an article on which the following is shown:

another industrial design that does not satisfy the requirement of the integrity of an industrial design in respect of an industrial design or a group of industrial designs accepted for consideration;

the essential features of an industrial design are presented that are absent on the images presented as of the date of filing the application or the images of an article are presented from which the essential features of an industrial design available on the images presented as of the date of filing an application are deleted.

4. Changes in the data on the author, on the applicant, in particular when transferring the right to receive the patent to another person or as a result of changing the author's name, the name or denomination of the applicant, as well as the correction of clear and technical mistakes may be made by the applicant in the documents of the application on the own initiative thereof prior to registration of an invention, utility model or industrial design.

5. The changes made by an applicant to the documents of the application for an invention shall be taken into account when publishing data on the application, if such changes are presented to the federal executive body in charge of intellectual property matters within 15 months from the date of filing the application.

Article 1379. Transforming an Application for an Invention or Utility Model or Industrial Design

1. Until the publication of information on an invention application (**Item 1 of Article 1385**) but not later than the date of a decision on the issuance of a patent, or, when adopting the decision on the refusal to issue the patent for an invention or declaring an application withdrawn, before the possibility of filing an

objection against this decision provided for by this Code, the applicant is entitled to transform it into a utility model or industrial design application by means of filing the appropriate application with the federal executive body charged with intellectual property matters, except if the applicant has filed an application on the proposal to make a contract of the patent's alienation provided for by **Item 1 of Article 1366** of this Code.

2. The transformation of a utility model application into an invention or industrial design or an industrial design application into an invention or utility model application shall be permitted on the basis of an application filed with the federal executive body charged with intellectual property matters until the date of a decision on the issuance of a patent, or if a decision on refusing to issue a patent or on declaring an application withdrawn is taken, until the possibility of filing an objection against this decision provided for by this Code is exhausted.

3. The transformation of an application for an invention, utility model or industrial design in compliance with **Items 1** or **2** of this article shall be allowed, if the priority and date of filing the transformed application subject to the requirements of **Item 3 of Article 1375**, **Item 3 of Article 1376**, **Item 3 of Article 1377**, **Item 3 of Article 1381** or **Article 1382** of this Code remain unchanged.

Article 1380. Withdrawing an Invention, Utility Model or Industrial Design Application

An applicant is entitled to withdraw his/its invention, utility model or industrial design application until the state registration of the invention, utility model or industrial design in the relevant register.

2. The Priority of an Invention, Utility Model or Industrial Design

Article 1381. Establishing the Priority of an Invention, Utility Model or Industrial Design

1. The priority of an invention, utility model or industrial design shall be established by the date when the invention, utility model or industrial design application is filed with the federal executive body charged with intellectual property matters.

2. The priority of an invention, utility model or industrial design may be established by the date when additional materials are received, if they are provided by the applicant as an independent application filed before the expiry of three months after the applicant's receipt of a notice from the federal executive body charged with intellectual property matters stating that additional materials could not be taken into account because they were deemed to change the essence of the solution declared, unless as of the date of filing of the independent application the application containing the said additional materials has been withdrawn or deemed withdrawn.

3. The priority of an invention, utility model or industrial design shall be established by the date when an earlier invention, utility model or industrial design application is filed by the same applicant with the federal executive body charged with intellectual property matters that discloses these inventions, utility models or industrial designs, provided that the earlier application is not withdrawn, or declared withdrawn and on the basis of it the invention, utility model or industrial design was not registered in the appropriate register as of the date of filing the application in which the priority is sought and, with this, the application for an invention in which the priority is sought is filed within 12 months from the date of filing an earlier application, while an application for a utility model or industrial design - within six months from the date when an earlier application is filed.

Once an application seeking priority is filed, the earlier application shall be deemed withdrawn.

Priority shall not be established by the date of filing of an application whereby an earlier priority has been sought.

4. The priority of an invention, utility model or industrial design under a divisional application shall be established by the date when the same applicant filed with his/its initial application the federal executive body charged with intellectual property matters disclosing the invention, utility model or industrial design or if a right exists to establish an earlier priority, by the initial application by the date of

that priority, unless the initial invention, utility model or industrial design application had not been withdrawn or deemed withdrawn, provided the divisional application had been filed before the completion of the appeal envisaged by the present Code against the decision on refusing to issue a patent under the initial application or the date of registration of the invention, utility model or industrial design if a decision on issuing a patent was taken on the initial application.

5. The priority of an invention, utility model or industrial design may be established on the basis of several applications filed earlier or of additional materials to such applications, given the observance of the conditions set out in **Items 2**, **3** and **4** of the present article and **Article 1382** of the present Code respectively.

Article 1382. The Convention Priority of an Invention, Utility Model or Industrial Design

1. The priority of an invention, utility model or industrial design may be established by the date of filing of the first application for the invention, utility model or industrial design in a member state of the **Paris Convention** for the Protection of Industrial Property (conventional priority), provided an application for the invention or utility model is filed with the federal executive body charged with intellectual property matters within 12 months after the said date or an application for the industrial design within six months after the said date. If due to reasons beyond the applicant's control an application seeking a convention priority could not be filed within the said term, that term may be extended by the federal executive body charged with intellectual property matters by up to two months.

2. An applicant wishing to exercise the right of convention priority in respect of an industrial design application shall notify the federal executive body charged with intellectual property matters accordingly within two months after the filing of the application and present an attested copy of the first application specified in **Item 1** of the present article within three months after filing the application whereby a convention priority is sought with the said federal body.

If an attested copy of the first application is not filed within the cited time, the right of propriety, nevertheless, may be recognised by the federal executive body charged with intellectual property matters on the applicant's petition filed with the same the federal executive body charged with intellectual property matters before the expiry of the cited time period. The petition may be allowed on condition that a copy of the first application has been requested by the applicant at the same patent office with which the first application is filed within eight months from the date of filing the first application and presented with the federal executive body charged with intellectual property matters within two months from the date when it is received by the applicant.

3. An applicant wishing to exercise the right of convention priority in respect of an application with respect to an invention or utility model shall notify the federal executive body charged with intellectual property matters accordingly and file a copy of the first application with that federal body within 16 months after it was filed with the patent department of a member state of the **Paris Convention** for the Protection of Industrial Property.

If within the said term no attested copy of the first application is filed, the priority right may nevertheless be recognised by the federal executive body charged with intellectual property matters on the applicant's petition filed by him/it with that federal body within the said term, provided a copy of the first application was requested by the applicant from the patent department to which the first application has been submitted, within 14 months after the filing of the first application, and was submitted to the federal executive body charged with intellectual property matters within two months after its receipt by the applicant.

The federal executive body charged with intellectual property matters is only entitled to demand of an applicant to present a translation into Russian of the first application for an invention or utility model, if the verification of validity of a claim for the priority of the invention or utility model is connected with establishing the patentability of the declared invention or utility model.

Article 1383. The Consequences of the Coincidence of Priority Dates of an Invention, Utility

Model or Industrial Design

1. If an expert examination has established that various applicants have filed applications for identical inventions, utility models or industrial designs, and that these applications have one and the same priority date, a patent for an invention, utility model or industrial design may be issued only on one of these applications to the person designated by agreement among the applicants.

Within 12 months after forwarding a relevant notice by the federal executive body charged with intellectual property matters, the applicants shall inform that federal body of the agreement reached by them.

When a patent is issued on one of the applications all the authors mentioned in the application shall be deemed co-authors in respect of the identical inventions, utility models or industrial designs.

If applications for identical inventions and/or utility models or identical industrial designs having one and the same priority date have been filed by one and the same applicant, a patent shall be issued on the application chosen by the applicant. The applicant shall notify of its choice within the term and in the procedure set out in **Paragraph 2** of the present article.

Unless within the established term the federal executive body charged with intellectual property matters receives from the applicants the said notice or petition for extension of the established term in the procedure set out in **Item 6 of Article 1386** of the present Code, the applications shall be deemed withdrawn.

2. In the event of coincidence of the priority dates of an invention and a utility model identical thereto for which patent applications have been filed by one and the same applicant when a patent is issued under one of the applications, a patent under another application shall be possible only on the condition that an application for termination of that patent is filed with the federal executive body charged with intellectual property matters by the owner of the earlier patent for the identical invention or identical utility model. In this case the patent issued earlier shall be terminated starting from the date of publication of information on the issuance of the patent on other application in keeping with **Article 1394** of the present Code. Information on the issuance of the patent for the invention or the utility model and information on the termination of the earlier patent shall be published simultaneously.

3. The Expert Examination of a Patent Application. The Temporary Legal Protection of an Invention and of an Industrial Sample

Article 1384. The Formal Expert Examination of an Invention Application

1. A formal expert examination shall be carried out in respect of an invention application received by the federal executive body charged with intellectual property matters to verify the availability of the documents mentioned in **Item 2 of Article 1375** of this Code, their compliance with established requirements and the date of application shall be set.

2. The federal executive body charged with intellectual property matters shall immediately notify an applicant of a positive result of a formal expert examination of an application for an invention after the completion of the formal expert examination.

3. If the invention application does not comply with the established requirements applicable to application documents, the federal executive body charged with intellectual property matters shall send a request to the applicant asking him/it to file corrected or missing documents within three months of the receipt of the request. Unless the applicant files the documents so requested within the established term or files a petition for extension of the term, the application shall be deemed withdrawn. The term may be extended by the said federal executive body by up to 10 months.

4. If when conducting a formal expert examination of the invention application it is established that it is filed in breach of the concept of unity of invention (**Item 1 of Article 1375**), the federal executive body charged with intellectual property matters shall propose that the applicant within three months after the receipt of the relevant notice state which of the inventions declared is to be examined, and if necessary

amend the application documents. Other inventions declared by means of that application may be formalised under divisional applications. Unless within the established term the applicant notifies which of the inventions declared is to be examined and if necessary files the relevant documents, the invention indicated in the invention claim first shall be considered.

5. If when conducting a formal expert examination of an invention application it is established that the additional materials filed by an applicant change the application on its merits, the rules of **Paragraph Three of Item 6 of Article 1386** of this Code shall apply.

6. Prior to the commencement of an examination of an application for an invention on its merits (**Article 1386**), an applicant has the right to request a scientific or educational organisation to conduct preliminary information retrieval on the application for an invention in relation to the claimed invention and a preliminary assessment of its patentability, about which he/she must notify the federal executive body on intellectual property.

Article 1385. The Publication of Information on an Invention Application and of an Industrial Sample

1. The federal executive authority in the field of intellectual property shall, upon the expiry of eighteen months from the date of filing an application for an invention or upon the expiry of eighteen months from the date of the international filing of an international application for an invention published in accordance with the Patent Cooperation **Treaty**, publish in the official bulletin information on the application for an invention or international application for an invention, provided that such applications have passed formal examination with a positive result. The contents of the published information shall be determined by the federal executive authority responsible for legal regulation in the field of intellectual property.

The author of the invention is entitled to refuse to be mentioned as such in the published information on the invention application.

At a petition of the applicant filed before the expiry of 12 months after the date of filing the invention application, the federal executive body charged with intellectual property matters may publish information on the application before the expiry of 18 months after the date of filing thereof.

No publication shall take place if before the expiry of 15 months after the filing of the invention application it is withdrawn or deemed withdrawn or the invention is registered on the basis of the application.

2. After the publication of information on the invention application any person is entitled to acquaint themselves with the documents of the application, unless the application is withdrawn or deemed withdrawn as of the date of publication of information concerning it. The procedure for reading application documents and for the issuance of copies of such documents shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

3. When information is published on an invention application that has been withdrawn or deemed withdrawn as of the date of publication, such information shall not be included in the state of the art for the subsequent applications of the same applicant filed with the federal executive body charged with intellectual property matters until the expiry of 12 months after the publication of information on the invention application.

4. The federal executive state power body in charge of intellectual property at the applicant's petition shall publish data in an official bulletin on the application for an industrial sample that has passed an official expert examination with a positive result. The composition of the data to be published shall be defined by the federal executive body engaged in normative legal regulation in the sphere of intellectual property.

The author of an industrial sample is entitled to refuse to be mentioned as such in the data on the application for an industrial sample to be published.

The publication shall not be carried out if an application for an industrial sample has been withdrawn or declared withdrawn, or an industrial sample has been registered on the basis of it.

Any person after publication of data on the application for an industrial sample is entitled to

familiarise themselves with the documents of the application. The procedure for familiarising oneself with the documents of an application and for issuance of copies of such documents shall be established by the federal executive body engaged in normative legal regulation in the sphere of intellectual property.

Article 1386. The Expert Examination of an Invention Application on the Merits Thereof

1. Examination of an application for an invention on its merits shall be carried out at the request of the applicant or a third party after completion of the formal examination of this application with a positive result.

A petition to conduct an examination of an application for an invention on its merits shall be filed within three years from the date of filing of the application or from the date of the international filing of an international application for an invention, and in relation to a Eurasian application that has been transformed by the Eurasian Patent Office into a Russian national application, such a petition shall be filed simultaneously with the application for grant of a patent.

The specified term for filing a petition for an expert examination of an invention application on the merits thereof may be extended by the federal executive body charged with intellectual property matters upon a petition of the applicant filed before the expiry of the term, by up to two months.

If a petition for expert examination of the invention application on the merits thereof is not filed within the established term, the application shall be deemed withdrawn.

The federal executive body on intellectual property shall notify the applicant on the applications to conduct an examination of the application for an invention on the merits received from third parties.

2. The expert examination of an invention application on the merits thereof includes the following:

verifying the compliance of the declared invention with the requirements established by **Item 4 of Article 1349** of this Code and with the patentability conditions set out by Paragraph One of **Item 1**, **Items 5** and **6 of Article 1350** of this Code;

verifying the sufficiency of disclosing the essence of the declared invention in the documents of the application provided for by **Subitems 1 - 4 of Item 2 of Article 1375** of this Code and presented as of the date when it is filed for making the invention by an expert in the given field of technology;

conducting an information retrieval in relation to the claimed invention and checking, taking into account its results, the compliance of the claimed invention with the conditions of patentability provided for by **Paragraph Two of Item 1 of Article 1350** of this Code.

The federal executive body on intellectual property shall forward to an applicant a report on the information retrieval.

Results of the preliminary information retrieval and preliminary assessment of patentability contained in the report on preliminary information retrieval and the conclusion based on the results of the preliminary assessment of patentability conducted by a scientific or educational organisation, if they are received by the specified federal body before a decision has been made on the application to issue a patent or to refuse in the grant of a patent, or on the recognition of the application as withdrawn, shall be taken into account when verifying the compliance of the claimed invention with the conditions of patentability.

No information retrieval shall be carried out in respect of the objects cited in **Item 4 of Article 1349** and in **Items 5** and **6 of Article 1350** of this Code and the federal executive body on intellectual property shall notify an applicant thereof.

3. Invalid from August 1, 2021 - **Federal Law** No. 262-FZ of July 31, 2020

4. Invalid from August 1, 2021 - **Federal Law** No. 262-FZ of July 31, 2020

5. In respect of an invention application published in the procedure established by **Article 1385** of this Code, the federal executive body in charge of intellectual property matter shall publish a report on the preliminary information retrieval conducted in accordance with **Item 6 of Article 1384** of this Code, and a report on the preliminary information retrieval carried out in accordance with **Item 2** of this Article.

After publishing data on an invention application, or an international invention application any person is entitled to present the observations thereof in respect of the compliance of the declared invention to the requirements established by **Item 4 of Article 1349** of this Code, and with the patentability terms

established by **Article 1350** of this Code. Such persons shall not take part in the proceedings concerning the application. Observations shall be taken into account when adopting a decision with respect to such applications in the procedure established by **Article 1387** of this Code.

The procedure for conducting preliminary information retrieval, information retrieval and preliminary assessment of patentability in accordance with **Item 6 of Article 1384** of this Code, **Item 2** of this Article and **Item 1 of Article 1390** of this Code, publication of reports on preliminary information retrieval and information retrieval, submission of a report on preliminary information retrieval, information retrieval report and conclusion on the results of a preliminary assessment of patentability to the applicant shall be established by the federal executive body which carries out the legal and regulatory framework in the sphere of intellectual property.

6. In the course of an expert examination of an invention application on the merits thereof the federal executive body charged with intellectual property matters may request additional materials from the applicant (including a modified invention claim) without which the expert examination or adoption of the decision on issuance of the invention patent is impossible. In this case, additional materials without a change in the essence of the invention shall be provided within three months after forwarding the request or copies of the materials contradicting the application, provided the applicant has asked for the said copies within two months of the request of the said federal body is forwarded. Unless within the established term the applicant provides the requested materials or files a petition for extension of this term, the application shall be deemed withdrawn. The term established for the applicant to submit the materials requested may be extended by the said federal body by at most 10 months.

If it is established while holding an expert examination of an application on its merits that the requirement for the unity of an invention is not satisfied, the provisions of Item 4 of Article 1384 of this Code shall apply.

If an applicant has filed additional materials, it shall be verified whether they have changed the essence of an application or not (**Article 1378**). Additional materials in the part thereof that changes an application on its merits shall not be taken into account when considering an invention application. Such materials may be presented by an applicant as an independent application. The federal executive body in charge of intellectual property matters shall notify an applicant thereof.

Article 1387. The Decision on Issuance of a Patent for an Invention, on Refusing to Issue It or on Declaring an Application Withdrawn

1. If as a result of an expert examination of an invention application on the merits thereof it is established that the declared invention expressed in the invention claim proposed by the applicant does not refer to the objects cited in **Item 4 of Article 1349** of this Code, meets the conditions of patentability set out in **Article 1350** of this Code and the essence of the declared invention in the application documents provided for by **Subitems 1-4 of Item 2 of Article 1375** of this Code and filed as of the date of its submission is disclosed fully enough for making the invention, the federal executive body charged with intellectual property matters shall take the decision on issuing a patent for the invention with this invention claim. The decision shall contain the date of filing the invention application and the priority date of the invention.

If in the course of the expert examination of an invention application on the merits thereof it is established that the declared invention expressed in the invention claim proposed by the applicant does not comply with at least one requirement or condition of patentability cited in Paragraph One of this item or the application documents cited in Paragraph One of this item do not satisfy the requirements provided for by this paragraph, the federal executive body charged with intellectual property matters shall take a decision on refusing to grant a patent.

Until taking the decision on refusing to issue a patent the federal executive body charged with intellectual property matters shall send a notice to the applicant of the results of verification of patentability of the invention declared with a proposal for presenting its arguments concerning the reasons set out in the notice. The applicant's reply containing arguments concerning the reasons set out in the

notice may be presented within six months from the date when the notice is forwarded thereto.

2. The invention application shall be deemed withdrawn under the provisions of this chapter on the basis of a decision of the federal executive body charged with intellectual property matters.

3. The decisions of the federal executive body charged with intellectual property matters on issuance of the patent for an invention, on refusing to grant a patent for the invention or on deeming the invention application withdrawn may be challenged by the applicant by means of filing his/its objection with the cited federal executive body within seven months after forwarding by it to the applicant the corresponding decision or copies of the materials requested from the cited federal executive body which are opposed to the application and are cited in the decision on the refusal to issue the patent, provided that the applicant has requested copies of these materials within three months from the date of sending the decision adopted in respect of the invention application.

Article 1388. The Applicant's Right to Read Patent Materials

The applicant is entitled to read all the materials relating to invention patenting to which reference is made in the requests, reports, decisions, notices or other documents received by the applicant from the federal executive body charged with intellectual property matters, except for the application documents which are not available for familiarisation to any person (in particular of the application cited in the notice provided for by **Paragraph Two of Item 1 of Article 1383** of this Code), if data on such application are not published. Copies of the patent documents requested by the applicant from the said federal body shall be sent thereto within one month after receipt of the request.

Article 1389. The Renewal of Term in the Case of Laches Concerning the Expert Examination of an Invention Application

1. If the applicant misses the main term or extended term for filing documents or additional materials at the request of the federal executive body charged with intellectual property matters (**Item 3 of Article 1384** and **Item 5 of Article 1386**), the term for filing a petition for expert examination of an invention application on the merits thereof (Item 1 of Article 1386) and the term for filing an objection with the cited federal executive body (**Item 3 of Article 1387**) may be renewed by the said federal executive body, provided the applicant presents proof of a good reason for missing the term.

The terms provided for by **Item 3 of Article 1384**, **Items 1** and **6 of Article 1386** of this Code shall be renewed in compliance with the provisions of this chapter on the basis of a decision of the federal executive body charged with intellectual property matters on reversal of the decision on declaring the application withdrawn and renewing the term missed.

2. A petition for renewal of the term in case of laches may be filed by the applicant within 12 months after the expiry of the established term. The petition shall be filed with the federal executive body charged with intellectual property matters simultaneously with:

the documents or additional materials whose filing requires that the term be renewed or with a petition for extending the term for filing these documents or materials;

or with a petition for expert examination of the invention application on the merits thereof;

or with an objection with the federal executive body charged with intellectual property matters.

Article 1390. Expert Examination of a Utility Model Application

1. A formal expert examination shall be carried out in respect of a utility model application received by the federal executive body on intellectual property to verify the availability of the documents provided for by **Item 2 of Article 1376** of this Code, their compliance with established requirements and the date of application shall be set.

Prior to the completion of the formal examination, the applicant has the right to request from a scientific or educational organisation to conduct a preliminary information retrieval on an application for a useful model in relation to the declared useful model and a preliminary assessment of its patentability, about which he/she must notify the federal executive body on intellectual property.

A substantive examination of an application for a useful model shall be carried out after the completion of a formal examination of this application with a positive result.

The expert examination of an application for a useful model on the merits thereof includes the following:

verifying the compliance of the declared useful model with the requirements established by **Item 4 of Article 1349** of this Code and with the patentability conditions set out by **Paragraph One of Item 1**, **Items 5** and **6 of Article 1351** of this Code;

verifying the sufficiency of disclosing the essence of the declared useful model in the documents of the application provided for by **Subitems 1-4 of Item 2 of Article 1376** of this Code and presented as of the date when it is filed for making the useful model by an expert in the given field of technology;

conducting information retrieval in relation to the declared useful model and checking, taking into account its results, the compliance of the declared useful model with the conditions of patentability provided for by the **Paragraph Two of Item 1 of Article 1351** of this Code.

Results of the preliminary information retrieval and preliminary assessment of patentability contained in the report on preliminary information retrieval and the conclusion based on the results of the preliminary assessment of patentability conducted by a scientific or educational organisation, if they have been received by the specified federal body before a decision on the application to issue a patent or to refuse in the grant of a patent, or the recognition of the application as withdrawn was made, shall be taken into account when checking the patentability of the claimed useful model.

The information retrieval in respect of the objects cited in **Item 4 of Article 1349** and **Items 5** and **6 of Article 1351** of this Code shall not be conducted, and the federal executive body charged with intellectual property matters shall notify an applicant thereof.

2. If as a result of an expert examination of a utility model application on the merits thereof it is established that the declared utility model expressed in the invention claim proposed by the applicant does not refer to the objects cited in **Item 4 of Article 1349** of this Code, meets the conditions of patentability set out in **Article 1351** of this Code, and the essence of the declared invention in the application documents provided for by **Subitems 1-4 of Item 2 of Article 1376** of this Code and filed as of the date of its submission is disclosed fully enough for making the invention by an expert in the given area of technology, the federal executive body charged with intellectual property matters shall take a decision on issuing a patent for the utility model with this invention claim. The decision shall contain the date of filing the utility model application and the priority date of the invention.

If in the course of the expert examination of a utility model application on the merits thereof it is established that the declared object expressed in the claim proposed by the applicant does not comply with at least one requirement or condition of patentability cited in Paragraph One of this item or the application documents provided for by **Subitems 1-4 of Item 2 of Article 1376** of this Code and filed as of the date of its submission do not disclose regarding the utility model fully enough for making the utility model by an expert in the given area of technology, the federal executive body charged with intellectual property matters shall take a decision on refusing to grant a patent.

3. When conducting a formal expert examination of an application for a utility model and an expert examination of an application on its merits, the provisions provided for by **Items 2-5 of Article 1384**, **Item 6 of Article 1386**, **Items 2** and **3 of Article 1387**, **Articles 1388** and **1389** of this Code shall apply, respectively.

4. If, when considering by the federal executive body charged with intellectual property matters a utility model application, it is established that the data contained therein constitutes a state secret, the application documents shall be declassified in the procedure established by the legislation on state secrets. In so doing, the applicant shall be notified of the possibility of withdrawing the utility model application or of transforming it into an application for a secret invention. Consideration of the application shall be suspended pending receipt from the applicant of the corresponding application or pending the application's declassification.

Article 1391. Expert Examination of an Industrial Design Application

1. An industrial design application received by the federal executive body charged with intellectual property matters shall be subjected to a formal expert examination to verify the availability of the documents cited in **Item 2 of Article 1377** of this Code and their compliance with established requirements.

If the result of the formal expert examination is positive, an expert examination of the industrial design application on the merits thereof shall be carried out, this including the following:

information retrieval concerning the declared industrial design to determine the generally accessible data subject to which the patentability thereof will be verified;

verifying compliance of the declared industrial design with the requirements established by **Article 1231.1**, **Item 4 of Article 1349** of this Code and with the patentability conditions set out by **Paragraph One of Item 1**, **Item 5 of Article 1352** of this Code;

verifying compliance of the declared industrial design with the conditions of the patentability provided for by **Paragraph Two of Item 1 of Article 1352** of this Code.

The information retrieval in respect of the objects cited in **Subitem 4 of Item 4 of Article 1349** of this Code shall not be conducted, and the federal executive body charged with intellectual property matters shall notify an applicant thereof.

2. If as a result of an expert examination of an industrial design application on the merits thereof it is established that the declared industrial design shown on images of an article's appearance does not refer to the objects cited in **Article 1231.1** or **Item 4 of Article 1349** of this Code and meets the conditions of patentability set out in **Article 1352** of this Code, the federal executive body charged with intellectual property matters shall take a decision on issuing a patent for the industrial design. The decision shall contain the date of filing the industrial design application and the priority date of the industrial design.

If in the course of the expert examination of a utility model application on the merits thereof it is established that the declared object does not comply with at least one requirement or condition of patentability cited in Paragraph One of this item, the federal executive body charged with intellectual property matters shall take the decision on refusing to grant a patent.

Legal protection on the territory of the Russian Federation shall be provided for an industrial design registered in accordance with an international treaty of the Russian Federation, if it complies with the requirements of **Article 1231.1**, **Item 4 of Article 1349** of this Code and the conditions of patentability provided for by **Article 1352** of this Code.

Based on the results of an examination of an industrial design registered in accordance with an international treaty of the Russian Federation, the federal executive authority in the field of intellectual property shall make a decision to provide legal protection on the territory of the Russian Federation for an industrial design registered in accordance with an international treaty of the Russian Federation, or to refuse to provided legal protection on the territory of the Russian Federation for an industrial design registered in accordance with an international treaty of the Russian Federation.

3. When conducting a formal expert examination of an application for a utility model and an expert examination of an application on its merits, the provisions stipulated by **Items 2-5 of Article 1384**, **Item 6 of Article 1386**, **Items 2** and **3 of Article 1387**, **Articles 1388** and **1389** of this Code shall apply, respectively.

Article 1392. The Temporary Legal Protection of an Invention and of an Industrial Sample

1. An invention for which an application has been filed with the federal executive body charged with intellectual property matters shall enjoy temporary legal protection starting from the date of publication of information on the application (**Item 1 of Article 1385**) until the date of publication of information on the issuance of a patent (**Article 1394**), within the scope of the invention claim published but not exceeding the scope defined in the claim contained in the decision of the said federal body on the issuance of the patent for the invention.

An industrial sample in respect of which an application is filed with the federal executive body in

charge of intellectual property as from the date of publishing data on the application (**Item 4 of Article 1385**) and up to the date of publishing data on issuance of the patent (**Article 1394**) shall be provided with temporary legal protection to the extent determined by an aggregate of the essential features of the industrial sample reflected in the images of the article's exterior contained in the published application for the industrial sample but at most to the extent to be determined by an aggregate of the essential features reflected in the images of the article's exterior contained in the decision of the cited federal body on issuance of the patent for an industrial sample.

2. The temporary legal protection shall be deemed non-existent if the application for an invention or for an industrial sample has been withdrawn or deemed withdrawn or if in respect of the invention application a decision has been taken to refuse to issue a patent and the possibility of appealing against this decision envisaged by the present Code has been exhausted.

3. A person that uses a declared invention or industrial sample during the period specified in **Item 1** of the present article shall pay monetary remuneration to the patent holder after a patent is received. The amount of the remuneration shall be set by agreement of the parties or, in the case of a dispute, by a court.

4. The Registration of an Invention, Utility Model or Industrial Design, and the Issuance of a Patent

Article 1393. The Procedure for State Registration of an Invention, Utility Model or Industrial Design, and the Issuance of a Patent

1. On the basis of the decision on issuing a patent for an invention, utility model or industrial design adopted in the procedure established by **Item 1 of Article 1387**, **Item 2 of Article 1390**, **Item 2 of Article 1391** or **Article 1248** of this Code, the federal executive body charged with intellectual property matters shall enter the invention, utility model or industrial design into the relevant state register, i.e., the State Register of Inventions of the Russian Federation, the State Register of Utility Models of the Russian Federation, and the State Register of Industrial Designs of the Russian Federation, and it shall issue a patent for the invention, utility model or industrial design.

A patent for an invention, except for patents for secret inventions, a patent for a utility model or a patent for an industrial design, shall be issued in the form of an electronic document and, upon the request of an applicant, on paper. If such a patent is applied for in the name of several persons, one patent shall be granted to them.

2. The state registration of an invention, utility model or industrial design and the issuance of a patent shall be completed if the relevant patent duty has been paid. If an applicant has not paid the patent duty in the established procedure, the invention, utility model or industrial design shall not be registered, and the relevant application shall be deemed withdrawn on the basis of a decision of the federal executive body charged with intellectual property matters.

Should the decision on issuance of a patent for an invention, utility model or industrial design be disputed in the procedure established by **Article 1248** of this Code, the decision of declaring the application withdrawn shall not be taken.

3. The form of a patent for an invention, utility model or industrial design, and the composition of the details available therein shall be established by the **federal executive body** charged with normative legal regulation in the area of intellectual property.

4. The federal executive body charged with intellectual property matters shall enter on the basis of an application of the right holder in a patent issued for an invention, utility model or industrial design and/or in the relevant state register the amendments related to the data on the right holder and/or author, in particular to the denomination or name of the right holder, the location or residence thereof, the author's name and address for correspondence, as well as the amendments aimed at correcting clear and technical errors.

5. The federal executive body charged with intellectual property matters shall publish information in its gazette about any amendments made to entries in the state registers.

Article 1394. The Publication of Information on the Issuance of a Patent for an Invention, Utility Model or Industrial Design

1. The federal executive body charged with intellectual property matters shall publish information in its official bulletin on the issuance of a patent for an invention or utility model, including the name of the author (unless the author has refused to be mentioned as such), the name or denomination of the holder of the patent, the title and the invention or utility model claim.

The federal executive body charged with intellectual property matters shall publish in its official bulletin data on the issuance of a patent for an industrial design, including the name of the author (unless the author has refused to be mentioned as such), the name or denomination of the holder of the patent, the name of the industrial design, or an image of an article giving in full an idea about all the essential features of the industrial design.

The **composition** of the data to be published shall be defined by the federal executive body charged with normative legal regulation in the area of intellectual property.

2. Any person has a right to read the documents of the application, reports on preliminary information retrieval and information retrieval in relation to the claimed invention or useful model and a conclusion on the results of a preliminary assessment of their patentability and the report on information retrieval in respect of the declared industrial design, as well as with other documents of the federal executive body for intellectual property upon an application in connection with the registration of an invention, utility model or industrial design after the publication (in accordance with this Article) of the information on the issuance of the patent for the invention, useful model or industrial design.

The procedure for reading the specified documents shall be established by the authorised federal executive body which carries out the legal and regulatory framework in the sphere of intellectual property.

Article 1395. Patenting Inventions or Utility Models in Foreign States and in International Organisations

1. A patent application for an invention or utility model created in the Russian Federation may be filed in a foreign state or with an international organisation upon the expiry of six months after the filing of the relevant application with the federal executive body charged with intellectual property matters, unless within the said term the applicant is notified that the application comprises information deemed a **state secret**. An invention or utility model application may be filed earlier than indicated above but after completion of a verification of the application's comprising information deemed a state secret at the applicant's request. The procedure for carrying out such verification shall be established by the Government of the Russian Federation.

2. The patenting under the Patent Cooperation **Treaty** or the Eurasian Patent **Convention** of an invention or utility model created in the Russian Federation is admissible without prior filing of a relevant application with the federal executive body charged with intellectual property matters if the application has been filed in accordance with the Patent Cooperation **Treaty** (international application) with the federal executive body charged with intellectual property matters as a receiving department and in that application the Russian Federation is referred to as the state in which the applicant intends to obtain a patent, and the Eurasian application has been filed through the federal executive body charged with intellectual property matters.

In respect of the relevant application serving as a basis for seeking the priority for an international application filed with the federal executive body charged with intellectual property matters, the provisions of **Paragraph Two of Item 3 of Article 1381** of this Code shall not apply.

Article 1396. The International and Eurasian Applications Having the Effect of the Applications Envisaged by the Present Code

1. The federal executive body charged with intellectual property matters shall commence considering an international application for an invention or utility model, which is filed in accordance with

the Patent Cooperation Treaty and in which the Russian Federation is referred to as the state in which the applicant intends to obtain a patent for the invention or utility model upon the expiry of 31 months after the priority date sought in the international application on condition of filing with the cited federal executive body an application for issuance of a patent for the invention or utility model. At the applicant's request the international application shall be considered before the expiry of this time period.

Filing with the federal executive body charged with intellectual property matters an application for issuance of a patent for an invention or utility model may be replaced by the presentation of the application in Russian contained in the international application or of a translation of such application into Russian.

Unless the said documents are filed within the established term, the effect of the international application in accordance with the Patent Cooperation Treaty shall be terminated in respect of the Russian Federation.

The time period for filing the cited documents missed by an applicant may be restored by the federal executive body charged with intellectual property matters on condition that the reasons for failure to observe are specified.

2. The consideration of a Eurasian invention application having under the Eurasian Patent **Convention** the effect of an invention application envisaged by this Code shall be commenced from the day when the federal executive body charged with intellectual property matters receives an attested copy of the Eurasian application from the Eurasian Patent Department.

3. The publication in the Russian language of an international application by the International Office of the World Organisation Intellectual Property Organisation under the Patent Cooperation **Treaty** or the publication of a Eurasian application by the Eurasian Patent Department in accordance with the Eurasian Patent **Convention** shall replace the publication of information on an application envisaged by **Article 1385** of the present Code.

Article 1397. A Eurasian Patent and a Patent of the Russian Federation for Identical Inventions

1. If a Eurasian patent and a patent of the Russian Federation for identical inventions or an identical invention and utility model having the same priority date are owned by different patent holders, such inventions or the invention and utility model may only be used with the observance of the rights of all patent holders.

2. If a Eurasian patent and a patent of the Russian Federation for identical inventions or an identical invention and utility model having the same priority date are owned by the same person, that person may grant a right to any person to use the inventions or the invention and utility model under licence contracts concluded on the basis of these patents.

§ 6. Terminating and Reinstating a Patent

Article 1398. Declaring Invalid a Patent for an Invention, Utility Model or Industrial Design

1. A patent for an invention, utility model or industrial design may be declared invalid in full or in part if:

1) the invention, utility model or industrial design does not comply with the conditions of patentability established by this Code or with the requirements provided for by **Item 4 of Article 1349** of this Code, as well as if an industrial design does not comply with the requirements provided for by **Article 1231.1** of this Code;

2) the non-compliance of the documents of the application for an invention or utility model presented as of the date of its filing with the requirement for disclosing the essence of the invention or utility model fully enough for making the invention or utility model by an expert in a given field of technology;

3) the invention or utility model claim contained in the decision on issuance of the patent contains features which are not disclosed as of the date of filing the application in the documents presented as of

this date (**Item 2 of Article 1378**) or the materials attached to the decision on issuance of a patent for an industrial design contain the articles' images comprising the essential features of the industrial design that lack the images presented as of the date of filing the application or the articles' images from which the essential features of the industrial design available on the images presented as of the date of filing the application are deleted (**Item 3 of Article 1378**);

4) the patent has been issued when there were several applications for identical inventions, utility models or industrial designs having one and the same priority date, in breach of the conditions envisaged by **Article 1383** of this Code;

5) the patent has been issued with an indication therein as the author or patent holder of a person not being such in accordance with this Code or without an indication in the patent as the author or patent holder of the person being such in accordance with this Code.

2. The issuance of a patent for an invention, utility model or industrial design may be challenged by any person that has learned about the irregularities set out in **Subitems 1-4 of Item 1** of this article, by means of filing an objection with the federal executive body charged with intellectual property matters within its effective term fixed by Items 1-3 of Article 1363 of this Code.

The issuance of a patent for an invention, utility model or industrial design may be challenged with court by any person that has learned about the irregularities set out in **Subitem 5 of Item 1** of this article within its effective term fixed by **Items 1-3 of Article 1363** of this Code.

The issuance of a patent for an invention, utility model or industrial design may also be challenged with court by any person concerned upon the expiry of the effective term thereof on the grounds and in the procedure established by Paragraphs One and Two of this item.

3. During the time period while a patent for an invention is being disputed, the patent holder is entitled to file an application for transforming a patent for an invention into a patent for a utility model, if the effective term of the patent for the invention has not exceeded the effective term of the patent for the utility model provided for by **Item 1 of Article 1363** of this Code. The federal executive body charged with intellectual property matters shall allow an application for transforming a patent for an invention into a patent for a utility model on condition of declaring the patent for the invention fully ineffective and of the utility model's compliance with the patentability requirements and conditions for utility models which are provided for by **Item 4 of Article 1349**, **Article 1351**, **Subitem 2 of Item 2 of Article 1376** of this Code. The transformation shall not be effected, if a patent for an invention has been issued on the basis of the application in respect of which the proposal has been received to make a contract of the patent's alienation in the procedure established by **Item 1 of Article 1366** of this Code, and this application is not withdrawn in compliance with **Item 3 of Article 1366** of this Code as of the date when the application for the patent's transformation is filed.

In the event of transforming a patent for an invention into a patent for a utility model, the priority and date of filing the application shall be preserved.

4. A patent for an invention, utility model or industrial design shall be deemed invalid in full or in part under the decision of the federal executive body charged with intellectual property matters adopted in accordance with **Items 2** and **3 of Article 1248** of this Code or a court's decision that has come into force.

If a patent is deemed partially invalid, a new patent shall be issued for an invention, utility model or industrial design.

In the event of allowing an application for transforming a patent for an invention into a patent for utility model, a patent for the utility model shall be issued.

5. A patent for an invention, utility model or industrial design that has been declared invalid in full or in part shall be annulled from the date when the application for the patent was filed.

6. The licence contracts concluded on the basis of a patent for an invention, utility model or industrial design that was later deemed invalid shall remain effective in as much as they have been discharged as of the time when the decision on the patent's invalidity was issued.

7. Declaring a patent for an invention, utility model or industrial design as invalid shall mean the revocation of the decision of the federal executive body charged with intellectual property matters on the

issuance of the patent for the invention, utility model or industrial design (**Article 1387**) and the annulment of the entry made in the relevant state register (**Item 1 of Article 1393**).

8. Legal protection on the territory of the Russian Federation for an industrial design registered in accordance with an international treaty of the Russian Federation may be declared invalid in whole or in part on the grounds and in the procedure provided for by this article.

Article 1399. The Early Termination of a Patent for an Invention, Utility Model or Industrial Design

A patent for an invention, utility model or industrial design shall be terminated before the due date:

on the basis of an application filed by the holder of the patent with the federal executive body charged with intellectual property matters, as of the date of receipt of the application. If the patent is issued for a group of inventions, utility models or industrial designs, and the patent holder's application is not filed in respect of all the objects of patent rights included in the group, the patent shall be terminated only in as much as it concerns the inventions, utility models or industrial designs indicated in the application;

if a **patent duty** was not paid when due for the maintenance of the patent for the invention, utility model or industrial design in effect, upon the expiry of the term established for the payment of the patent duty for the maintenance of the patent in effect.

Article 1400. Reinstating a Patent for an Invention, Utility Model or Industrial Design

1. A patent for an invention, utility model or industrial design terminated due to the fact that no patent duty has been paid within the **established term** when due for the maintenance of the patent in effect may be reinstated by the federal executive body charged with intellectual property matters at the petition of the person who owned the patent or of the legal successor thereof. A petition for reinstatement of the patent may be filed with the said federal body within three years after the expiry of the **patent duty** payment term but before the expiry of the effective term of the patent envisaged by this Code.

2. The federal executive body charged with intellectual property matters shall publish information in its gazette on the reinstatement of the patent for the invention, utility model or industrial design.

3. A person that started to use an invention, utility model or industrial design within the period between the termination of the patent for the invention, utility model or industrial design and the date of publication in the gazette of the federal executive body charged with intellectual property matters of information on the reinstatement of the patent or that made the necessary preparations for it within the said period shall retain the right of further free-of-charge use thereof without the broadening of the scope of such use (right of after-use).

4. The right of after-use may only be transferred to another person jointly with the enterprise where an invention or a solution that only differs from the invention by the equivalent features (**Item 3 of Article 1358**), a utility model or industrial design was used or preparations for it were made.

§ 7. The Details of the Legal Protection and Use of Secret Inventions

Article 1401. Filing and Considering a Patent Application for a Secret Invention

1. The filing of a patent application for a secret invention (a secret invention application), the consideration and the handling of such application shall take place observing the **legislation** on state secrets.

2. Applications for secret inventions for which the secrecy classifications "special importance" or "top secret" have been established, and also the secret inventions deemed means of weaponry and military machinery and methods and means in the area of intelligence, counter-intelligence and operative search activities and for which the secrecy classification "secret" has been established shall be filed depending on the their topic with the federal executive power bodies, or the State Atomic Power Corporation Rosatom, the "Roscosmos" State Corporation on Outer-Space Activity authorised by the Government of the Russian

Federation (authorised bodies). Applications for other secret inventions shall be filed with the federal executive body charged with intellectual property matters.

3. If it has been established when the federal executive body charged with intellectual property matters considered an invention application that the information contained therein is classified as a state secret, such application shall be classified as secret in the procedure established by the **legislation** on state secrets, and it shall be deemed a secret invention application.

It is prohibited to classify as secret an application filed by a foreign citizen or a foreign legal entity.

4. When a secret invention application is being examined, the provisions of **Articles 1384**, **1386-1389** of the present Code shall be applicable, respectively. In this case no information shall be published concerning the application.

5. While establishing the novelty of a secret invention, the state of the art (**Item 2 of Article 1350**) shall also include -- if having an earlier priority -- the secret inventions patented in the Russian Federation and the secret inventions for which certificates of authorship were issued in the USSR, unless the degree of secrecy established for these inventions exceeds that of the invention whose novelty is being assessed.

6. An objection to a decision taken on a secret invention application by the authorised body shall be considered in the procedure established by it. A decision taken on such objection may be challenged in court.

7. The secret invention applications are not subject to the provisions of **Article 1379** of the present Code on the transformation of an invention application into a utility model application.

Article 1402. The State Registration of a Secret Invention and the Issuance of a Patent for It. Propagating Information on a Secret Invention

1. The state registration of a secret invention in the State Register of Inventions of the Russian Federation and the issuance of a patent for the secret invention shall be carried out by the federal executive body charged with intellectual property matters, or if the decision on the issuance of a patent for the secret invention was taken by an authorised body, by that body. The authorised body that has registered a secret invention and issued a patent for a secret invention shall notify the federal executive body charged with intellectual property matters accordingly.

The authorised body that has registered a secret invention and has issued a patent for it shall make amendments relating to the correction of obvious and technical errors in the patent for the secret invention and/or the State Register of Inventions of the Russian Federation.

2. No information shall be published on applications and patents for secret inventions and also on the amendments relating thereto made to the State Register of Inventions of the Russian Federation. Information about such patents shall be passed in accordance with the **legislation** on state secrets.

Article 1403. Changing the Degree of Secrecy and Declassifying Inventions

1. A change in the degree of secrecy and the declassification of inventions, and also the change and removal of secrecy stamps from the documents of a secret invention application or patent shall take place in the procedure established by the **legislation** on state secrets.

2. When the degree of secrecy of an invention is stepped up, the federal executive body charged with intellectual property matters shall hand over the documents of the application for the secret invention according to their topic to the relevant authorised body. Further consideration of the application whose examination has not been completed by the said federal body shall be the responsibility of the authorised body. When the degree of secrecy of an invention is stepped down, further examination of the application for the secret invention shall be carried out by the same empowered body that had been considering it before.

3. When an invention is declassified, the authorised body shall hand over the declassified application documents it has to the federal executive body charged with intellectual property matters. Further examination of the application of which examination has not been completed by the empowered body shall be the responsibility of the said federal body.

Article 1404. Deeming as Invalid a Secret Invention Patent Issued by an Authorised Body

An objection against the issuance by an authorised body of a patent for a secret invention on the grounds set out in **Subitems 1-4 of Item 1 of Article 1398** of the present Code shall be filed with the authorised body and it shall be considered in the procedure established by it. A decision of the authorised body taken on the objection shall be confirmed by the head of that body, and it shall enter into force on the day when it is confirmed, and it may be challenged in court.

Article 1405. The Exclusive Right to a Secret Invention

1. The use of a secret invention and the disposal of an exclusive right to a secret invention shall take place in the observance of the **legislation** on state secrets.

2. The transfer of the exclusive right under a contract of alienation of a patent and granting of the right to use a secret invention under licence contract are subject to state registration with the agency that issued the patent for the secret invention or with the legal successor thereof or, in the absence of a legal successor, with the federal executive body charged with intellectual property matters.

3. In respect of a secret invention, it is prohibited to make a public offer to conclude a contract of alienation of a patent and an open licence statement envisaged by **Item 1 of Article 1366** and **Item 1 of Article 1368** of the present Code, respectively.

4. The compulsory licence envisaged by **Article 1362** of the present Code shall not be granted in respect of a secret invention.

5. The following shall not be deemed a breach of the exclusive right of the holder of a patent for a secret invention: the actions envisaged by **Article 1359** of the present Code, and also the use of the secret invention by a person who on legal grounds did not know or could not know of the existence of a patent for the invention. After the invention is declassified, or after the said person is notified by the holder of the patent that the patent for the invention exists, that person shall stop using the invention or conclude a licence contract with the holder of the patent, except for cases when a right of prior use existed.

6. The exclusive right to a secret invention is not subject to levy of execution.

§ 8. Protection of the Rights of Authors and Patent Holders

Article 1406. Disputes Relating to the Protection of Patent Rights

1. Disputes relating to the protection of patent rights shall be considered by a court. Such disputes include, without limitation, disputes:

1) on the authorship of an invention, utility model or industrial design;

2) on the establishment of the patent holder;

3) on a breach of the exclusive right to an invention, utility model or industrial design;

4) on conclusion, performance, amendment and termination of contracts of assignment of an exclusive right (alienation of a patent) and licence contracts for the use of an invention, utility model or industrial design;

5) on a right of prior use;

6) on a right of after-use;

7) on the amount of, term and procedure for paying, a fee;

8) **abrogated** from October 1, 2014.

2. In the cases specified in **Articles 1387**, **1390**, **1391**, **1398**, **1401** and **1404** of the present Code the protection of patent rights is carried out on administrative lines in accordance with **Items 2** and **3 of Article 1248** of the present Code.

Article 1406.1. Liability for Breaching the Exclusive Right to an Invention, Utility Model or Industrial Design

Should the exclusive right to an invention, utility model or industrial design be violated, the author or other right holder, along with the use of other applicable remedies and punitive sanctions established by this Code (**Articles 1250**, **1252** and **1253**), shall be entitled to demand at the choice thereof of the violator payment of the following compensation instead for damages:

1) in an amount from 10,000 to 5,000,000 roubles as determined at the discretion of the court on the basis of the nature of the violation;

2) in the twofold cost of the right to use the invention, useful model or industrial design, determined on the basis of the price normally charged under comparable circumstances for the legal use of the invention, useful model or industrial design in the way that the infringer has used.

Article 1407. The Publication of a Court's Decision on Infringement of a Patent

In accordance with **Subitem 5 of Item 1 of Article 1252** of the present Code a patent holder is entitled to demand that a court decision on illegal use of an invention, utility model or industrial design or another infringement of his/its rights be published in the gazette of the federal executive body charged with intellectual property matters.

Chapter 73. The Right to a Breeding Achievement

§ 1. Basic Provisions

Article 1408. Rights to Breeding Achievements

1. The author of a breeding achievement that complies with the conditions for provision of legal protection set out in the present Code (breeding achievement) owns the following intellectual rights:

1) an exclusive right;

2) the right of attribution.

2. In the cases set out in the present Code, the author of a breeding achievement also has other rights, including a right to obtain a patent, a right to give a name to the breeding achievement, a right to a fee for a service breeding achievement.

Article 1409. The Effect of an Exclusive Right to a Breeding Achievement on the Territory of the Russian Federation

The following shall be recognised on the territory of the Russian Federation: an exclusive right to a breeding achievement certified by a patent issued by the federal executive body charged with breeding achievement matters, or a patent effective on the territory of the Russian Federation in accordance with international treaties of the Russian Federation.

Article 1410. The Author of a Breeding Achievement

The author of a breeding achievement is the citizen by whose creative labour the breeding achievement has been created, developed or discovered. Unless otherwise proven, the person specified as the author in a patent application for a breeding achievement is deemed the author of the breeding achievement.

Article 1411. The Co-Authors of a Breeding Achievement

1. Citizens who have created, developed or discovered a breeding achievement by their joint labour are deemed co-authors.

2. Each of the co-authors is entitled to use the breeding achievement at his/its own discretion, except as otherwise envisaged by agreement between them.

3. The relationships of the co-authors relating to the distribution of incomes from the use of the

breeding achievement and to the disposing of an exclusive right to the breeding achievement are subject to the Rules of **Item 3 of Article 1229** of the present Code, respectively.

The co-authors shall jointly hold the right to obtain a patent for the breeding achievement.

4. Each of the co-authors is entitled to take measures on his/its own to protect his/its rights.

Article 1412. The Objects of Intellectual Rights to Breeding Achievements

1. The objects of intellectual rights to breeding achievements are the plant varieties and animal breeds registered in the State Register of Protected Breeding Achievements if these results of intellectual activity meet the requirements established by the present Code as applicable to such breeding achievements.

2. A plant variety is a group of plants, irrespective of protectability, defined by the traits characteristic of a given genotype or combination of genotypes, and differs from other groups of plants of the same botanical taxon by one or several traits.

A variety may be represented by one or several plants, a part or several parts of a plant, provided the part or parts can be used to reproduce entire plants of the variety.

A clone, line, first-general hybrid and population are protected categories of a plant variety.

3. For animals the breed is a group of animals that, irrespective of protectability, possesses genetically-specific biological and morphological properties and traits, some of these being specific to the given group and distinguishing it from other groups of animals. A breed may be represented by a female or male individual animal or by breeding material, i.e., by animals (pedigree animals), their gametes or zygotes (embryos).

For animals, the protected categories of breed are the type and cross of lines.

Article 1413. The Conditions of Protectability of a Breeding Achievement

1. A patent shall be issued for a breeding achievement that meets the protectability criteria, and concerns the botanical and zoological genera and species, a list of which is established by the federal executive body charged with normative legal regulation in the area of agriculture.

2. The criteria of protectability of a breeding achievement are as follows: novelty (**Item 3** of the present article), distinctness (**Item 4** of the present article), uniformity (**Item 5** of the present article) and stability (**Item 6** of the present article).

3. A plant variety and an animal breed are deemed novel if when a patent application is filed the seeds or breeding material of this breeding achievement had neither been on sale nor had been otherwise transferred by the breeder, his successor or with their consent to other persons for the breeding achievement to be used:

1) on the territory of the Russian Federation more than one year before the said date;

2) on the territory of another state more than four years, or for varieties of vine, arboreal decorative and arboreal fruit cultures, more than six years before the said date.

4. A breeding achievement shall be clearly different from any other generally known breeding achievement in existence as of the time of filing of a patent application.

A generally-renowned breeding achievement is a breeding achievement about which information is available in official catalogues or reference information stock or which has a precise description in a published material.

The filing of a patent application also makes a breeding achievement generally known starting from the date of filing of the application, provided a patent has been issued for the breeding achievement.

5. Plants of the same variety and animals of the same breed shall be sufficiently uniform in terms of their traits, with account taken of individual deviations that may take place due to the specific features of reproduction.

6. A breeding achievement shall be deemed stable if its basic traits remain unchanged after several reproduction cycles or in the case of a special reproduction cycle, at the end of each reproduction cycle.

Article 1414. State Registration of a Breeding Achievement

The exclusive right to a breeding achievement shall be recognised and protected on the condition of state registration of the breeding achievement in the State Register of Protected Breeding Achievements, according to which the federal executive body charged with breeding achievements matters shall issue a patent to the applicant for the breeding achievement.

Article 1415. A Patent for a Breeding Achievement

1. A patent for a breeding achievement shall certify the priority of the breeding achievement, authorship and the exclusive right to the breeding achievement.

2. The scope of the protection of intellectual rights to the breeding achievement granted under the patent is defined by the entirety of significant traits recorded in a description of the breeding achievement.

Article 1416. The Certificate of Authorship

The author of a breeding achievement is entitled to obtain a certificate of authorship that is issued by the federal executive body charged with breeding achievements matters and certifies authorship.

Article 1417. State Incentives for the Creation and Use of Breeding Achievements

The state shall provide incentives for the creation and use of breeding achievements, and it shall provide the authors thereof and other holders of exclusive rights to breeding achievements (licensor) and the licensees using the breeding achievements with privileges in accordance with the legislation of the Russian Federation.

§ 2. Intellectual Rights to Breeding Achievements

Article 1418. The Right of Attribution in Respect of a Breeding Achievement

The right of attribution, i.e., the right of being recognised as the author of a breeding achievement, is unalienable and unassignable, for instance when the exclusive right to the breeding achievement is assigned or transferred to another person or when a right to use it is granted to another person. The waiver of this right is null and void.

Article 1419. The Right to Name a Breeding Achievement

1. The author is entitled to give a name to the breeding achievement.

2. The name of the breeding achievement shall allow the identification of the breeding achievement, it shall be brief and different from the names of existing breeding achievements of the same or similar botanical or zoological species. It shall neither be made up of figures only nor be misleading as to the properties, origin, significance of the breeding achievement, the personality of its author, nor be conflicting with the principles of humanity and moral principles.

3. The name of the breeding achievement suggested by the author or on the consent thereof by another person (applicant) filing a patent application shall be approved by the federal executive body charged with breeding achievement matters.

If the name suggested does not meet the requirements established by **Item 2** of the present article the applicant shall suggest another name within 30 days at the request of the said federal body.

Unless within the said term the applicant suggests another name meeting the said requirements or disputes, the refusal to approve the name of the breeding achievement in the court, the federal executive body charged with breeding achievements matters shall be entitled to refuse to register the breeding achievement.

Article 1420. The Right to Obtain a Patent for a Breeding Achievement

1. A right to obtain a patent for a breeding achievement is initially owned by the author of the

breeding achievement.

2. A right to obtain a patent for a breeding achievement may be transferred to another person (successor) or be assigned thereto in the cases and on the grounds established by law, for instance, in the line of universal succession or under a contract, including a labour contract.

3. A contract of alienation of a right to obtain a patent for a breeding achievement shall be concluded in writing. Non-observance of the written form shall cause the invalidity of the contract.

4. Unless otherwise established by agreement of the parties to a contract of alienation of a right to obtain a patent for a breeding achievement, the risk of unprotectability is borne by the acquirer of the right.

Article 1421. The Exclusive Right to a Breeding Achievement

1. The licensor owns the exclusive right to use a breeding achievement in accordance with **Article 1229** of the present Code in the manner specified in **Item 3** of the present article. The patent holder may dispose of the exclusive right to the breeding achievement.

2. The exclusive right to a breeding achievement also extends to plant material, i.e., to a plant or a part thereof used for purposes other than the purposes of reproducing a variety, to commercial animals, i.e., animals used for purposes other than the purposes of reproducing a breed, which have been obtained from seeds or from pedigree animals respectively if such seeds or pedigree animals have been introduced into civil-law transactions without the permission of the licensor. In this case, seeds shall mean a plant or its part used to reproduce the variety.

3. The use of a breeding achievement means the carrying out of the following actions with seeds and breeding materials of the breeding achievement:

1) production and reproduction;

2) bringing to planting condition for subsequent multiplication;

3) offering for sale;

4) sale and other methods of introduction into civil-law transactions;

5) exportation from the territory of the Russian Federation;

6) importation onto the territory of the Russian Federation;

7) storage for the purposes set out in **Subitems 1-6** of the present item.

4. Also the exclusive right to the breeding achievement extends to seeds and breeding materials which:

essentially inherit the characters of another protected (initial) plant variety or animal breed, unless the protected variety or breed, of its own, is a breeding achievement essentially inheriting the characters of other breeding achievements;

differ not obviously from a protected plant variety or animal breed;

require the use of a protected plant variety several times to produce seeds.

The following shall be deemed a breeding achievement that essentially inherits the characters of another protected (initial) breeding achievement: a breeding achievement which has an obvious distinction from the initial one and which:

inherits the most essential characteristics of the initial breeding achievement or of a breeding achievement which, on its own, inherits the essential characteristics of the initial breeding achievement while retaining the basic traits reflecting the genotype or the combination of genotypes of the initial breeding achievement;

corresponds to the genotype or the combination of genotypes of the initial breeding achievement, except for the deviations caused by the use of such methods as individual selection from the initial plant variety or animal breed, selection of an induced mutant, back-cross and genetic engineering.

Article 1422. Actions Not Deemed an Infringement of the Exclusive Right to a Breeding Achievement

The following are not deemed an infringement of the exclusive right to a breeding achievement:

1) actions carried out to meet personal, family, household or other needs not relating to

entrepreneurial activity, unless the purpose of such activities is profit-making or earnings;

2) actions committed for scientific-research or experimental purposes;

3) the use of the protected breeding achievement as initial material for creating other plant varieties and animal breeds, and also the actions in respect of these created varieties and breeds specified in **Item 3 of Article 1421** of the present Code, except for the cases described in **Item 4 of Article 1421** of the present Code;

4) the use of a vegetable material produced on a farm for two years as seeds for growing on the area of the farm a plant type available on the list of genera and species established by the Government of the Russian Federation. The provision, provided for by this Subitem, shall apply to individual entrepreneurs and legal entities classified in accordance with the Law as small and medium-sized businesses, as well as citizens;

5) the reproduction of commercial animals for use on the given farm;

6) any actions involving seeds, vegetable materials, breeding materials and commercial animals which have been introduced into civil-law transactions by a patent holder or by other persons on his/its consent, except for:

the subsequent multiplication of the plant variety and animal breed;

the export from the territory of the Russian Federation of the vegetable materials or commercial animals that allow the multiplication of the plant type or animal breed to a country where this genus or species is not protected, except for exportation for the purpose of processing for subsequent consumption.

Article 1423. The Compulsory Licence for a Breeding Achievement

1. Upon the expiry of three years after the issuance of a patent for a breeding achievement, any person willing and ready to use the breeding achievement, provided the holder of the patent has refused to conclude a licence contract for the production or sale of seeds, breeding material on terms that comply with the prevailing practices, is entitled to file a complaint with a court claiming a compulsory simple (non-exclusive) licence from the holder of the patent for the use of the breeding achievement on the territory of the Russian Federation. In his claim, the person shall indicate the terms he has offered for the granting of such licence, including the scope of use of the breeding achievement, the rate of, and the procedure and term for, payment.

Unless the patent holder proves that there is a good reason for refusing to grant to the applicant a right to use the breeding achievement, the court shall take a decision on granting the said licence and on the terms for the grant thereof. The sum total of payments for the licence shall be set by the court's decision at least at a licence price defined in comparable circumstances.

2. On the basis of the court's decision envisaged by **Item 1** of the present article, the federal executive body charged with breeding achievements matters shall carry out the state registration of granting the right to use a breeding achievement under the terms of the compulsory simple (non-exclusive) licence.

3. On the basis of the court's decision on granting the compulsory simple (non-exclusive) licence, the patent holder shall provide the holder of the licence for a payment and on the terms acceptable thereto seeds or breeding materials respectively in quantities sufficient for the use of the compulsory simple (non-exclusive) licence.

4. The compulsory simple (non-exclusive) licence may be terminated in a judicial procedure on the complaint of the patent holder if the holder of the licence is in breach of the terms on which the licence has been granted, or if the circumstances due to which the licence was granted have changed so that if they were in existence as of the time when the licence was granted it would not have been granted at all or it would have been granted on significantly different terms.

Article 1424. The Effective Term of the Exclusive Right to a Breeding Achievement

1. The effective term of the exclusive right to a breeding achievement and of a patent certifying such right shall be counted from the date of state registration of the breeding achievement in the State

Register of Protected Breeding Achievements, and it is equal to 30 years.

2. For varieties of vine, arboreal decorative, fruit cultures and forest varieties, including their stock, the effective term of the exclusive right and of a patent certifying such right is equal to 35 years.

Article 1425. The Passing of a Breeding Achievement into the Public Domain

1. Upon the expiry of the exclusive right the breeding achievement shall pass into the public domain.

2. A breeding achievement that has passed into the public domain may be freely used by any person without consent or permission and without a fee being paid for its use.

§ 3. Disposing of the Exclusive Right to a Breeding Achievement

Article 1426. The Contract of Alienation of the Exclusive Right to a Breeding Achievement

Under a contract of alienation of the exclusive right to a breeding achievement (contract of alienation of a patent) one party (patent holder) assigns or undertakes to assign his/its exclusive right to the breeding achievement in full to the other party being the acquirer of the exclusive right (the acquirer of the patent).

Article 1427. A Public Offer to Conclude a Contract of Alienation of a Patent for a Breeding Achievement

1. While filing a patent application for a breeding achievement, the applicant being the author of the breeding achievement may attach to the documents of the application his/its application to the effect that if a patent is issued he/it undertakes to conclude a contract of alienation of the patent on terms complying with the prevailing practices with any citizen of the Russian Federation or a Russian legal entity that is the first to express his/its wish to do so and to notify the holder of the patent and the federal executive body charged with breeding achievements matters. If such an application is filed, the patent duties envisaged by the present Code shall be charged to the applicant neither for the patent application for the breeding achievement nor for the patent issued under such application.

The federal executive body charged with breeding achievement matters shall publish information about said application in its gazette.

2. A person that has concluded a contract of alienation of the patent with the patent holder on the basis of his/its application specified in **Item 1** of the present article shall pay all the patent duties from which the applicant (patent holder) has been relieved. Henceforth, patent duties shall be payable in the established procedure.

The state registration of transfer of the exclusive right to the acquirer under a contract of alienation of a patent shall be effected by the federal executive body charged with breeding achievement matters on condition of paying the patent duties, which the applicant (patent holder) has been relieved of.

3. Unless, within two years after the publication of information on the issuance of the patent in respect of which the application specified in **Item 1** of the present article has been filed the federal executive body charged with breeding achievement matters receives a notice in writing of somebody's wish to conclude a contract of alienation of the patent, the patent holder may file a petition for withdrawal of his/its application with the said federal body. In this case the patent duties envisaged by the present Code from which the applicant (patent holder) has been relieved shall become payable. Henceforth, patent duties shall be payable in the established procedure.

The federal executive body charged with breeding achievement matters shall publish information on the withdrawal of the said application in the gazette.

Article 1428. The Licence Contract Granting the Right to Use a Breeding Achievement

Under the licence contract one party being the grantor of a patent (licenser) grants or undertakes to

grant to the other party being a user (licensee) the right to use the breeding achievement certified by the patent, within the scope established by the contract.

Article 1429. The Open Licence for a Breeding Achievement

1. The holder of a patent may file an application with the federal executive body charged with breeding achievement matters to the effect that any person may obtain a right to use the breeding achievement (open licence).

In this case the rate of duty for the maintenance of the patent in effect shall be cut by 50 per cent starting from the year following the year in which the federal executive body charged with breeding achievement matters published information on the open licence in the gazette.

The terms on which the right to use the breeding achievement may be granted to any person shall be sent to the federal executive body charged with breeding achievement matters which shall publish relevant information on the open licence in the gazette on the account of the patent holder. The patent holder shall conclude a licence contract with the person that has expressed his/its desire to use the breeding achievement on the terms of a simple (non-exclusive) licence.

2. Upon the expiry of two years after the publication in the gazette by the federal executive body charged with breeding achievements matters of information concerning the open licence the patent holder shall be entitled to file a petition with the said federal body for withdrawal of his/its open licence application.

Unless before the withdrawal of the open licence somebody has expressed his/its wish to use the breeding achievement, the patent holder shall additionally pay a duty for the maintenance of the patent in effect for the period of time elapsed since the publication of information about the open licence, and henceforth shall pay it in full.

If before the withdrawal of the open licence the relevant licence contracts had been concluded on the terms of an open licence, the licensees shall retain their rights over the whole effective term of these contracts. In this case the patent holder shall pay a duty for the maintenance of the patent in effect in full starting from the date of withdrawal of the open licence.

The federal executive body charged with breeding achievement matters shall publish information on the open licence in the gazette.

§ 4. A Breeding Achievement Created, Developed or Discovered in the Line of Duty or when Works Were Performed under a Contract

Article 1430. The Service Breeding Achievement

1. A breeding achievement created, developed or discovered by an employee in the line of duty or on a specific assignment of the employer shall be deemed a service breeding achievement.

2. The right of attribution in respect of the breeding achievement is owned by the employee (author).

3. The exclusive right to the service breeding achievement and the right to obtain a patent are owned by the employer, except as otherwise envisaged by a labour contract or civil law contract between the employee and the employer.

4. Except as otherwise agreed by the employer and the employee in a contract (**Item 3** of the present article), the employee shall notify the employer in writing of the creation, development or discovery in the line of duty or on a specific assignment of the employer, of a result which can enjoy legal protection as a breeding achievement.

Unless within four months after the employee's notice of the result created, developed or discovered which can enjoy legal protection as a breeding achievement, the employer files a patent application for the breeding achievement with the federal executive body charged with breeding achievement matters or assigns the right to obtain a patent for the service breeding achievement to another

person or informs the employee that information about that result is to be kept secret, the right to obtain a patent for the breeding achievement shall be returned to the employee. In this case, the employer shall be entitled over the effective term of the patent to use the service breeding achievement on the employer's own production facilities on the terms of a simple (non-exclusive) licence, with the patent holder being entitled to compensation of which the amount, payment terms and procedure shall be defined by a contract between the employee and the employer or by a court in the case of a dispute.

5. The employee is entitled to receive a fee from the employer for the use of the service breeding achievement created, developed or discovered, in the amount and on the terms defined by agreement between them but below two per cent of the sum of annual income from the use of the breeding achievement, including incomes from licence granting. A dispute concerning the amount of, procedure or terms for payment of, a fee in connection with the use of the service breeding achievement shall be referred to a court for resolution.

A fee shall be paid to the employee within six months after the expiry of each year in which the breeding achievement was used.

The right to remuneration for a service breeding achievement shall be unalienable but shall be transferred to the author's heirs for the remaining part of the effective term of the exclusive right.

6. A breeding achievement created, developed or discovered by an employee with the use of monetary, technical or other material means of the employer, but other than in the line of duty or on a specific assignment of the employer shall not be deemed a service breeding achievement. The employee owns the right to obtain a patent for the breeding achievement and the exclusive right to the breeding achievement. In this case, the employer is entitled at his/its own discretion to claim a free-of-charge simple (non-exclusive) licence for the use of the breeding achievement for the employer's own needs for the whole effective term of the exclusive right to the breeding achievement or compensation for the expenses incurred by the employer in connection with the creation, development or discovery of the breeding achievement.

Article 1431. Breeding Achievements Created, Developed or Discovered to Order

1. The right to receive a patent and the exclusive right to a breeding achievement that has been created, developed or discovered under a contract whose subject matter was the creation, development or discovery of such breeding achievement (by order) shall be owned by the customer, except as otherwise envisaged by the contract made by the contractor (performer) and the customer.

2. If the customer owns the right to obtain a patent for the breeding achievement and the exclusive right to the breeding achievement under **Item 1** of the present article the contractor (performer) is entitled, unless otherwise envisaged by a contract, to use the breeding achievement for his/its own needs on the terms of a free-of-charge simple (non-exclusive) licence during the whole effective term of the patent.

3. If according to a contract between the contractor (performer) and the customer, the right to obtain a patent for the breeding achievement and the exclusive right to the breeding achievement are owned by the contractor (performer) the customer is entitled to use the breeding achievement for the purposes for which the relevant contract has been made on the terms of a free-of-charge simple (non-exclusive) licence for the whole effective term of the patent.

4. The author of the breeding achievement described in **Item 1** of the present article who is not a holder of the patent is entitled to a fee under **Item 5 of Article 1430** of the present Code.

Article 1432. Breeding Achievements Created, Developed or Discovered When Works Were Performed under a State or Municipal Contract

Breeding achievements created, developed or discovered when works were performed under a state or municipal contract are subject to the rules of **Article 1373** of the present Code respectively.

§ 5. Obtaining a Patent for a Breeding Achievement. Terminating a Patent for a Breeding Achievement

Article 1433. The Patent Application for a Breeding Achievement

1. A patent application for a breeding achievement (patent application) shall be filed with the federal executive body charged with breeding achievements matters by a person having a right to obtain a patent in accordance with the present Code (applicant).

2. The patent application shall comprise the following:

1) a patent application including an indication of the author of the breeding achievement and the person in whose name the patent is sought, and also the place of residence or whereabouts of each of them;

2) a breeding achievement questionnaire;

3) **abrogated** from October 1, 2014.

3. The requirements applicable to a patent application shall be established on the basis of the present Code by the federal executive body charged with normative legal regulation in the area of agriculture.

4. The patent application shall cover one breeding achievement.

5. The documents specified in **Item 2** of the present article shall be filed in Russian or in another language. If the documents are filed in another language, translations into Russian shall be attached to the patent application.

Article 1434. The Priority of a Breeding Achievement

1. The priority of a breeding achievement is established by the date on which the federal executive body charged with breeding achievement matters received the patent application.

2. If on one and the same day the federal executive body charged with breeding achievements matters receives two or more patent applications for one and the same breeding achievement, the priority shall be established by the earlier application dispatch date. If according to an expert examination these applications have one and the same dispatch date a patent may be issued for the application having an earlier registration number assigned by the federal executive body charged with breeding achievement matters, unless otherwise is envisaged by agreement between the applicants.

3. If a patent application received by the federal executive body charged with breeding achievement matters was preceded by an application filed by an applicant in a foreign state with which the Russian Federation has concluded an agreement on the protection of breeding achievements, the applicant shall use the priority of the first application for 12 months after the filing thereof.

In the application sent to the federal executive body charged with breeding achievement matters, the applicant shall indicate the priority date of the first application. Within six months after the receipt of the application by the federal executive body charged with breeding achievements matters the applicant shall file a copy of the first application attested by a competent body of the relevant foreign state, and its Russian translation. While meeting these requirements the applicant need not file additional documents and materials for testing within three years after the filing of the first application.

Article 1435. The Preliminary Expert Examination of a Patent Application

1. During a preliminary expert examination of a patent application it is necessary to establish a priority date, verify the availability of the documents required according to **Item 2 of Article 1433** of the present Code, and their compliance with the established requirements. The preliminary expert examination of the patent application shall be completed within one month.

2. During the preliminary expert examination the applicant is entitled to add, update or correct the documents of the application on his/its own initiative.

The federal executive body charged with breeding achievement matters may request the provision of missing documents or updating of documents which have to be filed by the applicant within the established term.

Unless the documents missing as of the time of receipt of the application are filed when due, the application shall not be accepted for consideration, with the applicant being informed accordingly.

3. Immediately on completion of the preliminary expert examination, the applicant shall be informed by the federal executive body charged with breeding achievements matters about a positive result thereof and of the date of filing the patent application.

Information on accepted applications shall be published in the gazette of the said federal body.

4. If the applicant disagrees with the decision of the federal executive body charged with breeding achievement matters taken on the results of the preliminary expert examination of the patent application he/it is entitled to challenge it in a judicial procedure within three months after receipt of the decision.

Article 1436. The Temporary Legal Protection of a Breeding Achievement

1. A breeding achievement for which an application has been filed with the federal executive body charged with breeding achievements matters shall enjoy temporary legal protection starting from the date of filing of the application up to the date of issuance of a patent for the breeding achievement to the applicant.

2. Having received a patent for a breeding achievement the holder of the patent is entitled to monetary compensation from a person that committed the actions specified in **Item 3 of Article 1421** of the present Code within the term of temporary legal protection of the breeding achievement. The amount of the compensation shall be defined by agreement of the parties, or by a court in the case of a dispute.

3. During the period of temporary legal protection of the breeding achievement the applicant is permitted to sell and otherwise transfer seeds or breeding materials only for scientific purposes, and also in cases when the sale and other transfer relate to alienation of the right to obtain a patent for the breeding achievement or with the production of seeds or breeding materials on the applicant's order for the purpose of stockpiling.

4. The temporary legal protection of a breeding achievement shall be deemed invalid if the patent application has not been accepted for consideration (**Article 1435**) or if a decision has been taken on the application to refuse to issue a patent, and if the possibility of filing an objection against such decision envisaged by the present Code has been exhausted, and also if the applicant has committed a breach of the provisions of **Item 3** of the present article.

Article 1437. The Expert Examination of a Breeding Achievement for the Novelty Thereof

1. Within six months after the publication of information about a patent application, any person concerned may send a petition to the federal executive body charged with breeding achievements matters for an expert examination of the breeding achievement declared to assess the novelty thereof.

The applicant shall be notified of the receipt of the petition by the federal executive body charged with breeding achievements matters, with the essence of the petition being provided. Within three months after the receipt of the notice the applicant is entitled to send a substantiated objection against the petition to the federal executive body charged with breeding achievements matters.

2. On the materials it has on hand, the federal executive body charged with breeding achievements matters shall take its decision and inform the person concerned about it. If the breeding achievement does not qualify under the novelty criterion, a decision shall be taken to refuse to issue a patent for the breeding achievement.

Article 1438. Testing a Breeding Achievement for Distinctness, Uniformity and Stability

1. A breeding achievement shall be tested for distinctness, uniformity and stability by the methods and within the term established by the federal executive body charged with normative legal regulation in the area of agriculture.

For testing, the applicant shall provide the necessary quantity of seeds or breeding material to the address and within the term specified by the federal executive body charged with breeding achievements matters.

2. For the purposes set out in **Item 1** of the present article the federal executive body charged with breeding achievements matters is entitled to use the results of tests carried out by competent bodies of

other states with which relevant contracts have been concluded, the results of tests carried out by other Russian organisations under a contract with the said federal body, and also the information provided by the applicant.

Article 1439. The Procedure for State Registration of a Breeding Achievement, and the Issuance of a Patent

1. If a breeding achievement meets the protectability criteria (**Item 2 of Article 1413**) and the name of the breeding achievement meets the requirements set out in **Article 1419** of the present Code, the federal executive body charged with breeding achievement matters shall take a decision on the issuance of a patent for the breeding achievement, and it shall also draw up a description of the breeding achievement and enter the breeding achievement in the State Register of Protected Breeding Achievements.

2. The following details shall be entered in the State Register of Protected Breeding Achievements:

1) the gene and species of the plant or animal;

2) the name of the plant variety or animal breed;

3) the date of state registration of the breeding achievement and registration number;

4) the name of the patent holder and his place of residence or its whereabouts;

5) the name of the author of the breeding achievement and his place of residence;

6) a description of the breeding achievement;

7) the fact of the patent for the breeding achievement being assigned to another person with an indication of the name thereof, place of residence or whereabouts;

8) information on the licence contracts concluded;

9) the date of expiry of the patent for the breeding achievement with an indication of the reason.

2.1. On the basis of the right holder's application, the federal executive body charged with breeding achievement matters shall make the amendments related to the data on the right holder and/or the author of a breeding achievement, in particular to the denomination or name of the right holder, the location or place of residence thereof, the name of the author of the breeding achievement, postal address, as well as the amendments aimed at correcting clear and technical mistakes to the State Register of Protected Breeding Achievements and to the patent for a breeding achievement.

3. The patent for the breeding achievement shall be issued to the applicant. If in the patent application several applicants were mentioned, the patent shall be issued to the applicant that stands first in the application, and it shall be used by the applicants jointly by agreement among them.

4. The form of a patent for a breeding achievement and the composition of the information specified therein shall be established by the federal executive body for breeding achievements.

Article 1440. Preserving a Breeding Achievement

1. The holder of a patent shall maintain the plant variety or animal breed during the effective term of the patent for the breeding achievement so as to preserve the characteristics specified in the description of the plant variety or animal breed drawn up as of the date of inclusion of the breeding achievement in the State Register of Protected Breeding Achievements.

2. At a request of the federal executive body charged with breeding achievements matters, the patent holder shall dispatch on his/its own account seeds or breeding materials for check testing and allow a field inspection.

Article 1441. Deeming a Patent for a Breeding Achievement Invalid

1. A patent for a breeding achievement may be deemed invalid for its effective term if it is established that:

1) the patent has been issued on the basis of unconfirmed information on the uniformity and stability of the breeding achievement provided by the applicant;

2) as of the date of issuance of the patent the breeding achievement did not meet the novelty or distinctness criterion;

3) the person mentioned in the patent of the holder thereof did not have legal grounds for obtaining a patent.

2. The issuance of a patent for a breeding achievement may be challenged by any person who has learned about the irregularities described in **Item 1** of the present article, by means of filing an application with the federal executive body charged with breeding achievement matters.

The federal executive body charged with breeding achievement matters shall send a copy of said application to the patent holder, who may submit a substantiated objection within three months after the dispatch of such copy thereto.

The federal executive body charged with breeding achievement matters shall take a decision on the said application within six months after the submission of the application, unless additional testing is required.

3. A patent for a breeding achievement that is deemed invalid shall be annulled as of the date of filing of the patent application. In this case, the licence contracts concluded before the taking of the decision on the invalidity of the patent shall remain effective to the extent to which they have been discharged by that date.

4. The deeming of a patent for a breeding achievement invalid shall mean the revocation of the decision of the federal executive body charged with breeding achievement matters on the issuance of the patent (**Article 1439**) and the annulment of the relevant entry in the State Register of Protected Breeding Achievements.

Article 1442. The Early Termination of a Patent for a Breeding Achievement

A patent for a breeding achievement shall be terminated early in the following cases:

1) the breeding achievement no longer complies with the uniformity and stability criteria;

2) the holder of the patent did not provide seeds or breeding materials, the documents and information required for verifying the preservation of the breeding achievement at the request of the federal executive body charged with breeding achievement matters or did not allow a field inspection of the breeding achievement for such purposes within 12 months;

3) the patent holder has filed an early patent termination application with the federal executive body charged with breeding achievement matters;

4) the patent holder did not pay when due a duty for the maintenance of the patent in effect.

Article 1443. Publishing Information on Breeding Achievements

1. The federal executive body charged with breeding achievement matters shall publish a gazette in which it shall publish information on:

1) received patent applications, including an indication of the priority date of the breeding achievement, the name of the applicant, the name of the breeding achievement, and also the name of the author of the breeding achievement, unless the latter has refused to be mentioned as such;

2) the decisions taken on the patent application;

3) the changes that have taken place in the names of breeding achievements;

4) deeming patents for breeding achievements invalid;

5) other information concerning the protection of breeding achievements.

2. After the publication of information on a received patent application for a breeding achievement and on the decision taken on this application, any person is entitled to read the materials of the application.

Article 1444. Using Breeding Achievements

1. The seeds and breeding materials sold in the Russian Federation shall have a document certifying their variety, breed and origin.

2. The document mentioned in **Item 1** of the present article shall be issued for the breeding achievements included in the State Register of Protected Breeding Achievements only by the patent holder and a licensee.

Article 1445. Patenting a Breeding Achievement in Foreign States

A patent application for a breeding achievement may be filed in a foreign state. The expenses relating to the protection of a breeding achievement outside the Russian Federation shall be borne by the applicant.

§ 6. Protecting the Rights of Authors of Breeding Achievements and of Other Patent Holders

Article 1446. The Infringement of Rights of the Author of a Breeding Achievement or of Another Patent Holder

The following shall be deemed without limitation an infringement of the rights of the author of a breeding achievement or of another patent holder:

1) the use of the breeding achievement in breach of requirements set out in **Item 3 of Article 1421** of the present Code;

2) the assigning to produced and/or sold seeds or breeding materials of a name different from the name of the relevant registered breeding achievement;

3) the assigning of the name of the relevant registered breeding achievement to produced and/or sold seeds or breeding materials that are not seeds or breeding materials of that breeding achievement;

4) the assigning to produced and/or sold seeds or breeding materials of a name similar to the name of a registered breeding achievement to the degree of confusion.

Article 1447. Publishing a Court's Decision on an Infringement of the Exclusive Right to a Breeding Achievement

The author of a breeding achievement or another patent holder is entitled to demand that the federal executive body charged with breeding achievements matters publish in its gazette a court's decision on illegal use of the breeding achievement or on another infringement of the patent holder's rights in accordance with **Item 1 of Article 1252** of the present Code.

Chapter 74. The Right to Integrated Circuit Layout-Designs

Article 1448. An Integrated Circuit Layout-Design

1. The integrated circuit layout-design (topology) is a spatial-geometric arrangement of an array of integrated circuit elements fixed on a material medium and the interconnections thereof. Here, the integrated circuit is a microelectronic article of a final form or an intermediate form intended for performing the functions of an electronic circuit whose elements and connections are integrally formed in, and/or on the surface of, the material on the basis of which the article is manufactured.

2. The legal protection granted by the present Code extends only to an original integrated circuit layout-design created as the result of a creative activity of the author and unknown to the author and/or specialists in the field of integrated circuit topography development as of the date when it was created. An integrated circuit layout-design shall be deemed original, unless otherwise proven.

An integrated circuit layout-design composed of the elements known to specialists in the field of integrated circuit topography development as of the date of creation thereof shall enjoy legal protection if the spatio-geometric layout of the entirety of such elements and links between them meets the originality requirement.

3. The legal protection granted by the present Code does not extend to the ideas, methods, systems, technologies or encoded information that can be embodied by an integrated circuit layout-design.

Article 1449. Rights to an Integrated Circuit Layout-Design

1. The author of an integrated circuit layout-design that qualifies for legal protection under the criteria set out in the present Code (layout-design) owns the following intellectual rights:

1) an exclusive right;

2) the right of attribution.

2. In the cases specified by the present Code the author of an integrated circuit layout-design also owns other rights, including the right to a fee for a service layout-design.

Article 1450. The Author of an Integrated Circuit Layout-Design

The author of an integrated circuit layout-design is the citizen by whose creative labour the layout-design has been created. The person indicated as the author in an application for a certificate of state registration of an integrated circuit layout-design is deemed the author of the layout-design, unless otherwise proven.

Article 1451. The Co-Authors of an Integrated Circuit Layout-Design

1. Citizens who have created an integrated circuit layout design by joint creative labour shall be deemed co-authors.

2. Each of the co-authors is entitled to use the layout-design at his own discretion, except as otherwise envisaged by agreement between them.

3. The relationships of the co-authors that have to do with the distribution of incomes from the use of the layout-design and with disposing of the exclusive right to the layout-design, respectively are subject to **Item 3 of Article 1229** of the present Code.

The co-authors shall jointly have the right to obtain a certificate of state registration of the integrated circuit layout design.

Article 1452. The State Registration of an Integrated Circuit Layout-Design

1. Within the effective term of the exclusive right to an integrated circuit layout-design (**Article 1457**), the right holder may at his own discretion register the layout-design with the federal executive body charged with intellectual property matters.

A layout-design containing information deemed a **state secret** is not subject to state registration. The person that has filed an application for state registration of a layout-design (applicant) is accountable for the disclosure of information on the layout-design containing a state secret in accordance with the **legislation** of the Russian Federation.

2. If prior to the filing of an application for state registration of a layout-design (registration application) the layout-design has been used the application may be filed within a term not exceeding two years after the first time the layout-design was used.

3. The registration **application** shall cover one layout-design and it shall comprise the following:

1) an application for state registration of the layout-design with reference to the person in whose name the state registration is sought, and also the name of the author, unless he has refused to be mentioned as such, the place of residence or whereabouts of each of them, the date on which the layout-design was used for the first time, if any;

2) deposited materials intended to identify the layout-design, including a synopsis;

3) **abrogated** from October 1, 2014.

4. The **rules** for drawing up the registration application shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

5. On the basis of the registration application the federal executive body charged with intellectual property matters shall verify the availability of the necessary documents and their compliance with the requirements set out in **Item 3** of the present article. If the result of the verification is positive the said federal body shall enter the layout-design in the Register of Integrated Circuit Layout-Designs, issue a certificate of state registration of the integrated circuit layout-design in the form of an electronic document and, upon the request of an applicant, on paper, and publish information on the registered layout-design in

its gazette.

At a request of the cited federal executive body or on the own initiative, the author or other right holder is entitled to add, update and correct the materials of the registration application before the time of the state registration.

6. The procedure for state registration of layout-designs, the **forms** of certificates of state registration, a list of the details entered in certificates and a list of the details published by the federal executive body charged with intellectual property matters in the gazette shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

7. On the basis of the right holder's application the federal executive body charged with intellectual property matters shall make the amendments related to the data on the right holder and/or the author of a layout designs, in particular to the denomination or name of the right holder, the location or place of residence thereof, the name of the author of the layout design, postal address, as well as the amendments aimed at correcting clear and technical mistakes to the State Register of Integrated Circuits Layout Designs and to the certificate of the state registration of the layout design.

The federal executive body charged with intellectual property matters shall publish in the official gazette data on any changes in the entries made in the Register of Integrated Circuits Layout Designs.

8. The information entered in the Register of Integrated Circuit Layout-Designs shall be deemed trustworthy unless otherwise proven. Responsibility for the trustworthiness of the information provided for registration purposes shall be borne by the applicant.

Article 1453. The Right of Attribution in Respect of an Integrated Circuit Layout-Design

The right of attribution, i.e., the right of being recognised as the author of a layout-design, is unalienable and unassignable, including in the event of the assignment to another person or transfer to another person of the exclusive right to the layout-design and of granting the right to use it to another person. The waiver of this right is null and void.

Article 1454. The Exclusive Right to a Layout-Design

1. A right holder owns an exclusive right to use a layout-design in accordance with **Article 1229** of the present Code in any manner not conflicting with the law (exclusive right to a layout-design), including by the methods specified in **Item 2** of the present article. The right holder may dispose of the exclusive right to the layout-design.

2. Actions aimed at making a profit are deemed use of a layout design, including the following without limitation:

1) the reproduction of the layout-design in full or in part by means of including in an integral circuit or otherwise, except for the reproduction of only the part of the layout-design which is not original;

2) the importation onto the territory of the Russian Federation, the sale and another introduction into civil-law transactions of the layout-design or an integrated circuit incorporating the layout-design or an article including such integrated circuit.

3. A person that has independently created a layout-design identical to another layout-design is deemed to own an independent exclusive right to that layout-design.

Article 1455. The Sign of Protection of Integral Circuit Layout-Design

For the purpose of warning of his exclusive right to a layout design, the right holder is entitled to use a protection sign which shall be placed on the layout-design and also on articles incorporating the layout-design, and which is composed of the accentuated capital letter "T" ("T", [T], **T**, T* or **T**), the date of commencement of the effective term of the exclusive right to the layout-design and information allowing one to identify the right holder.

The accentuated capital letter "T" is in a circle.

The accentuated capital letter "T" is in a square.

Article 1456. Actions Not Deemed an Infringement of the Exclusive Right to a Layout-Design

The following are not deemed an infringement of the exclusive right to a layout-design:

1) the committing of the actions specified in **Item 2 of Article 1454** of the present Code in respect of an integrated circuit incorporating an illegally reproduced layout-design, and also in respect of any article incorporating such integrated circuit if the person that commits such actions did not know and could not know that the integrated circuit incorporated the illegally reproduced layout design. Having received a notice of the illegal reproduction of the layout-design, said person may use the available stock of the articles incorporating the integrated circuit that incorporates the illegally reproduced layout-design, and such articles that had been ordered before that time. In this case, the said person shall pay compensation to the right holder for the use of the layout-design commensurate with the fee that would be paid out in comparable circumstances for a similar layout-design;

2) the use of a layout-design for non-profit making personal purposes, and also for the purpose of assessing, analysing, researching or teaching;

3) the distribution of integrated circuits with a layout-design that has been earlier introduced into civil-law transactions by the person having an exclusive right to the layout-design or by another person with the permission of the right holder.

Article 1457. The Effective Term of the Exclusive Right to a Layout-Design

1. The exclusive right to a layout-design is effective for 10 years.

2. The effective term of an exclusive right to a layout-design shall be counted either from the date of the first use of the layout-design, i.e., the earliest documented date of introduction into civil-law transactions in the Russian Federation or in any foreign state of the layout-design or an integrated circuit incorporating the layout-design or an article incorporating such integrated circuit or from the date of registration of the layout-design with the federal executive body charged with intellectual property matters, depending on which of these events came about first.

3. If an identical original topology is created independently by another author, then the exclusive rights to both topologies shall terminate upon the expiry of 10 years from the day of the origin of the exclusive right to the first one of them.

4. Upon the expiry of the exclusive right, the layout-design shall pass into the public domain, i.e., it may be freely used by any person without anybody's consent or permission and without paying a fee.

Article 1457.1. The Transfer of the Exclusive Rights to a Layout Design by Inheritance

The provisions on transfer of the exclusive right to a work by inheritance (**Article 1283**) shall apply to the exclusive right to a layout-design.

Article 1458. The Contract of Alienation of Exclusive Right to a Layout-Design

Under a contract of alienation of the exclusive right to a layout-design one party (right holder) assigns or undertakes to assign his/its exclusive right to the layout-design in full to the other party being the acquirer of the exclusive right to the layout-design.

Article 1459. The Licence Contract for the Granting of the Right to Use an Integrated Circuit Layout-Design

Under the licence contract one party being the owner of an exclusive right to a layout-design (licensor) grants or undertakes to grant to the other party (licensee) the right to use the layout-design within the scope established by the contract.

Article 1460. The Form of a Contract of Disposal of the Exclusive Right to a Layout Design and the State Registration of Transfer of the Exclusive Rights to a Layout Design, Its Pledge

and Provision of the Rights to Use a Layout Design

1. A contract of alienation of the exclusive right to a layout design and a licence contract shall be made in writing. Failure to observe the written form of the contract shall entail the contract's invalidity.

2. If a layout design has been registered (**Article 1452**), the alienation and pledge of the exclusive right to the layout design, the provision on a contractual basis of the right to use the layout design and the transfer of the exclusive right to the layout design and the licence contract shall be subject to state registration with the federal executive body charged with intellectual property matters in the procedure established by **Article 1232** of this Code.

Article 1461. A Service Layout-Design

1. A layout-design created by an employee in the line of duty or a specific assignment of the employer shall be deemed a service layout-design.

2. The right of attribution in respect of the service layout-design is owned by the employee.

3. The employer owns an exclusive right to the service layout design, except as otherwise envisaged by a labour or civil law agreement between the employer and the employee.

4. If the exclusive right to the layout-design is owned by the employer or if it has been assigned by the employer to a third party, the employee is entitled to receive a fee from the employer. The rate of the fee, and the terms and procedure for paying the fee shall be defined by a contract between the employee and the employer, or by a court in the case of a dispute.

The right to remuneration for a service layout design shall be unalienable but shall pass over to the author's heirs for the remaining part of the effective term of the exclusive right.

If the exclusive right to a layout design is held by the author, the employer is entitled to use such layout design under the terms of an ordinary (non-exclusive) licence with remuneration to be paid to the right holder.

5. A layout-design created by an employee through the use of monetary, technical or other material means of the employer but other than in the line of duty or on a specific assignment of the employer shall not be deemed a service layout-design. The employee owns the exclusive right to such layout-design. In this case the employer is entitled at his/its discretion to claim a free-of-charge simple (non-exclusive) licence for the use of the created layout-design for the employer's own needs for the whole effective term of the exclusive right to the layout design or compensation for the expenses incurred by the employer in connection with the creation of the layout-design.

Article 1462. The Layout-Design Created When Works Were Performed under a Contact

1. The exclusive right to a layout design created when a contractor's contract or a contract of research and development or technological work was performed which did not expressly envisage the creation thereof, shall belong to the contractor, unless otherwise envisaged by a contract between him/it and the customer.

In this case, the customer is entitled, except as otherwise envisaged by a contract, to use the layout-design so created for the purposes for the attainment of which the relevant contract has been concluded, on the terms of a simple (non-exclusive) licence for the whole effective term of the exclusive right, without an additional fee being payable for the use. If the contractor (performer) assigns the exclusive right to the layout-design to another person the customer shall retain the right to use the layout-design on the said terms.

2. If according to a contract between the contractor (performer) and the customer, the exclusive right to the layout-design has been assigned to the customer or to a third party designated by him/it the contractor (performer) is entitled to use the created layout-design for his/its own need on the terms of a free-of-charge simple (non-exclusive) licence for the whole effective term of the exclusive right to the layout-design, except as otherwise envisaged by the contract.

3. The author of the layout-design mentioned in **Item 1** of the present article who does not own the exclusive right to the layout design is entitled to a fee in accordance with **Item 4 of Article 1461** of the

present Code.

Article 1463. A Layout-Design Created to Order

1. The exclusive right to a layout design created under a contract whose subject matter was the creation thereof (to order) shall belong to the customer, unless otherwise envisaged by the contract between the contractor (performer) and the customer.

2. If according to **Item 1** of the present article the exclusive right to the layout-design is owned by the customer or a third party designated by him/it, the contractor (performer) is entitled, except as otherwise envisaged by a contract, to use the layout-design for his/its own needs on the terms of a free-of-charge simple (non-exclusive) licence for the whole effective term of the exclusive right.

3. If according to the contract between the contractor (performer) and the customer, the contractor (performer) owns the exclusive right to the layout-design, the customer is entitled to use the layout-design for the purposes for which the relevant contract has been made on the terms of a free-of-charge simple (non-exclusive) licence for the whole effective term of the exclusive right.

4. According to **Item 4 of Article 1461** a fee is payable to the author of a layout-design created to order.

Article 1464. A Layout-Design Created When Works Were Performed under a State or Municipal Contract

A layout-design created when works were performed under a state or municipal contract is subject to the rules of **Article 1298** of the present Code respectively.

Chapter 75. The Right to a Production Secret (Know-How)

Article 1465. A Production Secret (Know-How)

1. As a manufacturing secret (know-how) shall be deemed information of any nature (production, technological, economic, organisational and others) about the results of intellectual activities in the area of science and technology and about the methods of carrying out professional activities that has a real or potential commercial value due to its not being known to third parties, which is not freely accessible to third parties on legal grounds, and the holder of such information takes reasonable measures aimed at keeping it confidential, in particular by way of introducing a commercial secret regime.

2. As a manufacturing secret may not be deemed the data whose mandatory disclosure or inadmissibility of restricting access to them are established by law or any other legal act.

Article 1466. The Exclusive Right to a Production Secret

1. The owner of a production secret has an exclusive right to use it in accordance with **Article 1229** of the present Code in any manner not conflicting with a law (exclusive right to a production secret), including the case of manufacturing articles and implementing economic and organisational solutions. The owner of the production secret may dispose of the said exclusive right.

2. A person that has become an owner of the information constituting the content of the protected production secret in a bona fide manner and independently of other owners of a production secret acquires an independent exclusive right to this production secret.

Article 1467. The Effect of an Exclusive Right to a Production Secret

The exclusive right to a production secret shall remain effective as long as the confidentiality of the information making up its content exists. Once the relevant information is no longer confidential the exclusive right to the production secret is terminated for all right holders.

Article 1468. The Contract of Alienation of an Exclusive Right to a Production Secret

1. Under a contract of alienation of the exclusive right to a production secret, one party (right holder) assigns or undertakes to assign his/its exclusive right to the production secret in full to the other party being the acquirer of the exclusive right to the production secret.

2. In the event of alienation of an exclusive right to a production secret, the person that has disposed of his/its right shall keep the production secret confidential until the termination of the exclusive right to the production secret.

Article 1469. The Licence Contract for the Grant of a Right to Use a Production Secret

1. Under the licence contract one party being the owner of an exclusive right to a production secret (licensor) assigns or undertakes to assign to the other party (licensee) a right to use the production secret within the scope established by the contract.

2. A licence contract may be concluded either with or without an indication of its effective term. Unless the effective term of the licence contract is not specified therein, any of the parties may waive the contract at any time, having notified the other party at least six months in advance, except if a longer term is envisaged by the contract.

3. In the event of grant of the right to use a production secret the person that has disposed of his/its right shall keep the confidential nature of the production secret for the whole effective term of the licence contract.

The persons that have acquired relevant rights under a licence contract shall keep the confidential nature of the secret until the termination of the right to the production secret.

Article 1470. A Service Production Secret

1. The exclusive right to a production secret created by an employee in the line of duty or on a specific assignment of the employer (service production secret) is owned by the employer.

2. A citizen who has learned a production secret in connection with his carrying out labour duties or a specific assignment of the employer shall keep the confidential nature of the information so received until the termination of the exclusive right to the production secret.

Article 1471. Production Secrets Obtained When Performing Work under a Contract, or When Performing work under a State or Municipal Contract

1. If a production secret was obtained during the performance of a work contract, an agreement for the performance of research, development and technological work, or under a state or municipal contract for state or municipal needs, the exclusive right to such a secret of production belongs to the contractor (performer), except for the cases established by **Items 3** and **4 of Article 1240.1** of this Code.

A state or municipal contract may provide that the exclusive right to a secret of production belongs jointly to the performer and the Russian Federation, the performer and the constituent entity of the Russian Federation, or the performer and the municipality, except for the cases established by the **first paragraph of Item 3** and **Item 4 of Article 1240.1** of this Code.

2. A production secret (know-how) directly related to defense and security (**Item 2 of Article 1240.1** of this Code) includes, among other things, the information contained in the design and (or) technical documentation.

Production secrets (know-how) directly related to defense and security, obtained within the framework of state programs or a state defense order, the implementation of which is ensured by the federal executive authority responsible for defense, or which are the own development of the said federal executive authority or state institutions subordinate to it, are subject to registration in the Register of the results of intellectual activity directly related to defense and security, which is maintained by the federal executive authority responsible for defense, in the procedure approved by the Government of the Russian Federation.

Sending information for registration in the Register of the results of intellectual activity directly

related to defense and security, the exchange of such information between government customers, the provision of such information to the executors of government contracts, subject to ensuring confidentiality requirements are not recognised as a loss of confidentiality of information that constitutes the content of a protected trade secret directly related with the provision of defense and security, and are not grounds for terminating its legal protection.

3. The exclusive right to a production secret (know-how) directly related to defense and security arises from the date the state customer makes a decision on the legal protection of information as a production secret (know-how) and terminates, from the date when the state customer decides to terminate it, legal protection or at the time of loss of confidentiality of the information that constitutes the content of such secret, in accordance with **Article 1467** of this Code, depending on which of the specified events occurred earlier.

Article 1472. Liability for Infringement of the Exclusive Right to a Production Secret

1. The perpetrator of an infringement of an exclusive right to a production secret, including a person that has illegally received the information constituting a production secret and has disclosed or used the information, and also a person whose duty was to keep a production secret confidential according to **Item 2 of Article 1468**, **Item 3 of Article 1469** or **Item 2 of Article 1470** of the present Code, shall compensate the damage caused by the infringement of the exclusive right to the production secret, unless another liability is set out in a law or in the contract concluded with the person.

2. A person that has used a production secret but did not know and could not know that the use thereof was illegal, for instance after having received access to the production secret incidentally or by mistake, is not accountable in accordance with **Item 1** of the present article.

Chapter 76. Rights to the Means of Individualisation of Legal Entities, Goods, Works, Services and Enterprises

§ 1. The Right to a Company Name

Article 1473. The Company Name

1. A legal entity being a commercial organisation acts in civil-law transactions under its own company name, which is defined in its constitutive documents and is included in the unified state register of legal entities at the state registration of the legal entity.

2. The company name of the legal entity shall comprise a reference to its organisational legal form and the name of the legal entity proper, which cannot be composed only of words designating a kind of activity.

3. The legal entity shall have a single full company name and is entitled to have a short company name in Russian. The legal entity is also entitled to have a single full and/or an abbreviated company name in any language of peoples of the Russian Federation and/or in a foreign language.

The company name of the legal entity in Russian and in the languages of peoples of the Russian Federation may comprise borrowed foreign words in a Russian transcription or in a transcription of the languages of peoples of the Russian Federation, except for the terms and abbreviations reflecting the legal entity's organisational legal form.

4. The following shall not be included in the company name of a legal entity:

1) the full or abbreviated official names of foreign states, and also derivative words from such names;

2) the full or abbreviated official names of federal governmental bodies, governmental bodies of subjects of the Russian Federation and local government bodies;

3) **abrogated** from October 1, 2014;

4) the full or abbreviated names of public associations;

5) designations inconsistent with the public interest and also with humane and moral principles.

The company name of a state unitary enterprise may contain reference to the enterprise's belonging to the Russian Federation and to a subject of the Russian Federation, respectively.

The inclusion in the firm name of a legal entity of the official name Russian Federation or Russia, and also words derivative from this name, shall be permitted with a permit issued in the **procedure** established by the Government of the Russian Federation.

In the event of revocation of the permit for inclusion in the firm name of a legal entity of the official name Russian Federation or Russia, and also words derivative from this name, the legal entity must, within three months, make respective changes in its constituent documents.

5. If the company name of a legal entity does not comply with the requirements of **Article 1231.1** of this Code, **Items 3** and **4** of this article, the body responsible for state registration of legal entities is entitled to file a claim against such legal entity whereby it is forced to change its company name. On such occasion, the provisions of **Item 3 of Article 61** of this Code shall not apply.

Article 1474. The Exclusive Right to a Company Name

1. A legal entity owns an exclusive right to use its company name as a means of individualisation in any manner not conflicting with the law (exclusive right to a company name), for instance by posting it on billboards, letterheads and other documents, in announcements and advertisements, on goods or packages of goods, or on the Internet.

Abbreviated company names and also company names in the languages of peoples of the Russian Federation and in foreign languages are protected by an exclusive right to a company name if they are included in the unified state register of legal entities.

2. The disposal of an exclusive right to a company name (for instance by means of alienation or granting to another person of a right to use the company name) is prohibited.

3. It is prohibited for a legal entity to use a company name identical to the company name of another legal entity or similar to such name to the degree of confusion if the said legal entities pursue similar activities and if the latter's company name had been included in the unified state register of legal entities earlier than the former's.

4. A legal entity that has violated the rules of **Item 3** of this article, If the right holder so demands, at the choice thereof, shall either stop using a company name identical to the company name of the right holder or similar thereto to the extent of confusion in respect of the types of activity similar to those pursued by the right holder, or to change its company name, and is bound to compensate the right holder for the damages inflicted.

Article 1475. The Effect of an Exclusive Right to a Company Name on the Territory of the Russian Federation

1. The exclusive right to a company name included in the unified state register of legal entities is effective on the territory of the Russian Federation.

2. An exclusive right to a company name comes into being as of the date of state registration of the legal entity and is terminated as of the time when the company name is deleted from the unified state register of legal entities in connection with the termination of the legal entity or a change in its company name.

Article 1476. Correlation Between Rights to a Company Name and Rights to a Commercial Name, a Trademark and a Service Mark

1. A company name or specific elements thereof may be used by the right holder as part of a commercial name owned by the right holder.

A company name included in a commercial name is protected irrespective of the protection of the commercial name.

2. A company name or specific elements thereof may be used by the right holder in his/its trademark and service mark.

A company name included in a trademark or service mark shall be protected irrespective of the protection of the trademark or service mark.

§ 2. The Right to a Trademark and the Right to a Service Mark

1. Basic Provisions

Article 1477. The Trademark and the Service Mark

1. An exclusive right certified by a trademark certificate (**Article 1481**) is recognised for the trademark, i.e., a designation serving for individualising goods.

2. The rules of the present Code concerning trademarks are applicable to service marks, i.e., to designations serving for individualising the works or services performed/provided respectively.

Article 1478. Invalid from June 29, 2023 - **Federal Law** No. 193-FZ of June 28, 2022

Article 1479. The Effect of Exclusive Right to a Trademark on the Territory of the Russian Federation

An exclusive right to a trademark registered by the federal executive body charged with intellectual property matters is effective on the territory of the Russian Federation as well as in other cases envisaged by an international treaty of the Russian Federation.

Article 1480. The State Registration of a Trademark

The state registration of a trademark shall be carried out by the federal executive body charged with intellectual property matters in the State Register of Trademarks and Service Marks of the Russian Federation (the State Register of Trademarks) in the procedure established by **Articles 1503** and **1505** of the present Code.

Article 1481. The Trademark Certificate

1. A trademark certificate shall be issued for a trademark registered in the State Register of Trademarks.

2. A certificate of a trademark certifies the priority of the trademark and the exclusive right to the trademark in respect of the goods specified in the certificate.

Article 1482. The Types of Trademarks

1. Word, image, three-dimensional and other designations or combinations thereof may be registered as trademarks.

2. A trademark may be registered in any colour or in any colour-combination.

Article 1483. Grounds for Refusing State Registration to a Trademark

1. No trademark state registration shall be granted designations not having a distinguishing capability or composed only of elements:

1) that have come into general usage as designations for goods of a certain kind;

2) being generally-accepted symbols and terms;

3) that characterise goods, for instance indicating their kind, quality, quantity, properties, intended purpose, value, and the time, place and method of their manufacture or sale;

4) representing a form of goods that is defined exclusively or mainly by the properties or intended purpose of the goods.

The said elements may be included in a trademark as non-protected elements, unless they dominate therein.

Paragraph 7 has **lost force** from October 1, 2014.

1.1. The provisions of **Item 1** of this article shall not apply in respect of the denominations which:

1) have acquired the discrimination performance as a result of their use;

2) are made up of the elements cited in **Subitems 1-4 of Item 1** of this article and form a combination having the discrimination performance.

2. It is not allowed to effect state registration as trademarks of the designations related to the objects which are not subject to legal protection in compliance with **Article 1231.1** of this Code or are similar to them to the degree of confusion.

3. No trademark state registration shall be granted to designations which are or comprise elements:

1) which are false or capable of misleading the consumer concerning goods, manufacturer of goods or location of production facilities;

2) which conflict with the public interest and with humanity and moral principles.

4. No trademark state registration shall be granted to designations identical or similar to the extent of confusion with the official names and images of especially-precious objects of cultural heritage of the peoples of the Russian Federation or objects of world cultural or natural heritage, and also with images of cultural valuables preserved in collections, collected items and stocks if registration is sought in the names of persons not being owners without the consent of the owners or persons authorised by the owners for these designations to be registered as trademarks.

5. In accordance with an international treaty of the Russian Federation, no trademark state registration shall be granted to designations which are or which comprise elements protected in a member state of that international treaty as designations allowing identification of wines or alcoholic beverages as originating from its territory (produced within the borders of a geographical object of that state) and having a special quality, reputation or other characteristics predominantly defined by the origin thereof, if the trademark is intended for designating wines or alcoholic beverages not originating from the territory of the given geographical object.

6. No trademark registration shall be granted to designations identical or similar to the extent of confusion with:

1) other persons' trademarks declared for registration purposes (**Article 1492**) for uniform goods and having an earlier priority, unless the trademark state registration application is withdrawn, is deemed withdrawn or a decision to deny the state registration has been adopted with respect to it;

2) other persons' trademarks protected in the Russian Federation, including under an international treaty of the Russian Federation for uniform goods and having an earlier priority;

3) other persons' trademarks that have been recognised in the procedure established by the present Code as generally-renowned trademarks in the Russian Federation, for uniform goods from an earlier date than the priority of the declared designation.

The registration as a trademark for uniform goods of a designation similar to the extent of confusion with any of the trademarks cited in **Subitems 1** and **2** of this item shall be only admissible with the consent of the right holder, provided that such registration may not be a reason for consumers' misleading. The consent may not be withdrawn by the right holder.

The provisions stipulated by Paragraph Five of this item shall not apply to the designations which are similar to the degree of confusion with collective marks.

7. The following designations shall not be registered as trademarks:

1) those comprising, reproducing or imitating the geographical indications or names of the goods' places of origin, protected hereunder, as well as the designations for which registration was applied for as such before the priority date of the trademark, in respect of similar goods, except for the instance when such designation is included as a non-protected element into the trademark registered in the name of a person entitled to use such geographical indication or name of the good's place of origin;

2) those comprising, reproducing or imitating the geographical indications or names of the goods'

places of origin, protected hereunder, as well as the designations for which registration as such was applied for before the priority date of the trademark, in respect of non-similar goods, if the use of such trademark in respect of the goods will be associated by consumers with such geographical indication or the place of the good's place of origin and could impinge the legal interests of the holder of the exclusive right for such geographical indication or name of the good's place of origin.

8. No trademark registration shall be granted for uniform goods to designations identical or similar to the extent of confusion to a company name or a commercial name (specific elements of such names) protected in the Russian Federation or with the name of a breeding achievement registered in the State Register of Protected Breeding Achievements to which rights had emerged owned by other persons in the Russian Federation prior to the priority date of the trademark being registered.

9. No trademark registration shall be granted to designations identical to:

1) the title/name of a scientific, literary or artistic work, a character or quotation from such work, known in the Russian Federation as of the date of filing of the trademark state registration application (**Article 1492**) or to an artistic work or a fragment thereof without the consent of the right holder, if rights to the relevant work emerged prior to the priority date of the trademark being registered;

2) the name (**Article 19**), pseudonym (**Item 1 of Article 1265** and **Subitem 3 of Item 1 of Article 1315**) or a designation derivative from them, a portrait or facsimile of a person known in the Russian Federation as of the date of filing of the application, without the consent of that person or his heir;

3) an industrial design, mark of compliance, in respect of which rights had emerged prior to the priority date of the trademark being registered.

The provisions of this article shall also apply in respect of the designations which are similar to the degree of confusion with the objects cited therein.

10. The designations whose elements are the individualisation means of other persons similar to them to the extent of confusion, as well as the objects cited in **Item 9** of this article, protected in compliance with this article, may not be registered as trademarks in respect of homogeneous goods.

The state registration as trademarks as such designations shall be allowed where there is the appropriate consent provided for by **Item 6** and **Subitems 1** and **2 of Item 9** of this article.

11. On the grounds provided for by this article legal protection shall not be also provided to the trademarks registered in compliance with international treaties made by the Russian Federation.

2. Using a Trademark and Disposing of the Exclusive Right to a Trademark

Article 1484. The Exclusive Right to a Trademark

1. A person in whose name a trademark has been registered (right holder) owns an exclusive right to use the trademark in accordance with **Article 1229** of the present Code in any manner not conflicting with the law (exclusive right to a trademark), including the methods specified in **Item 2** of the present article. The right holder may dispose of the exclusive right to the trademark.

2. The exclusive right to a trademark may be exercised to individualise the goods, works or services for which the trademark has been registered, for instance by placing the trademark:

1) on the goods including labels, the packaging of goods which are manufactured, offered for sale, are sold, exhibited at exhibitions and fairs, or are otherwise introduced into civil-law transactions on the territory of the Russian Federation or are stored or transported for that purpose or are imported into the territory of the Russian Federation;

2) when works are performed or services are provided;

3) on the document relating to the introduction of the goods in civil-law transactions;

4) in offers for the sale of goods, performance of works, provision of services, and also in announcements, billboards and in advertisements;

5) on the Internet, including in a domain name or in other address methods.

3. Nobody has the right without a right holder's permission to use designations which are similar to

his/its trademark for goods for the individualisation of which the trademark has been registered or uniform goods if such use might result in confusion.

Article 1485. The Mark of Trademark Protection

For the purpose of warning of his/its exclusive right to a trademark, the right holder is entitled to use a protection mark that is placed next to the trademark and is composed of the Latin letter "R" or the Latin letter "R" in a circle (R) or the word designation "trademark" or "registered trademark" and indicates that the designation used is a trademark protected on the territory of the Russian Federation.

Article 1486. The Consequences of the Non-Use of a Trademark

1. The legal protection of a trademark may be terminated before due date in respect of all goods or part of the goods for the individualisation of which the trademark has been registered, due to the trademark's being not used continuously for three years.

The interested person who believes that the right holder is not using the trademark in respect of all goods or part of the goods for the individualisation of which the trademark has been registered shall send to such right holder a proposal to file with the federal executive body in charge of intellectual property matters a statement waiving his right to the trademark or to make with the interested person an agreement to alienate the exclusive right to the trademark in respect of all goods or part of the goods, for the individualisation of which the trademark has been registered (hereinafter referred to as the interested person's offer). The interested person's offer is communicated to the right holder as well as to an address cited in the State Register of Trademarks or in a relevant register envisaged by an international agreement of the Russian Federation.

The interested person's offer may be sent to the right holder not earlier than three years after the trademark state registration date.

If within two months after the interested person's offer has been sent the right holder will not file a statement waiving the right to the trademark and will not make with the interested person an agreement alienating the exclusive right to the trademark, within a 30-day period upon the expiry of the mentioned two months, the interested person may file a lawsuit with a court seeking early termination of legal protection of a trademark owing to its not being used.

A new offer of the interested person may be communicated to the right holder of the trademark not earlier than after three months from the date when the previous offer of the interested person was sent.

A decision on early termination of legal protection of a trademark owing to its not being used shall be adopted by a court if the right holder fails to use the trademark with respect to the relevant goods for the individualisation of which the trademark has been registered within the three years immediately preceding the day the interested person's offer was sent to the right holder.

Legal protection of a trademark shall be terminated from the effective date of the court judgement.

2. For the purposes of the present article, the use of a trademark means it is being used by the right holder or the person to which such right has been granted by a licence contract in accordance with **Article 1489** of the present Code or another person using the trademark under the control of the right holder, provided the trademark is used in accordance with **Item 2 of Article 1484** of the present Code, except for cases when relevant actions are not directly related to the introduction of goods in civil-law transactions, and also the use of the trademark involving a modification of specific elements thereof not modifying the essence of the trademark and not limiting the protection granted to the trademark.

3. The right holder shall bear the burden of proving that the trademark is in use.

When resolving the issue of early termination of the legal protection of a trademark due to its non-use, account may be taken of the evidence of the trademark's not being used due to circumstances beyond the right holder's control, such evidence being provided by the right holder.

4. The termination of legal protection of a trademark means the termination of the exclusive right to the trademark.

Article 1487. The Exhaustion of the Exclusive Right to a Trademark

The exclusive right to a trademark shall not be deemed infringed if the trademark is used by other persons in respect of goods that have been introduced into civil-law transactions on the territory of the Russian Federation directly by the right holder or with the consent thereof.

Article 1488. The Contract of Alienation of the Exclusive Right to a Trademark

1. Under a contract of alienation of an exclusive right to a trademark one party (right holder) assigns or undertakes to assign in full his/its exclusive right to the relevant trademark in respect of all the goods or in respect of a part of the goods for the individualisation of which it has been registered to the other party being the acquirer of the exclusive right.

2. The alienation of an exclusive right to a trademark is prohibited if it can mislead the consumer in respect of the goods, manufacturer of goods or location of production facilities.

3. The alienation of an exclusive right to a trademark incorporating, reproducing or imitating a geographical indication or an appellation of origin that enjoys legal protection on the territory of the Russian Federation (**Subitem 1 of Item 7 of Article 1483**) is admissible only if the acquirer has an exclusive right to the geographical indication or such appellation of origin.

Article 1489. The Licence Contract for the Granting of a Right to Use a Trademark

1. Under a licence contract one party being the owner of an exclusive right to a trademark (licensor) assigns or undertakes to assign to the other party (licensee) the right to use the trademark within the scope defined by the contract either with or without an indication of the territory on which the use is permitted with respect to all or part of the goods for which the trademark is registered.

1.1. The licence agreement on granting the right to use a trademark shall contain, along with the terms provided for by **Item 6 of Article 1235** of this Code, a list of the goods in respect of which the right to use the trademark is granted.

2. The licensee shall ensure the compliance of quality of the goods manufactured or sold by him/it on which he/it places the licensed trademark with the quality standard set by the licensor. The licensor is entitled to monitor observance of this condition. The licensee and the licensor are jointly liable for the claims addressed to the licensee as the manufacture of the goods.

3. The grant of a right to use a trademark incorporating, reproducing or imitating geographical indication or an appellation of origin of goods that enjoys legal protection on the territory of the Russian Federation (**Subitem 1 of Item 7 of Article 1483**) is admissible only if the licensee has the exclusive right to such geographical indication or appellation of original.

Article 1490. The Form of a Contract of Disposing the Exclusive Right to a Trademark and the State Registration of Transfer of the Exclusive Right to a Trademark, of the Pledge of the Exclusive Right to a Trademark, and of Granting the Right to Use a Trademark

1. A contract of alienation of an exclusive right to a trademark, a licence contract, and also other contracts used to dispose of the exclusive right to a trademark shall be concluded in writing. Failure to observe the written form thereof shall entail the invalidity of a contract.

2. The alienation and pledge of the exclusive right to a trademark, granting on a contractual basis of the right to use it, and transfer of the exclusive right to a trademark without a contract are subject to state registration in the procedure established by **Article 1232** of this Code.

Article 1491. The Effective Term of the Exclusive Right to a Trademark

1. The exclusive right to a trademark shall be effective for 10 years after filing the trademark state registration application with the federal executive body charged with intellectual property matters or, in the event of registration of a trademark on the basis of a divisional application, from the date when the initial application is filed.

2. The effective term of the exclusive right to the trademark may be extended by 10 years by

application of the right holder filed during the last year of the right's effective term.

The effective term of the exclusive right to the trademark may be extended an infinite number of times.

By petition of the right holder, a six-month term may be granted thereto upon the expiry of the effective term of the exclusive right to the trademark to file the said application.

3. An entry on an extension of the effective term of the exclusive right to the trademark shall be made by the federal executive body charged with intellectual property matters in the State Register of Trademarks and in the trademark certificate.

3. The State Registration of a Trademark

Article 1492. The Trademark Application

1. An **application** for state registration of a trademark (trademark application) shall be filed with the federal executive body charged with intellectual property matters by a legal entity or citizen (applicant).

2. The trademark application shall cover one trademark.

3. The trademark application shall comprise the following:

1) an application for state registration of a designation as a trademark with reference to the applicant, his/its place of residence/whereabouts;

2) the designation being declared including, upon the request of an applicant, its 3D pattern in electronic form;

3) a list of the goods for which the trademark state registration is sought and which are classified under the classes of the International Classification of Goods and Services for Marks Registration;

4) a description of the designation being declared.

4. The trademark application shall be signed by the applicant, or, if the application is filed by a patent attorney or another representative, by the applicant or his/its representative who files the application.

6. The application for a trademark shall be submitted in the Russian language.

The documents attached to the application shall be submitted in Russian or another language. If such documents are submitted in another language, then their translation into Russian shall be attached to the application. The Russian translation may be submitted by the applicant within two months from the day the federal body of executive power for intellectual property sends him a notification about the necessity of fulfilling such a requirement.

7. The **requirements** applicable to the documents contained in the trademark application and the documents attached thereto (application documents) shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

8. The date of filing of a trademark application is the date when the documents envisaged by **Subitems 1-3 of Item 3** of the present article were received by the federal executive body charged with intellectual property matters, or if these documents were not filed simultaneously, the date of receipt of the last document.

Article 1493. The Right of Reading the Documents of a Trademark Application

1. After a trademark application is filed with the federal executive body charged with intellectual property matters, any person is entitled to become familiarised with the documents of the application.

The federal executive body charged with intellectual property matters shall publish in the official gazette data on the applications filed for trademarks.

After publishing data on an application and pending the adoption of the decision on the state registration of a trademark, any person is entitled to file with the federal executive body charged with intellectual property matters a petition in writing that contains arguments as to the non-compliance of the

declared designation with the requirements of **Articles 1477** and **1483** of this Code.

2. The procedure for reading application documents and for issuing copies of such documents shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

Article 1494. The Priority of a Trademark

1. The priority of a trademark shall be established by the date of filing of the trademark application with the federal executive body charged with intellectual property matters.

2. The priority of a trademark on an application filed by an applicant in accordance with **Item 2 of Article 1502** of the present Code (divisional application) on the basis of another application of the same applicant for the same designation (initial application) shall be established by the date of filing of the initial application with the federal executive body charged with intellectual property matters, or if a right exists to an earlier priority on the initial application, by the date of that priority, unless as of the date of filing of the divisional application the initial application is withdrawn or deemed withdrawn, and if the divisional application had been filed prior to the decision taken on the initial application.

Article 1495. The Convention and Exhibition Priority of a Trademark

1. The priority of a trademark may be established by the date of filing of the first trademark application in a member-state of the **Paris Convention** for the Protection of Industrial Property (convention priority) if the trademark application is filed with the federal executive body charged with intellectual property matters within six months after the said date.

2. The priority of a trademark placed on exhibits of the official or officially-recognised international exhibitions organised on the territory of a member-state of the **Paris Convention** for the Protection of Industrial Property may be established by the date of commencement of the open showing of the exhibit at the exhibition (exhibition priority), if the trademark application is filed with the federal executive body charged with intellectual property matters within six months after the said date.

3. An applicant wishing to use a right of convention priority or a right of exhibition priority shall indicate that while filing a trademark application, or within two months after it was filed with the federal executive body charged with intellectual property matters, and shall attach the necessary documents confirming the legality of such claim or file these documents with the said federal body within three months after the filing of the application.

4. The priority of a trademark may be established by the date of its international registration in accordance with the international treaties of the Russian Federation.

Article 1496. The Consequences of Coincidence of the Priority Dates of Trademarks

1. If applications were filed by different applicants for identical trademarks in respect of fully coinciding or partially coinciding lists of goods, and these applications have one and the same priority date, the trademark so declared for the goods of which lists coincide may be registered only in the name of one of the applicants to be chosen by agreement between them.

2. If applications for identical trademarks for fully or partially coinciding lists of goods have been filed by one and the same applicant, and these applications have one and the same priority date, the trademark for the goods for which the said lists are coincident may be registered only under one of the applications to be chosen by the applicant.

3. If applications for identical trademarks have been filed by different applicants (**Item 1** of the present article), then within seven months from the date of sending by the federal executive body charged with intellectual property matters they shall notify that federal body of the agreement they have reached in choosing the specific application whereby the state registration will be sought for the trademark. During the same term the applicant that has filed applications for identical trademarks shall notify of his/its choice made (**Item 2** of the present article).

Unless during the established term the federal executive body charged with intellectual property

matters receives the said notice or a petition for extension of the established term, the trademark applications shall be deemed withdrawn on the basis of a decision of that federal body.

Article 1497. The Expert Examination of a Trademark Application and the Making of Amendments to Application Documents

1. An expert examination of a trademark shall be carried out by the federal executive body charged with intellectual property matters.

The expert examination of the application shall include a formal expert examination and an expert examination of the designation declared as a trademark (declared designation).

2. During the expert examination of the trademark application the applicant is entitled to amend, update or correct the materials of the application, for instance by means of filing additional materials, until the time when a decision is taken on the application.

If the additional materials comprise a list of the goods not mentioned in the application as of the date when the application was filed, or significantly modify the declared designation of the trademark, such additional materials shall not be accepted for consideration. They may be arranged and filed by the applicant as an independent application.

3. A change in the details of the applicant in a trademark application, for instance in the event of assignment or transfer of the right of registering the trademark or due to a change in the name of the applicant, and also the correction of obvious and technical errors in application documents may be made before the state registration of the trademark (**Article 1503**) or the adoption of the decision on the denial of the state registration thereof.

4. During the expert examination of a trademark application the federal executive body charged with intellectual property matters is entitled to request additional materials from the applicant without which the expert examination is impossible.

The additional materials shall be submitted by the applicant within three months of forwarding thereto by the federal executive body charged with intellectual property matters the relevant request or copies of the materials opposed to the application, provided these copies have been requested by the applicant within two months of forwarding the request by the federal executive body charged with intellectual property matters. Unless within the said term the applicant files the additional materials requested or a petition for extension of the term set for the filing thereof, the application shall be deemed withdrawn under a decision of the federal executive body charged with intellectual property matters. On the applicant's petition the term set for the filing of the additional materials may be extended by the said federal body by up to six months.

The additional materials comprising a list of the goods not mentioned in the application as of the date when it was filed or significantly modifying the declared designation of the trademark are subject to the rules of **Item 2** of the present article.

Article 1498. The Formal Expert Examination of a Trademark Application

1. A formal expert examination of a trademark application shall be carried out within one month after it was filed with the federal executive body charged with intellectual property matters.

2. During the formal expert examination of the trademark application the presence of the necessary application documents and their compliance with established requirements shall be verified. According to the results of the formal examination, either the application shall be accepted for consideration or a decision shall be taken on refusal to accept it for consideration. The applicant shall be notified of the results of the formal expert examination by the federal executive body charged with intellectual property matters.

Simultaneously with a notice of a positive result of the formal expert examination of the application information shall be sent to the applicant about the date of filing of the application established according to **Item 8 of Article 1492** of the present Code.

Article 1499. The Expert Examination of a Designation Declared as a Trademark

1. An expert examination of a designation declared as a trademark (expert examination of a declared designation) shall be carried out on an application accepted for consideration as the result of a formal expert examination.

During the expert examination the compliance of the declared designation with the requirements set out in **Article 1477** and **Items 1-6**, **Subitem 1 of Item 7, Subitem 3 of Item 9** (as regards industrial designs), **Item 10** (as regards means of individualisation and industrial designs) of Article 1483 of this Code shall be verified and the priority of the trademark shall be established.

The peculiarities of due diligence investigation of the applied designation with religious symbols (semantics) shall be established by the federal executive body authorised for regulatory legal control in intellectual property matters.

In the event of receiving the petition in compliance with **paragraph three of Item 1 of Article 1493** of this Code, the arguments as to non-compliance of the declared designation with the requirements of **Articles 1477** and **1483** of this Code contained in the petition shall be taken into account when conducting an expert examination of the declared designation.

2. According to the result of the expert examination of the declared designation, the federal executive body charged with intellectual property matters shall take a decision either on the state registration of the trademark or on the refusal to grant registration thereto. In compliance with international treaties of the Russian Federation, on the basis of the results of an expert examination of a trademark, the federal executive body charged with intellectual property matters shall render the decision on providing legal protection or on the refusal to provide legal protection to the trademark on the territory of the Russian Federation.

3. Before the taking of a decision on the refusal of state registration of a trademark or a decision on state registration of a trademark with respect to the goods contained in a list of goods as of the date of filing an application or in the list modified by an applicant in compliance with **Item 2 of Article 1497** of this Code, a notice in writing shall be sent to the applicant on the results of the verification of compliance of the declared designation with the requirements set out in **Paragraph 2 of Item 1** of the present article with a proposal to provide the applicant's arguments concerning the reasons set out in the notice. The applicant's arguments shall be taken into account when a decision is taken on the results of the expert examination of the declared designation, if they are submitted within six months after the dispatch of the said notice to the applicant.

4. A decision on the state registration of a trademark may be reviewed by the federal executive body charged with intellectual property matters before the registration of the trademark, in connection with:

1) receipt of an application having an earlier priority in accordance with **Articles 1494**, **1495** and **1496** of the present Code for an identical designation or a designation similar thereto to the extent of confusion in respect of uniform goods;

2) the state registration as a geographical indication or an appellation of origin of goods of a designation identical or similar to the extent of confusion to the trademark specified in the decision on registration;

3) the finding of an application comprising an identical trademark or the finding of a protected identical trademark in respect of fully or partially coinciding lists of goods having the same or an earlier trademark priority;

4) a change of applicant that can lead in the event of state registration of the declared designation as a trademark to the consumer's being misled concerning the goods, manufacturer thereof or location of production facilities.

Article 1500. Challenging Decisions on a Trademark Application

1. The decisions of the federal executive body charged with intellectual property matters on a

refusal to accept for consideration a trademark application, on the state registration of a trademark, on refusal to grant the state registration to a trademark and on declaring a trademark application withdrawn, the decision on granting or on the refusal to grant legal protection to a trademark on the territory of the Russian Federation or to deny the state protection thereof in compliance with international treaties of the Russian Federation may be challenged by the applicant by means of filing an objection with the federal executive body charged with intellectual property matters within four months after forwarding the relevant decision or copies of the materials opposing the application requested from the said federal executive body, provided the applicant requested copies of the materials within one month of his/its receipt of the relevant decision.

2. During examination of the objection by the federal executive body charged with intellectual property matters the applicant may make the amendments permitted in accordance with **Items 2** and **3 of Article 1497** of the present Code to the application documents if such amendments eliminate the reasons serving as the only ground for refusal to grant state registration to the trademark, and if the making of these amendments allows a decision to be taken on granting state registration to the trademark.

Article 1501. The Renewal of the Missed Term Connected with Holding the Expert Examination of a Trademark Application

1. The term provided for by **Item 4 of Article 1497** and **Item 1 of Article 1500** of this Code and missed by an applicant may be renewed by the federal executive body charged with intellectual property matters on petition of the applicant filed within six months of the expiry of the term, if the applicant cites the reasons for his/its failure to observe it. The petition for renewal of a missed term shall be filed by the applicant with the said federal executive body simultaneously with the additional materials requested in accordance with Item 4 of Article 1497 of this Code or with a petition for extension of the term for filing thereof or simultaneously with filing an objection with the federal executive body charged with intellectual property matters under **Article 1500** of this Code.

2. The term provided for by **Item 4 of Article 1497** of this Code shall be restored in compliance with the provisions of this chapter on the basis of the decision of the federal executive body charged with intellectual property matters on the reversal of the decisions on declaring an application withdrawn and on restoration of the missed term.

Article 1502. Withdrawing a Trademark Application and Dividing the Application

1. A trademark application may be withdrawn by the applicant at any stage of examination thereof but not later than the date of state registration of the trademark.

2. During the expert examination of the trademark application or consideration by the federal executive body charged with intellectual property matters of an objection against the decision of the federal executive body charged with intellectual property matters on the state registration of a trademark or on the denial of the state registration of a trademark adopted on the basis provided for by **Item 6 of Article 1483** of this Code, the applicant is entitled until the taking of a decision on the application to file a divisional application with the federal executive body charged with intellectual property matters for the same designation. Such application shall comprise a list of the goods from among those specified in the initial application as of the date of filing thereof with this federal body that are not uniform with other goods mentioned in the list comprised by the initial application which shall remain covered by the initial application.

Article 1503. The Procedure for State Registration of a Trademark

1. Under the decision on the state registration of a trademark adopted in the procedure established by **Item 2** and **4 of Article 1499** or **Article 1248**, the federal executive body charged with intellectual property matters within a month from the date of paying the duty for state registration of the trademark and for issuance of the certificate in respect of it shall complete the state registration of the trademark in the State Register of Trademarks.

The entry in the State Register of Trademark shall comprise the trademark, information on the right holder, the priority date of the trademark, a list of the goods to be individualised by the registered trademark, the date of its state registration, other information relating to the registration of the trademark, and also subsequent amendments to these details.

2. If an applicant has not paid in the established procedure the duty cited in **Item 1** of this article, a trademark shall not be registered and the appropriate application shall be deemed withdrawn on the basis of a decision of the federal executive body charged with intellectual property matters.

In the event of disputing the decision on registration of a trademark in the procedure established by **Article 1248** of this Code, the decision on declaring the application withdrawn shall not be rendered.

Article 1504. The Issuance of a Trademark Certificate

1. A trademark certificate shall be issued by the federal executive body charged with intellectual property matters in the form of an electronic document and, upon the request of an applicant, on paper within one month after the state registration of the trademark in the State Register of Trademarks.

2. The **form** of a trademark certificate and the **list** of the details to be given therein shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

Article 1505. Making Amendments to the State Register of Trademarks and a Trademark Certificate

1. The federal executive body charged with intellectual property matters shall make on the basis of the right holder's application in the State Register of Trademarks and the issued certificate for the trademark the amendments related to the data on registration of the trademark, in particular on the right holder, denomination or name thereof, location or place of residence, postal address, as well as the amendments connected with the reduction of a list of goods and services for whose individualisation the trademark has been registered and the amendments in individual elements of the trademark that do not change the essence thereof, and also the amendments for correcting obvious and technical mistakes.

2. If the provision of legal protection to a trademark is challenged (**Article 1512**) the state registration of the trademark effective in respect of several goods may be separated at an application of the right holder to make a separate registration of the trademark for one goods item or a part of the goods from among those specified in the initial registration as being non-uniform with the goods given on the list remaining in the initial registration. Such application may be filed by the right holder up until a decision is taken on the results of consideration of the dispute on the registration of the trademark.

3. Abrogated from October 1, 2014.

4. Abrogated from October 1, 2014.

Article 1506. Publishing Information on the State Registration of a Trademark

Information concerning the state registration of a trademark and its entry into the State Register of Trademarks in accordance with **Article 1503** of the present Code shall be published by the federal executive body charged with intellectual property matters in its gazette immediately after the registration of the trademark in the State Register of Trademarks or after the relevant amendments have been made to the State Register of Trademarks.

Article 1507. Trademark Registration in Foreign States and International Trademark Registration

1. Russian legal entities and citizens of the Russian Federation are entitled to register a trademark in foreign states or to carry out its international registration.

2. An application for the international registration of a trademark shall be filed through the federal executive body charged with intellectual property matters.

4. The Details of Legal Protection of a Generally-Recognised Trademark

Article 1508. A Generally-Recognised Trademark

1. At an application of a person that deems a trademark he/it uses or a designation used as a trademark to be "a trademark generally-recognised in the Russian Federation" a trademark protected on the territory of the Russian Federation on the basis of its state registration or under an international treaty of the Russian Federation or designation used as a trademark but not having legal protection on the territory of the Russian Federation **may be deemed** "a trademark generally-renowned on the territory of the Russian Federation" by a decision of the federal executive body charged with intellectual property matters, if as the result of intensive use this trademark or this designation had become broadly known in the Russian Federation among relevant consumers in respect of the applicant's goods as of the date indicated in the application.

The trademark and the designation used as a trademark shall not be deemed "generally-recognised trademarks" if they have become broadly known after the priority date of another person's identical trademark or one similar to the extent of confusion that is intended for use in respect of uniform goods.

2. The legal protection envisaged by the present Code for a trademark shall be granted to a generally-recognised trademark.

The grant of legal protection to a generally-recognised trademark means the recognition of an exclusive right to the generally-recognised trademark.

The legal protection of a generally-recognised trademark has infinite duration.

3. The legal protection of a generally-recognised trademark also extends to goods which are not uniform with those for which it has been declared generally-recognised if the use of this trademark by another person in respect of the said goods is going to be associated by consumers with the holder of the exclusive right to a generally-recognised trademark and it may infringe the lawful interests of the holder.

Article 1509. The Grant of Legal Protection to a Generally-Recognised Trademark

1. Legal protection shall be granted to a generally-recognised trademark under a decision of the federal executive body charged with intellectual property matters taken in accordance with **Item 1 of Article 1508** of the present Code.

2. A trademark deemed generally-recognised shall be entered by the federal executive body charged with intellectual property matters in the List of the Trademarks Generally-Recognised in the Russian Federation (List of Generally-Recognised Trademarks).

3. A certificate of a generally-recognised trademark shall be issued by the federal executive body charged with intellectual property matters in the form of an electronic document and, upon the request of an applicant, on paper within one month after the trademark is entered in the List of Generally-Recognised Trademarks.

The **form** of a certificate of a generally-recognised trademark and a **list** of the details that must be in the certificate shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

4. Information concerning a generally-recognised trademark shall be published by the federal executive body charged with intellectual property matters in the gazette immediately after it is entered in the List of Generally-Recognised Trademarks.

5. The Details of Legal Protection of a Collective Mark

Article 1510. The Right to a Collective Mark

1. An association of persons whose creation and activity do not conflict with the legislation of the state in which it is formed is entitled to register a collective mark in the Russian Federation.

The collective mark is a trademark intended for designating the goods manufactured or sold by the persons being members of the association and which have uniform characteristics of quality or other

common characteristics.

Each person being a member of the association may use the collective mark.

2. A right to a collective mark is unalienable and it shall not be the subject matter of a licence contract.

3. A person being a member of an association that has registered a collective mark is entitled to use his/its own trademark and the collective mark.

Article 1511. The State Registration of a Collective Mark

1. The application for registration of a collective mark (collective mark application) filed with the federal executive body charged with intellectual property matters shall be accompanied by a charter of the collective mark comprising the following:

1) the name of the association authorised to register the collective mark in its name (right holder);

2) a list of the persons entitled to use the collective mark;

3) the purpose of registration of the collective mark;

4) a list of the uniform characteristics of quality of, or other common characteristics of the goods which are going to be designated by the collective mark;

5) terms for using the collective mark;

6) provisions on the procedure for monitoring the use of the collective mark;

7) provisions on liability for a breach of the charter of the collective mark.

2. In addition to the details required by **Articles 1503** and **1504** of the present Code, the following shall be entered into the State Register of Trademarks and a **certificate** of a collective mark: information on the persons entitled to use the collective mark. This information and also an abstract from the charter of the collective mark on the uniform characteristics of the quality, and the common characteristics, of the goods for which this mark is registered shall be published by the federal executive body charged with intellectual property matters in the gazette.

The right holder shall notify the federal executive body charged with intellectual property matters of the amendments made to the charter of a collective mark.

3. If a collective mark is used on goods not having uniform quality characteristics or other common characteristics, the legal protection of the collective mark may be terminated before the due date in full or in part under a court decision adopted at the application of any person concerned.

4. A collective mark and a collective mark application may be transformed into a trademark and a trademark application respectively and vice versa. The **procedure** for such transformation shall be established by the federal executive body charged with normative legal regulation in the area of intellectual property.

6. Terminating the Exclusive Right to a Trademark

Article 1512. Grounds for Challenging and Deeming Invalid the Grant of Legal Protection to a Trademark

1. Challenging the grant of legal protection to a trademark means challenging the decision on the state registration of the trademark (**Item 2 of Article 1499**) and the recognition of an exclusive right to the trademark based thereon (**Article 1477** and **1481**).

Deeming the granting of legal protection to a trademark invalid shall cause the revocation of the decision of the federal executive body charged with intellectual property matters on the registration of the trademark.

2. The granting of legal protection to a trademark may be challenged and deemed invalid:

1) in full or in part for the whole effective term of the exclusive right to the trademark if legal protection has been granted thereto in breach of the provisions of **Items 1-5**, **8** and **9 of Article 1483** of the present Code;

2) in full or in part within five years after the date of publication of information on the state registration of the trademark in the gazette (**Article 1506**) if legal protection has been in breach of provisions of **Items 6**, **7** and **10 of Article 1483** of this Code;

3) invalid from June 29, 2023 - **Federal Law** No. 193-FZ of June 28, 2022

4) in full for the whole effective term of legal protection if it was granted to the trademark with a later priority in comparison with another person's trademark recognised as generally-recognised which is under legal protection in accordance with **Item 3 of Article 1508** of the present Code;

5) in full for the whole effective term of the exclusive right to the trademark if legal protection has been granted thereto in the name of an agent or a representative of the person being the holder of that exclusive right in a member-state of the **Paris Convention** for the Protection of Industrial Property in breach of the provisions of the **Convention**;

6) in full or in part within the whole effective term of legal protection, if the right holder's actions connected with the provision of legal protection to a trademark or to another trademark which is similar to it to the degree of confusion are declared in the established procedure an abuse of the right or unfair competition;

7) in full or in part for the whole effective term of legal protection if it is provided with a failure to satisfy the requirements of **Item 3 of Article 1496** of this Code.

The provisions of Subitems **1** and **2** of this item shall apply subject to the circumstances that have occurred as of the date of filing an objection (**Article 1513**);

3. The grant of legal protection to a generally-recognised trademark by means of registration thereof in the Russian Federation may be challenged and deemed invalid in full or in part during the whole effective term of the exclusive right to this trademark if legal protection has been granted thereto in breach of provisions of **Item 1 of Article 1508** of the present Code.

4. The provision of legal protection on the territory of the Russian Federation to a trademark registered in compliance with international treaties of the Russian Federation may be disputed and declared invalid on the grounds provided for by Item 2 of this article.

Article 1513. Procedure for Challenging and Deeming Invalid the Grant of Legal Protection to a Trademark

1. The grant of legal protection to a trademark may be challenged on the grounds and within the term envisaged by **Article 1512** of the present Code by means of filing an objection against such granting with the federal executive body charged with intellectual property matters.

2. Objections against the grant of legal protection to a trademark on the grounds set out in **Subitems 1**, **2**, **4**, **6** and **7 of Item 2** and **Item 3 of Article 1512** of the present Code may be filed by the person concerned.

3. An objection against the grant of legal protection to a trademark on the ground set out in **Subitem 5 of Item 2 of Article 1512** of the present Code may be filed by the concerned owner of the exclusive right to the trademark in a member state of the **Paris Convention** for the Protection of Industrial Property.

Paragraph 2 **lost force** from October 1, 2014.

4. Decisions of the federal executive body charged with intellectual property matters on deeming invalid the granting of legal protection to a trademark or on refusing to deem it as such shall take effect in accordance with the rules of **Article 1248** of the present Code and they may be challenged in court.

5. If the grant of legal protection to a trademark is deemed invalid in full the certificate of the trademark and the entry in the State Register of Trademarks shall be annulled.

If the grant of legal protection to a trademark is deemed partially invalid a new certificate for the trademark shall be issued and relevant amendments shall be made to the State Register of Trademarks.

6. The licence contracts concluded before a decision is taken on deeming invalid the grant of legal protection to a trademark shall remain in effect to the extent in which they had been discharged as of the time when the decision was taken.

Article 1514. Terminating the Legal Protection of a Trademark

1. The legal protection of a trademark shall be terminated:

1) in connection with the expiry of the effective term of the exclusive right to the trademark;

2) on the ground of a court decision on early termination of the legal protection of the collective trademark in accordance with **Item 3 of Article 1511** of the present Code in connection with this mark being used on goods not having uniform quality characteristics or other common characteristics;

3) on the basis of a decision on early termination of the legal protection of the trademark due to its not being used, such decision being taken in accordance with **Article 1486** of the present Code;

4) on the basis of the decision of the federal executive body charged with intellectual property matters on early termination of the legal protection of the trademark in connection with termination of the legal entity being the right holder or with the death of the right holder citizen, if there are no grounds for the universal succession (inheritance, reorganisation of a legal entity);

5) if the right holder has waived his/its right to the trademark;

6) on the basis of a decision taken by the federal executive body charged with intellectual property matters on the application of a person concerned on early termination of the legal protection of the trademark if it has turned into a designation commonly used as a term for goods of a certain kind;

7) on the basis of a decision -- taken at an application of any person -- of the federal executive body in charge of intellectual property matters on early termination of the legal protection of a trademark that has been registered in accordance with **Item 7 of Article 1483** of this Code, in the case of termination of the right to use the relevant geographical indication or appellation of origin of goods.

2. The legal protection of a generally-recognised trademark shall be terminated on the grounds set out in **Subitems 3-6 of Item 1** of the present article, and also by a decision of the federal executive body charged with intellectual property matters if the generally-recognised trademark has lost the characteristics established by **Paragraph 1 of Item 1 of Article 1508** of the present Code.

3. When an exclusive right to a trademark is transferred without the conclusion of a contract with the right holder (**Article 1241**), the legal protection of the trademark may be terminated by a court decision at a claim of a person concerned if it is proven that the transfer misleads consumers concerning goods or the manufacturer thereof.

4. The termination of legal protection of a trademark means the termination of the exclusive right to the trademark.

5. The legal protection on the territory of the Russian Federation of a trademark registered in compliance with international treaties of the Russian Federation shall be terminated on the grounds and in the procedure which are provided for by this article.

7. The Protection of a Right to a Trademark

Article 1515. Liability for the Illegal Use of a Trademark

1. The goods, labels, packaging of goods on which a trademark or a designation similar thereto to the extent of confusion has been illegally placed are counterfeit.

2. The right holder is entitled to claim withdrawal from transactions and destruction of the counterfeit goods, labels, packaging of goods on which the illegally used trademark or a designation similar thereto to the extent of confusion has been placed at the expense of the infringer. If the placing of these goods in transactions is required for the public interest the right holder is entitled to demand removal at the infringer's expense of the illegally used trademark or a designation confusingly similar thereto that has been placed on the counterfeit goods, labels and packages of goods.

3. A person that has infringed an exclusive right to a trademark while carrying out works or providing services shall remove the trademark or a designation confusingly similar thereto from the materials involved in the performance of such works or the provision of such services, including from

documents, advertisements and billboards.

4. The right holder is entitled to demand, at his/its option, that the infringer pays compensation instead of reimbursement of damages:

1) in the amount of 10,000 to 5,000,000 roubles at the court's discretion on the basis of the nature of the infringement;

2) in the amount equal to double the value of the goods on which the trademark has been illegally placed or double the value of the right to use the trademark assessed on the basis of the price normally charged in comparable circumstances for the legal use of the trademark.

5. A person carrying out preliminary marking in respect of a trademark not registered in the Russian Federation is liable in the procedure established by the legislation of the Russian Federation.

§ 3. The Right to a Geographical Indication and the Appellation of Origin of Goods

1. General Provisions

Article 1516. The Geographical Indication and the Appellation of Origin of Goods

1. A geographical indication to which legal protection is granted means a designation that identifies merchandise originating from the territory of a geographical location, with the quality, reputation or other characteristics thereof being substantially connected with its geographical origin (characteristics of the merchandise). At least one of the stages of the making of the merchandise substantially affecting the shaping of the merchandise's characteristics must be carried out on the territory of the given geographical location.

An appellation of origin of goods to which legal protection is granted means a designation that is the contemporary or historical, official or unofficial, full or abbreviated name of a country, an urban or rural settlement, area or another geographical location that includes such appellation or a derivative of such appellation, and has become known as a result of its being used in respect of the merchandise whose special properties are exclusively determined by the natural conditions and/or the human factors which are typical for the given geographical location. On the territory of the given location there have to be carried out all the stages of making the merchandise which substantially affect the shaping of the special properties of the merchandise.

The stages and the boundaries of manufacture of the merchandise, and also the characteristics of the merchandise, or the special properties of the merchandise for the designation of which a geographical indication or an appellation of origin of goods is used shall meet the requirements established by federal laws and other normative legal acts of the Russian Federation. The observance of the established requirements shall be monitored in accordance with federal laws.

2. It is hereby prohibited to grant state registration as a geographical indication or appellation of origin of goods to a designation:

1) that, though being related to the name of the geographic location within whose boundaries the merchandise was initially manufactured or put into civil circulation, has not become a designation generally used in the Russian Federation as a designation of merchandise of a certain kind that is not connected with the place where it is produced;

2) is registered as a geographical indication or an appellation of origin of goods in respect of merchandise of the same kind;

3) that is identical or similar to a trademark having earlier priority, if the use of such geographical indication or of such appellation of origin of goods can mislead the consumer concerning the merchandise or the manufacturer thereof;

4) that is the name of a species of plant or animal, if the use of such geographical indication or such appellation of origin of goods can mislead the consumer concerning the merchandise;

5) that can mislead the consumer concerning the merchandise or the manufacturer thereof;

6) that has been declared for state registration as a geographical indication or appellation of the origin of goods for merchandise that does not meet the requirements envisaged by **Paragraph 3 of Item 1** of this article.

3. The rules of this Code on geographical indications are applicable to appellations of origin of goods, except as otherwise established by this Code.

Article 1517. The Effect of an Exclusive Right to a Geographical Indication or Appellation of Origin of Goods on the Territory of the Russian Federation

1. The exclusive right to a geographical indication or an appellation of origin of goods that has been registered by the federal executive body in charge of intellectual property matters shall be effective on the territory of the Russian Federation, and also in other cases envisaged by an **international treaty** of the Russian Federation.

2. The state registration as geographical indication of a designation allowing one to identify merchandise originating from the territory of a geographical location that is in a foreign state is admissible if that designation is protected as a geographical indication or another means of merchandise individualisation in the country of origin of the merchandise, provided it meets the requirements set out in **Article 1516** of this Code. The owner of the exclusive right to a geographical indication may only be a person whose right to such geographical indication or other means of merchandise individualisation is protected in the country of origin of the merchandise.

The state registration of the name of a geographical location which is in a foreign state as an appellation of origin of goods is admissible if the name of that geographical location is protected as an appellation of origin of goods in the country of origin of the merchandise. The owner of the exclusive right to an appellation of origin of goods may only be a person whose right to such appellation is protected in the country of origin of the merchandise.

3. In case of granting legal protection on the territory of the Russian Federation for a geographical indication or appellation of origin of goods registered in accordance with an international treaty of the Russian Federation, and (or) granting an exclusive right to such geographical indication or appellation of origin of goods, the provisions of **Item 2** of this article, the **second paragraph of Item 1** and **Item 2 of Article 1518**, **Items 2**, **3** and **4 of Article 1524** of this Code shall be applicable.

Article 1518. The State Registration of a Geographical Indication

1. A geographical indication shall be recognised and protected by virtue of the state registration thereof.

A geographical indication may be registered by one or several citizens, one or several legal entities, and also an alliance (union) or another association of persons whose creation and activities do not contravene the legislation of the country of origin of goods.

2. The persons that have registered a geographical indication acquire the exclusive right to that geographical indication, provided the merchandise in respect of which the geographical indication is registered meets the requirements set out in **Item 1 of Article 1516** of this Code.

The exclusive right to a geographical indication may be granted in respect of the same geographical indication in the procedure established by this code to any person that, within the boundaries of the same geographical location, manufactures merchandise possessing the characteristics cited in the State Register of Geographical Indications and Appellations of Origin of Goods of the Russian Federation (the State Register of Indications and Appellations).

2. Using a Geographical Indication

Article 1519. The Exclusive Right to a Geographical Indication

1. The right holder has the right to use the geographical indication in accordance with by **Article 1229** of this Code by any method not contravening the law, including the methods specified in **Item 2** of this article.

If the exclusive right to a geographical indication is granted to an association of persons the right to use such geographical indication is granted to every person that is a member of that association and is included in the State Register of Indications and Appellations, provided such geographical indication is used in respect of merchandise that has the characteristics cited in the State Register of Indications and Appellations.

2. Inter alia, the use of a geographical indication means the application of that geographical indication:

1) on goods, labels, packing of goods which are manufactured, offered for sale, sold, exhibited at exhibitions and fairs or otherwise are put into civil circulation on the territory of the Russian Federation, or are stored or transported for that purpose, or are imported into the territory of the Russian Federation;

2) on forms, invoices and other document and in printed matter connected with putting the goods into civil circulation;

3) in offers to sell the goods and also in announcements, on billboards and in advertisements;

4) on the Internet, in particular in the name of a domain and in other addressing techniques.

3. The following shall be deemed illegal use of a geographical indication:

1) the use of a registered geographical indication by persons that do not have the right to use it, even though in this case the real place of origin of merchandise or geographical indication is used in a translation or in combination with such words as "kind/genus", "type", "imitation" and the like;

2) the use of a registered geographical indication by persons that have the right to use it, in respect of merchandise that does not have the characteristics cited in the State Register of Indications and Appellations, or is made outside the boundaries of the geographical location specified in the State Register of Indications and Appellations;

3) the use for any goods of the designation comprising, reproducing or imitating a registered geographical indication able to mislead consumers in respect of the good's place of origin or specifications thereof.

4. The goods, labels or packing of goods which illegally bear a geographical indication.

5. The following shall not be deemed infringement of the exclusive right to a geographical indication: the use of that geographical indication by other persons in respect of goods that have been put into civil circulation directly by the right holder or with his consent.

6. The disposal of the exclusive right to a geographical indication, in particular by the alienation thereof, or the grant to another person of the right to use that geographical indication, and also the transfer of the exclusive right to a geographical indication without the conclusion of a contract is prohibited.

Article 1520. The Mark of Protection of a Geographical Indication and an Appellation of Origin of Goods

1. For the purposes of notifying others about the right, a person having the right to use a geographical indication in accordance with **Item 2 of Article 1518** of this Code may post next to the geographical indication a mark of protection in the form of the textual designations "registered geographical indication", "with protected geographical indication", "registered GI" or relevant emblems pointing to the fact that the used designation is a geographical indication registered in the Russian Federation.

For the purposes of notifying others about the right, a person having the right to use an appellation of origin of goods in accordance with **Item 2 of Article 1518** of this Code may post next to the appellation of origin of goods a mark of protection in the form of the textual designations "registered appellation of origin of goods", "with protected appellation of origin of goods", "registered NMPT" or a relevant emblem pointing to the fact that the used designation is an appellation of origin of goods registered in the Russian Federation.

2. The federal executive body in charge of intellectual property matters shall endorse the emblems cited in **Item 1** of this article.

Article 1521. The Effect of Legal Protection of a Geographical Indication

1. A geographical indication shall be protected during the entire period of existence of the possibility of manufacturing merchandise that meets the requirements set out in **Item 1 of Article 1516** of this Code.

2. The effective term of the exclusive right to a geographical indication, and the procedure for extension of that term, are defined by **Article 1531** of this Code.

3. The State Registration of a Geographical Indication and the Grant of an Exclusive Right to a Geographical Indication

Article 1522. The Application for a Geographical Indication

1. An application for state registration of a geographical indication and for grant of an exclusive right to such geographical indication, and also an application for granting an exclusive right to a geographical indication registered earlier (a geographical indication application) shall be filed with the federal executive body in charge of intellectual property matters.

A geographical indication application shall pertain to one geographical indication.

A geographical indication application may be filed by the persons specified in **Paragraph 2 of Item 1 of Article 1518** of this Code.

2. A geographical indication application shall contain the following:

1) an application for state registration of the geographical indication and for grant of an exclusive right to such geographical indication, or only for the grant of an exclusive right to a geographical indication registered earlier, with an indication of the applicant and also of the place of residence or location thereof;

2) the declared designation;

3) reference to the merchandise in respect of which the state registration of the geographical indication and for grant of an exclusive right to such geographical indication, or only grant of an exclusive right to a geographical indication registered earlier are being requested;

4) reference to the place of origin (manufacture) of the merchandise (the boundaries of the geographical location);

5) information concerning the connection of the characteristics of the merchandise with the place of origin (manufacture) thereof (for an application for state registration of a geographical indication and for grant of an exclusive right to such geographical indication);

6) a description of the characteristics of the merchandise, in particular the initial material used to manufacture the merchandise, physical, chemical, microbiological, organoleptic or artistic characteristics of the merchandise;

7) a description of the method whereby the merchandise is manufactured, and also information on the conditions of storage and transportation thereof, if this substantially affects the shaping and preservation of the merchandise's characteristics;

8) a description of the procedure for monitoring the observance of conditions of manufacture and the preservation of the characteristics of the merchandise for which legal protection of the geographical indication is being requested;

9) a list of the persons entitled to use the geographical indication, if the geographical indication application is filed by an alliance of persons, and terms for the use of the geographical indication by the persons who are members of that alliance;

10) information confirming the right to manufacture the merchandise, if provision is made for this in federal laws.

3. Attached to the geographical indication application shall be documents confirming that the applicant manufactures merchandise that has relevant characteristics which are to a substantial degree due to its geographical origin, and also the information cited in **Item 2** of this article.

If the geographical indication application is filed by several persons then attached to the application shall be the documents cited in **Paragraph 1** of this item, in respect of the merchandise of each applicant.

If the geographical indication application is filed by an alliance of persons then attached to the documents cited in **Paragraph 1** of this item shall be documents confirming that the persons being members of that alliance manufacture or put on the market merchandise that has the relevant characteristics which are substantially due to its geographical origin, and/or use the declared indication in respect of the given merchandise.

Attached to an application for grant of an exclusive right to a geographical indication registered earlier as identifying merchandise with origin on the territory of a geographical location that is on the territory of the Russian Federation shall be documents confirming that the applicant manufactures merchandise having the characteristics described in the State Register of Indications and Appellations (**Article 1529**), and also observes the conditions set out in **Subitem 7 of Item 2** of this article and in the State Register of Indications and Appellations.

If the geographical location in respect of which a geographical indication application has been filed is outside the Russian Federation, then attached to the application shall be documents confirming that such indication meets the requirements set out in **Item 1 of Article 1516** of this Code, the applicant's exclusive right to the declared designation in the country of origin of the merchandise, and also the information mentioned in **Item 2** of this article.

4. The requirements applicable to the documents contained in the geographical indication application or to the documents attached thereto (application documents) shall be established by the federal executive body carrying out normative legal regulation in the sphere of intellectual property.

5. The date of filing of a geographical indication application is the date on which the federal executive body in charge of intellectual property matters receives the documents envisaged by **Item 2** of this article, or if said documents are not filed simultaneously, the date of receipt of the last of the documents.

Article 1522.1. Specifics of the Application for an Appellation of Origin of Goods

1. An application for state registration of an appellation of origin of goods and for grant of an exclusive right to such appellation, and also an application for the grant of an exclusive right to an appellation of origin of goods registered earlier (an application for an appellation of origin of goods) shall contain the information cited in **Subitems 1 - 4**, **7 - 10 of Item 2 of Article 1522** of this Code, including:

1) information containing substantiation of the fact that the merchandise in respect of which the appellation of origin of goods is declared for state registration possesses the special properties mentioned in Paragraph 2 of Item 1 of Article 1516 of this Code;

2) a description of the merchandise's special properties, in particular reference to the initial material used to manufacture it, and the basic physical, chemical, microbiological, organoleptic or artistic characteristics of the merchandise.

2. If the geographical location whose name is declared as an appellation of origin of goods is on the territory of the Russian Federation the application for the appellation of origin of goods shall be filed together with a report of the federal executive body authorised by the Government of the Russian Federation, or if it is not available, a statement of an executive body of a constituent entity of the Russian Federation, or of the organisation which are authorised by the supreme governmental body of the constituent entity of the Russian Federation on whose territory the given geographical location is located (the authorised body) which shall confirm that within the boundaries of the given geographical location the applicant manufactures merchandise that meets the requirements set out in **Item 1 of Article 1516** of this Code, and shall confirm the information mentioned in **Item 1** of this article. Also attached to the application for state registration of the appellation of origin of goods and for the grant of an exclusive right

to such appellation shall be documents confirming that such appellation is known in respect of the merchandise.

If the application for an appellation of origin of goods is filed by several persons then the application shall be filed together with the report cited in in **Paragraph 1** of this item, in respect of the merchandise of each of the applicants.

If the application for an appellation of origin of goods is filed by an alliance of persons, the report cited in **Paragraph 1** of this item shall concern each person being a member of the given alliance.

Attached to an application for the grant of an exclusive right to an appellation of origin of goods registered earlier pertaining to a geographical location that is on the territory of the Russian Federation shall be a report of the authorised body to the effect that within the boundaries of the given geographical location the applicant manufactures merchandise that possesses the special properties mentioned in the State Register of Indications and Appellations.

Unless the report cited in **Paragraphs 1** and **4** of this item is filed by the applicant, the federal executive body in charge of intellectual property matters shall request said statement or the information contained therein from the authorised body. The statement shall be issued by the authorised body in the procedure established by it, if the applicant has provided the documents envisaged by such procedure.

The authorised body shall monitor the preservation of the special properties of the merchandise in respect of which an appellation of origin of goods has been registered; in particular it shall issue a report on the disappearance of the conditions that used to be typical for the given geographical location, and on the impossibility of manufacturing the merchandise having the special properties mentioned in the State Register of Indications and Appellations in respect of which an appellation of origin of goods has been registered. The procedure for exercising such control shall be established by federal laws, or by the Government of the Russian Federation.

If the geographical location in respect of which an application for an appellation of origin of goods has been filed is outside the Russian Federation, then the application shall be filed together with a document confirming the applicant's right to the declared appellation of origin of goods in the country of origin of the merchandise.

3. An appellation of origin of goods and an application for an appellation of origin of goods may be transformed into a geographical indication and a geographical indication application respectively, and vice versa, given the observance of the provisions of this Code. The procedure for such transformation shall be established by the federal executive body carrying out normative legal regulation in the sphere of intellectual property.

4. The requirements applicable to the documents contained in an application for an appellation of origin of goods, and to the documents attached thereto (application documents) shall be established by the federal executive body carrying out normative legal regulation in the sphere of intellectual property.

Article 1523. The Expert Examination of a Geographical Indication Application and Amending Application Documents

1. An expert examination of a geographical indication application shall be carried out by the federal executive body in charge of intellectual property matters.

The expert examination of a geographical indication application shall include a formal expert examination and an expert examination of the designation declared as a geographical indication (declared designation).

2. During the realisation of an expert examination of a geographical indication application the federal executive body in charge of intellectual property matters has the right to request additional materials from the applicant without which the completion of the expert examination is impossible.

The additional materials shall be provided by the applicant within three months after the date of dispatch of the relevant enquiry by the federal executive body in charge of intellectual property matters. At the applicant's request this term may be extended by up to six months, provided the request is received before the expiry of the term for giving a reply to the request. If the applicant is in breach of said term, or

left the request for additional materials without reply, the application shall be deemed withdrawn under a decision of the federal executive body in charge of intellectual property matters.

Article 1524. The Formal Expert Examination of a Geographical Indication Application

1. In the course of a formal expert examination of a geographical indication application the availability of the necessary application documents shall be checked, and also the compliance thereof with the established requirements. According to the results of the formal expert examination the application shall be accepted for consideration, or a decision shall be taken on refusal to accept the application for consideration.

Simultaneously with notification about the positive result of the formal expert examination of the application the applicant shall be informed about the application filing date set in accordance with **Item 5 of Article 1522** of this Code.

2. The federal executive body in charge of intellectual property matters shall bring information concerning the geographical indication application to the notice of the general public, in particular shall publish information in the official bulletin about the application accepted for consideration, and also the information contained in it, in the procedure established by the federal executive body carrying out normative legal regulation in the sphere of intellectual property. The federal executive body in charge of intellectual property matters shall notify the authorised bodies and the bodies which exercise control envisaged by **Paragraph 3 of Item 1 of Article 1516** of this Code about the receipt of the geographical indication application.

3. After the publication of the information cited in **Item 2** of this article within three months any person has the right to present an objection to the federal executive body in charge of intellectual property matters against the grant of legal protection to the geographical indication and/or against the grant of the exclusive right to the geographical indication.

4. After the publication of the information cited in **Item 2** of this article, any person has the right to acquaint themselves with the application documents. The procedure for acquainting oneself with application documents and for handing out copies of such documents shall be established by the federal executive body carrying out normative legal regulation in the sphere of intellectual property.

Article 1525. The Expert Examination of a Designation Declared as a Geographical Indication or an Appellation of Origin of Goods

1. An expert examination of a designation declared as a geographical indication or an appellation of origin of goods (and expert examination of a declared designation) for the compliance of such designation with the provisions of this Code shall be carried out on an application accepted for consideration as a result of a formal expert examination.

In the course of an expert examination of a designation declared as a geographical indication, the compliance of the declared designation with the provisions of **Item 1**, **Subitems 1**, **2**, **5**, **6 of Item 2 of Article 1516** of this Code shall be checked, and also the availability of the information and documents cited in **Article 1522** of this Code.

In the course of an expert examination of a designation declared as an appellation of origin of goods the compliance of the declared designation with the provisions of **Item 1**, **Subitems 1**, **2**, **5**, **6 of Item 2 of Article 1516** of this Code shall be checked, and also the availability of the information and documents cited in **Article 1522.1** of this Code.

2. According to the results of an expert examination of the declared designation, the federal executive body in charge of intellectual property matters shall take a decision on state registration of the geographical indication and on granting of the exclusive right to the geographical indication, a decision on state registration of the appellation of origin of goods, and on granting of an exclusive right to such appellation or a decision on refusal to grant state registration to the geographical indication and/or to grant an exclusive right to such geographical indication, a decision on refusal to grant state registration to the appellation of origin of goods and/or to grant an exclusive right to such appellation.

If a geographical indication application or an application for an appellation of origin of goods contained a request for granting an exclusive right to a geographical indication or appellation of origin of goods that has been registered earlier, the federal executive body in charge of intellectual property matters shall take a decision on the grant of, or on refusal to grant such exclusive right.

Based on the results of an examination of a geographical indication or appellation of origin registered in accordance with an international treaty of the Russian Federation, the federal executive authority in the field of intellectual property shall decide on providing legal protection on the territory of the Russian Federation to such geographical indication or appellation of origin and (or) granting the exclusive right to such geographical indication or appellation of origin of goods, or a decision to refuse to provide legal protection on the territory of the Russian Federation to such geographical indication or appellation of origin of goods and (or) granting the exclusive right to such geographical indication or appellation of origin of goods.

An objection of the body exercising control envisaged by **Paragraph 3 of Item 1 of Article 1516** of this Code against the registration of the geographical indication or of the appellation of origin of goods shall be taken into account by the federal executive body in charge of intellectual property matters in the event of the taking of a decision according to the results of an expert examination of the declared designation.

In the case of proposed refusal to grant state registration to the geographical indication and/or to grant an exclusive right to the geographical indication, to grant state registration to the appellation of origin of goods and/or to grant an exclusive right to the appellation of origin of goods a notice in writing shall be sent to the applicant about the result of the check of compliance of the declared designation with the provisions of **Articles 1516** and **1522** or **1522.1** of this Code with a proposal for submitting his arguments concerning the motives set out in the notice. The applicant's arguments shall be taken into account when a decision is taken according to the results of an expert examination of the declared designation, if they are submitted within three months after the date of dispatch of said notice to the applicant.

Article 1526. A Decision Taken According to the Results of Consideration of an Objection against Granting Legal Protection to a Geographical Indication and/or Against Granting an Exclusive Right to a Geographical Indication

1. According to the results of consideration of an objection against the granting of legal protection to a geographical indication and/or against the granting of the exclusive right to a geographical indication, or a decision to provide legal protection on the territory of the Russian Federation for a geographical indication registered in accordance with an international treaty of the Russian Federation, and (or) to grant an exclusive right to such geographical indication or a decision to refuse to provide legal protection on the territory of the Russian Federation for a geographical indication registered in accordance with an international treaty of the Russian Federation, and (or) grant the exclusive right to such geographical indication cited in **Item 3 of Article 1524** of this Code, the federal executive body in charge of intellectual property matters shall take a decision on state registration of the geographical indication and on granting of the exclusive right to such geographical indication or a decision on refusal to grant state registration to the geographical indication and/or to grant the exclusive right to such geographical indication, with account being taken of the results of an expert examination of the declared designation (**Item 1 of Article 1525** of this Code).

If the geographical indication application contained a request for granting an exclusive right to a geographical indication registered earlier, according to the results of consideration of the objection against the grant of the exclusive right to the geographical indication cited in **Item 3 of Article 1524** of this Code, the federal executive body in charge of intellectual property matters shall take a decision on the grant of, or on refusal to grant such exclusive right, with account being taken of the results of an expert examination of the declared designation.

2. The taking of the decisions envisaged by **Item 1** of this article shall cause the cancellation of the

decision on state registration of the geographical indication and/or on grant of the exclusive right to the geographical indication (**Article 1525**), or a decision to provide legal protection on the territory of the Russian Federation for a geographical indication registered in accordance with an international treaty of the Russian Federation, and (or) to grant an exclusive right to such geographical indication or a decision to refuse to provide legal protection on the territory of the Russian Federation for a geographical indication registered in accordance with an international treaty of the Russian Federation, and (or) grant the exclusive right to such geographical indication.

3. The procedure for considering objections against the grant of legal protection to a geographical indication and/or against the grant of an exclusive right to a geographical indication shall be established by the federal executive body carrying out normative legal regulation in the sphere of intellectual property.

Article 1527. Withdrawing a Geographical Indication Application

1. A geographical indication application may be withdrawn by the applicant at any stage of consideration thereof until the entry of information on the state registration of the relevant geographical indication and/or grant of an exclusive right to such geographical indication in the State Register of Indications and Appellations.

2. A geographical indication application shall be deemed withdrawn on the basis of a decision on deeming such application withdrawn taken by the federal executive body in charge of intellectual property matters.

Article 1528. The Applicant's Challenging Decisions on a Geographical Indication Application. Renewal of Term in the Case of Laches

1. Decisions of the federal executive body in charge of intellectual property matters on refusing to accept a geographical indication application for consideration, on deeming such application withdrawn, and also decisions of that body accepted according to the results of an expert examination of a declared designation (**Article 1525**) may be challenged by the applicant by means of filing an objection with the federal executive body in charge of intellectual property matters within three months after the date of dispatch of the relevant decision.

2. The term envisaged by **Item 2 of Article 1523** of this Code, **Item 1** of this article and missed by the applicant may be renewed by the federal executive body in charge of intellectual property matters at the applicant's request filed within six months after the date of expiry of that term, provided the applicant cites a good reason for the non-observance of the term.

An application for renewal of the missed period of limitation shall be filed by the applicant with the federal executive body in charge of intellectual property matters simultaneously with the additional materials requested in accordance with **Item 2 of Article 1523** of this Code, or with an application for extension of the term for filing thereof, or simultaneously with the filing of an objection with the federal executive body in charge of intellectual property matters under **Item 1** of this article.

The renewal of the period in accordance with this item shall be effectuated on the basis of a decision of the federal executive body in charge of intellectual property matters on cancellation of a decision on deeming the application withdrawn and on renewal of the missed period.

Article 1529. Procedure for State Registration of a Geographical Indication

1. On the basis of a decision taken according to the results of the expert examination of a declared designation (**Article 1525**), given the lack of the objections cited in **Item 3 of Article 1524** of this Code, or according to the results of the consideration of an objection against the grant of legal protection to a geographical indication and/or against the grant of the exclusive right to a geographical indication (**Article 1526**), the federal executive body in charge of intellectual property matters shall carry out the state registration of the geographical indication in the State Register of Indications and Appellations.

2. The geographical indication, information the person(s) having an exclusive right to the geographical indication and/or the right to use the geographical indication, an indication and a description

of the characteristics of the merchandise for individualisation of which the geographical indication is registered, and other information pertaining to the state registration and/or the grant of an exclusive right to the geographical indication, extension of the effective term of such exclusive right, and also subsequent amendments to the information shall be entered in the State Register of Indications and Appellations.

Article 1530. Issuing a Certificate of an Exclusive Right to a Geographical Indication or an Appellation of Origin of Goods

1. A certificate of an exclusive right to a geographical indication or an appellation of origin of goods shall be issued by the federal executive body in charge of intellectual property matters in the form of an electronic document and, upon the request of an applicant, on paper, provided that **duty** has been paid for the issuance of the certificate of an exclusive right to the geographical indication or the appellation of origin of goods.

2. The form of a certificate of an exclusive right to a geographical indication or appellation of origin of goods, and a list of the details included in such certificate shall be established by the federal executive body carrying out normative legal regulation in the sphere of intellectual property.

Article 1531. The Effective Term of an Exclusive Right to a Geographical Indication or an Appellation of Origin of Goods

1. An exclusive right to a geographical indication or an appellation of origin of goods shall remain effective for 10 years after the date of filing of the geographical indication application or the application for the appellation of origin of goods with the federal executive body in charge of intellectual property matters.

The exclusive right to a geographical indication or appellation of origin registered in accordance with an international treaty of the Russian Federation shall be valid for ten years from the date of the decision to provide legal protection on the territory of the Russian Federation for such geographical indication or appellation of origin and (or) granting exclusive right to such geographical indication or appellation.

2. The effective term of an exclusive right to a geographical indication or an appellation of origin of goods may be extended at an application of the right holder. Attached to the application shall be documents confirming that the applicant manufactures merchandise having the characteristics cited in the State Register of Indications and Appellations, or a statement of the authorised body to the effect that the applicant manufactures merchandise having the special properties mentioned in the State Register of Indications and Appellations.

In respect of the geographical indication whereby merchandise is identified as originating from the territory of a geographical location that is outside the Russian Federation, the right holder shall submit a document confirming its right to the relevant designation in the country of origin of the merchandise as of the date of filing the application for extension of the effective term of the exclusive right.

In respect of an appellation of origin of goods being the name of a geographical location that is outside the Russian Federation, the right holder shall submit a document confirming its right to the relevant appellation of origin of goods in the country of origin of the merchandise as of the date of filing of the application for extension of the effective term of the exclusive right.

An application for extension of the effective term of the exclusive right shall be filed during the last year of its effective term.

At a request of the right holder a six-month term may be granted thereto after the expiry of the effective term of the exclusive right to the geographical indication or the appellation of origin of goods for filing an application for extension of the effective term of the exclusive right.

The effective term of an exclusive right shall be extended each time by 10 years.

3. An entry on extension of the effective term of an exclusive right to a geographical indication or an appellation of origin of goods shall be made by the federal executive body in charge of intellectual property matters in the State Register of Indications and Appellations.

Article 1532. Amending the State Register of Indications and Appellations

1. At an application of a right holder the federal executive body in charge of intellectual property matters shall introduce amendments into the State Register of Indications and Appellations concerning the state registration of a geographical indication or an appellation of origin of goods, and the grant of an exclusive right to a geographical indication or an appellation of origin of goods (**Item 2 of Article 1529**), in particular to the company name or the name of the right holder, its/his location or place of residence, address for correspondence, the information concerning a list of the persons entitled to use the geographical indication or the appellation of origin of goods, terms for the use of the geographical indication or the appellation of origin of goods by the persons which are members of an alliance, and also amendments made to correct obvious and technical errors.

2. Attached to the application for making amendments to the information pertaining to the state registration of a geographical indication or an appellation of origin of goods, in particular those cited in **Subitems 1 - 4**, **6 - 9 of Item 2 of Article 1522**, **Item 1 of Article 1522.1** of this Code, shall be documents or a report of the authorised body confirming the existence of good grounds and of the need for making such amendments.

Article 1533. Publication of Information on the State Registration of a Geographical Indication

The information which concerns the state registration of a geographical indication and/or the grant of an exclusive right to such geographical indication, and has been entered into the State Register of Indications and Appellations shall be published by the federal executive body in charge of intellectual property matters in the official bulletin immediately after it is entered in the State Register of Indications and Appellations.

Article 1534. The Registration of a Geographical Indication in Foreign States

1. Russian legal entities and citizens of the Russian Federation have the right to register a geographical indication in foreign states.

2. An application for registration of a geographical indication in a foreign state may be filed after the state registration of the geographical indication, and the grant of an exclusive right to such geographical indication in the Russian Federation.

4. Termination of Legal Protection of a Geographical Indication and an Exclusive Right to a Geographical Indication

Article 1535. Grounds for Challenging and Deeming Invalid the Grant of Legal Protection to a Geographical Indication, and an Exclusive Right to Such Geographical Indication

1. Challenging the grant of legal protection to a geographical indication means contesting the decision of the federal executive body in charge of intellectual property matters on state registration of the geographical indication and on the grant of an exclusive right to such geographical indication, and also the issuance of all certificates of an exclusive right to the geographical indication.

Challenging the grant of an exclusive right to a geographical indication registered earlier means contesting a decision of the federal executive body in charge of intellectual property matters on granting the exclusive right to the geographical indication registered earlier, and the issuance of the certificate of the exclusive right to the geographical indication.

The deeming invalid of the grant of legal protection to a geographical indication shall cause the cancellation of the decision of the federal executive body in charge of intellectual property matters on the state registration of the geographical indication, and on the grant of the exclusive right to such geographical indication, the cancellation of the entry in the State Register of Indications and Appellations, and of all certificates of an exclusive right to such geographical indication.

The deeming invalid of the grant of an exclusive right to a geographical indication registered earlier shall cause cancellation of the decision on granting of the exclusive right to the geographical indication registered earlier, cancellation of the entry in the State Register of Indications and Appellations and of the certificate of the exclusive right to such geographical indication.

2. The grant of legal protection to a geographical indication is subject to challenge, and it may be recognised as invalid during the entire period of protection, if legal protection was granted in breach of the provisions of this Code, with the exception of the cases envisaged by **Paragraph 2** of this item. The grant of an exclusive right to a geographical indication registered earlier is subject to challenge, and it may be recognised as invalid during the entire effective term of the exclusive right to the geographical indication, if the exclusive right was granted in breach of the provisions of this Code.

The grant of legal protection to a geographical indication is subject to challenge, and it may be recognised as invalid within five years from the date of publication of information on the state registration of the geographical indication in the official bulletin, if legal protection was granted thereto in breach of the provisions of **Subitems 3** and **4 of Item 2 of Article 1516** of this Code.

3. On the grounds envisaged by **Item 2** of this article a person concerned, in particular an authorised body or a body exercising the control envisaged by **Paragraph 3 of Item 1 of Article 1516** of this Code may file an objection with the federal executive body in charge of intellectual property matters.

4. Providing of legal protection on the territory of the Russian Federation to a geographical indication registered in accordance with an international treaty of the Russian Federation, and (or) the granting of an exclusive right to such geographical indication may be put in issue and declared invalid on the grounds and in the procedure provided for in **Item 2** of this article.

Article 1536. Termination of Legal Protection of a Geographical Indication and the Effect of an Exclusive Right to Such Geographical Indication

1. The legal protection of a geographical indication shall be terminated in the case of:

1) disappearance of the conditions typical for the given geographical location, and impossibility of the manufacture of merchandise having the characteristics cited in the State Register of Indications and Appellations in respect of the given geographical indication;

2) termination of the legal protection of the geographical indication in the country of origin of the merchandise.

2. The effect of an exclusive right to a geographical indication shall be terminated in the case of:

1) non-compliance of the merchandise manufactured by the right holder with the product characteristics cited in the State Register of Indications and Appellations in respect of the given geographical indication;

2) the right holder's losing the right to manufacture merchandise having the characteristics cited in the State Register of Indications and Appellations in respect of the given geographical indication;

3) non-observance of the provisions set out in **Paragraph 3 of Item 1 of Article 1516** of this Code;

4) the right holder's systematically failing to observe the method whereby the merchandise is made, and the conditions for storage and transportation thereof cited in the State Register of Indications and Appellations;

5) termination of the legal protection of the geographical indication on the grounds specified in **Item 1** of this article;

6) termination of the legal entity being the right holder, or registration of the citizen being the right holder terminating activity in the capacity of an individual businessman, or the citizen's death;

7) expiry of the effective term of the exclusive right;

8) filing by the owner of the exclusive right of the relevant application with the federal executive body in charge of intellectual property matters;

9) loss of the right to the given geographical indication in the country of origin of the merchandise by a foreign legal entity, foreign citizen or stateless person.

3. On the grounds envisaged by **Item 1** of this article any person, in particular an authorised body or a body exercising the control envisaged by **Paragraph 3 of Item 1 of Article 1516** of this Code, may file an application with the federal executive body in charge of intellectual property matters for termination of the legal protection of a geographical indication, and of the effect of an exclusive right to such geographical indication, and on the grounds envisaged by **Item 2** of this article, an application for termination of the effect of an exclusive right to the geographical indication.

The legal protection of a geographical indication, and the effect of an exclusive right to such geographical indication shall be terminated on the basis of a decision of the federal executive body in charge of intellectual property matters.

5. The Protection of Geographical Indication and an Appellation of Origin

Article 1537. Liability for the Illegal Use Geographical Indication and of an Appellation of Origin

1. The titleholder shall be entitled to demand withdrawal from circulation and destruction, at the expenses of violator, of the counterfeit products, labels, packaging of goods where the illegally used geographical indications or the name of the good's place of origin, or the indication comprising, reproducing or imitating the registered geographical indication or name of the good's place of origin, are applied. In the instances when circulation of such goods is socially important, the titleholder shall be entitled to demand removal, at the expenses of violator, from the counterfeit goods, labels, packings of goods of the illegally applied geographical indication or the name of the good's place of origin, or designation comprising, reproducing or imitating the registered geographical indication or the name of the good's place of origin.

2. A right holder is entitled to claim compensation at his/its own discretion from an infringer in place of a reimbursement of damages:

1) of 10,000 to 5,000,000 roubles as determined at the court's discretion depending on the nature of the infringement;

2) of double value of the counterfeit goods on which the geographical indication or the appellation of the place of goods' origin was placed illegally.

3. The person using a sign of protection of a geographical indication or an appellation of origin of goods or the designations "geographical indication" or "appellation of origin of goods", or a designation similar thereto in respect of a designation that has not been registered in the Russian Federation as a geographical indication or an appellation of origin of goods, or using a sign of protection on merchandise not having the characteristics specified in the State Register of Indications and Appellations (the illegal use of a sign of protection) is liable in the procedure envisaged by the legislation of the Russian Federation.

§ 4. The Right to a Commercial Name

Article 1538. The Commercial Name

1. Legal entities pursuing entrepreneurial activities (including non-commercial organisations to which a right to pursue such activities has been conferred in accordance with the law by their constitutive documents) and also individual entrepreneurs may use commercial names to individualise their trade, industrial and other enterprises (**Article 132**), such names not being company names and not subject to compulsory inclusion in the constitutive documents and the unified state register of legal entities.

2. A commercial name may be used by the right holder to individualise one or several enterprises. Two or more commercial names shall not be simultaneously used to individualise one enterprise.

Article 1539. The Exclusive Right to a Commercial Name

1. A right holder owns an exclusive right to use a commercial name as a means of individualisation

of his/its enterprise in any manner not conflicting with the law (exclusive right to a commercial name), including by means of posting the commercial name on billboards, letterhead paper, bills and other documents, in announcements and advertisements, on goods or on the packaging thereof, or on the Internet, if the name has sufficient distinctiveness of character and if its use by the right holder for the purpose of individualising his/its enterprise is renowned within a certain territory.

2. It is prohibited to use a commercial name capable of misleading as to the belonging of an enterprise to a certain person, for instance a name similar to the extent of confusion with a company name, trademark or a commercial name protected by an exclusive right that is owned by another person whose exclusive right had come into being earlier.

3. A person that has violated the rules of **Item 2** of the present article shall terminate use of the commercial name and reimburse the right holder for the damages caused at the right holder's demand.

4. An exclusive right to a commercial name may pass to another person (for instance, under a contract, in line of universal succession or on other grounds established by law) only within the enterprise for whose individualisation it is being used.

If a right holder uses a commercial name to individualise several enterprises, the transfer to another person of the exclusive right to the commercial name within one of the enterprises shall deprive the right holder of the use of this commercial name to individualise the rest of his/its enterprises.

5. A right holder may grant to another person a right to use his/its commercial name in the procedure and on the terms set out in a contract of lease of an enterprise (**Article 656**) or a contract of franchise (**Article 1027**).

Article 1540. The Effect of the Exclusive Right to a Commercial Name

1. An exclusive right to a commercial name used to individualise an enterprise located on the territory of the Russian Federation is effective on the territory of the Russian Federation.

2. The exclusive right to a commercial name shall be terminated if the right holder has not been using it continuously for one year.

Article 1541. The Relationship of the Right to a Commercial Name with the Rights to a Company Name and to a Trademark

1. The exclusive right to a commercial name including the company name of the right holder or specific elements thereof comes into being and is effective irrespective of the exclusive right to the company name.

2. A commercial name or specific elements thereof may be used by the right holder in his/its trademark. A commercial name included in a trademark is protected irrespective of the protection of the trademark.

Chapter 77. The Right to Use the Results of Intellectual Activity within a Unified Technology

Invalid from January 1, 2022 - **Federal Law** No. 456-FZ of December 22, 2020

President of the Russian Federation V. Putin

The Kremlin, Moscow