Protection of Intellectual Property in the Russian Federation
Institutions and Organizations

Author: Elena Johansson
Supervisors: Yohanan Stryjan and Karin Dahlström
Abstract

Infringement in fields of Intellectual Property Rights is a global problem causing repeated and sustained attention at national and international levels. A number of different organizations and commissions are constantly control and counteract the growth of these infringements, but despite the taken measures counterfeit and piracy goods continue to be manufactured and sold around the world.

The Russian Federation (RF) is a country that has close commercial ties with many foreign states, including Sweden. However the RF is one of the countries, included on the Special 301 Priority Watch List due to the continuing and large-scale of Property Rights and Intellectual Property Rights violations. In this connection, a study was conducted with the participation of collaborating Swedish - Russian enterprises, whose activities could be subjected to counterfeiting and IP piracy.

The aim of the study is to determine how collaborating Swedish – Russian enterprises with branches in the Russian Federation perceive the situation in the country and assess the activities of Russian institutions that play an important role in controlling and combating violations against counterfeiting and IP piracy. Moreover the aim includes identifying the most vulnerable class of actors in the general mechanism of counterfeiting and IP piracy.

The research based on elements of the New Institutional Economics Theory and conducted by using a combination of a literature review and semi-structured interview with representatives of Swedish - Russian enterprises.

The study found that organizations are the most vulnerable class of actors in general mechanism of counterfeiting and IP piracy. International firms and companies are in a more difficult situation because they provide own activities simultaneously in several legal and political systems.

Representatives of interviewed companies argue that activities of analyzed Russian institutions are insufficiently effective and the state should take a set of measures so the foreign collaborative organizations could feel confident in territory of the RF and Russian market would become more attractive for foreign business.

Keywords: Intellectual Property, Property Rights, Intellectual Property Right, Counterfeiting and IP piracy in the world, Counterfeiting and IP piracy in the Russia Federation, Legislation of the Russian Federation.
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Abbreviations and Glossary

AACP - Alliance Against Counterfeiting and Piracy
BSA - Business Software Alliance
CD - Compact Disc
CIPR - Coalition for Intellectual Property
CIS - Computer Information Systems
DC - Dictionary Cambridge
DT - Deterrence Theory
ESA - Entertainment Software Association
EU - European Union
EUT - Expected Utility Theory
EUIPO - European Union Intellectual Property Office
FDI - Foreign Direct Investment
GAO - Government Accountability Office
GDP - Gross Domestic Product
GPIPRR - Guide to Protection of Intellectual Property Right in Russia
ICC - International Chamber of Commerce
IP - Intellectual Property
IIPA - International Intellectual Property Alliance
IPR - Intellectual Property Rights
ISP - Internet Service Providers
IT - Information Technology
ITU - International Telecommunications Union
NIE - New Institutional Economics
OECD - Organisation for Economic Cooperation and Development
Part IV - Part Four
PC - Personal Computer
PME - Production Medical Equipment
PR - Property Rights
P2P - Peer – to – Peer
RAPO - Russian Anti – Piracy Organization
R&D - Research and Development
RF - Russian Federation
RIA - Russian Information Agency
RLF - Royal Literary Fund
TRA - Theory of Reasoned Action
TRIPS - Trade – Related Aspects of Intellectual Property Rights
US - United States
USSR - Union of Soviet Socialist Republics
USTR - United States Trade Representative
WIPO - World Intellectual Property Organization
WTO - World Trade Organization
1. Introduction

Sweden is a country operating on the world market. As a country with an Intellectual Property intensive economy, generating almost half of its GDP through exports, Sweden has a significant national interest in the international observance of IPR and a significant proportion of Swedish export goods are in categories particularly sensitive to Intellectual Property Rights infringements (Lallerstedt & Krassén, 2015).

Besides, Sweden is a country deeply interested in collaboration with both developed and with developing countries (ibid.) among which is Russia. But any collaboration is expressed in a practice whereby participants work together to achieve common goals and gain overall benefits, sharing common risks (Schuman & Twombly, 2010). In this way joint activities with Russia has both positive and negative aspects for Sweden.

Positive aspects are expressed in the fact that the RF has a very large market capacity for foreign goods, services and investments (Sabelnikov, 1996) and currently about 400 Swedish companies are present in Russia with registered subsidiaries (SverigesAmbassad, 2016). In 2016, the value of Russian trade with Sweden amounted $ 3,891,840,451. The share of Sweden in Russia import totaled 0.9152 % (25th place in overall ranking of countries) and in the export is 0.7779 % (29th place in the overall ranking of countries) (RussianTrade, 2016).

Negative aspects are reflected in the facts that Russia is constantly on the top of annual US list of IPR offenders and have featured in many reports (Peets et al., 2007). Appearing on the Special 301 Priority Watch List of the Special 301 Report of the US Trade Representative (USTR) in the beginning of 1997, Russia continues to be there until present time and despite the measures, taken to combat PR and IPR infringements, the situation in Russia remains continues to be one of the worst in world (Gerden, 2016; O'Connor, 2011).

Nevertheless, in future the emerging markets, where counterfeiting is much more prevalent, are expected to become increasingly important for Swedish enterprises (Lallerstedt & Krassén, 2015). In this case, collaboration between Russia and Sweden can be subjected to the law of communicating vessels, when problems appearing in the activity of one participant instantly affect the activities of another (Kuznetsov & Tuzmukhamedov, 2010) and damage caused to Swedish business internationally can have direct consequences at home (Lallerstedt & Krassén, 2015).

In the light of the above – mentioned, a detailed analysis was conducted, based upon the study of aspects related to the RF side and producing impact on the specified collaboration.
1.1. Background

Soviet legal doctrine did not use the term “Intellectual Property” until 1990 (Sergeev, 2001; Galtsova, 2008) and objects of Intellectual Property have not been legally protected for dozens of years (Sabelnikov, 1996). In 1992 - 1993 years the RF adopted the first IP Protection Acts. In 2006 Part IV (Four) of the Civil Code of the RF, designed to be a comprehensive treatment of IPR was in force.

In 2012, the Russian Federation joined the World Trade Organization (WTO). This accession required considerable effort from the RF. The concern by other countries regarding Russia’s WTO entrance and the IPR protection was based on the extremely high rate of IPR infringements, which in a great extent could affect the world economy and global market (Galtsova, 2008). The most significant challenge for the country became the need to introduce laws and institutions to ensure rules and regulations. The crucial among which were the laws and institutions related to IPR (Michalopoulos, 2017).

The foregoing suggests that designated legislation and institutions as well as appropriate judicial bodies and the discipline of business with regard to copyright, previously in the country were absent (Sabelnikov, 1996). In other words, the Russian Federation is a recent participant on the world scene, where issues, related to PR and IPR are discussed and act. Consequently, the RF, in comparison with other countries, does not have a long-term practical as well as traditional, legislative, regulatory basis both among the broad public and among the decision-makers. What, in turn, led to numerous theoretical and practical gaps in the whole sphere, covering the PR and IPR issues.

These gaps were instantly seen and used by persons engaged in illegal copying and distribution of goods as well as counterfeiting of fake products, and classified by Baumol (1990) as unproductive or destructive entrepreneurs. Their illegal activities started to acquire a huge scale. Consequently counterfeit and piracy goods began to manufactured, transshipped and sold both on the domestic market of Russia and abroad (OECD/EUIPO, 2016; Gerden, 2016), bringing damages to the Russian and international economy.

1.2. Research Problem

IP piracy is negatively associated with a number of traditional measures of the strength of legal and political institutions (Athey & Stern, 2013). The quality of governance have the largest impact on the incidence of IP piracy which varies significantly with the institutional environment (Goel & Nelson, 2009; Athey & Stern, 2013). When the political atmosphere, economic conditions, and the government itself are stable and positively oriented, risk to IPR infringements is minimal (O'Connor, 2011).
The strength and efficacy of such institutions restrains acts of piracy (Goel & Nelson, 2009). But when any or all of them fall into question, the risk increases (O’Connor, 2011; Levitsky & Murillo, 2009).

North (1990) argues that an effective legal system depends on the development of economic and political institutions. In emerging markets and transition economies the most common problem is dysfunctional legal systems are often caused by either a deficiency in the law or its inadequate enforcement as well as inadequate activity of law enforcement, that facilitate the prevalence of fake and counterfeits in the market (Anderson et al, 2000; Cao, 2014; Creane & Jeitschko, 2016). In other words, counterfeiting and IP piracy are more prevalent in those parts of the world and in those countries that suffer from institutional weakness (Boin, 2017) that affect both the internal and external countries business environment (Lallerstedt & Krassén, 2015; ICC, 2016).

As mentioned above for the last 26 years a new set of legislative and regulatory measures has been introduced in Russia. These enactments were followed by institutional reforms as well as creation, and reformation of a number of state agencies dealing with IPR protection (Butler, 2003; Galtsova, 2008). This gave a hope for possible improvements in situation. However along with continuing reorganizations and reforms, the level of IPR infringements did not decrease. Moreover, since 2014 it has resumed growth (Alizar, 2016; Makarova, 2017). That makes one think about the effectiveness of the reforms in Russia and, accordingly, the functionality of Russian institutions, responsible for controlling the level of counterfeiting and IP piracy as well as combating against violations in this area.

1.3. Research Aim
The aim of this study is to determine how collaborating Swedish – Russian enterprises with branches in the Russian Federation perceive the situation in the country and assess the activities of the Russian institutions that play an important role in controlling and combating violations against counterfeiting and IP piracy. Moreover the aim includes identifying the most vulnerable class of actors in general mechanism of counterfeiting and IP piracy.

1.4. Research Question
The questions analyzed in the study:

- How do Swedish – Russian enterprises having branches in the territory of the RF perceive the situation in the country?
- How do above- mentioned enterprises assess the activities of Russian institutions that play an important role in controlling and combating violations against counterfeiting and IP piracy?
What class of actors is most vulnerable in the general mechanism of counterfeiting and IP piracy?

1.5. Delimitations

This study focuses on investigating of eight enterprises, representing international, in particular, the Swedish – Russian collaborating firms and companies or other international firms and companies, including Swedish representatives, whose business may be potentially subject to counterfeiting and IP piracy.

The study will be limited to assessment by enterprises' of activities of the three most important Russian institutions, responsible for control and protection against infringements in IP area: an Institution of Law, Institutions of the Police and the Judiciary, an Institution of Normative and Legal Culture. No other institutions related to the above – mentioned issue will be studied.
2. Previous Research

The conception of this work is rooted in a set of articles that articulate a broad theoretical outline for the study:

a) "Intellectual Property Reform in Russia: Analysis of Part IV of the Russian Civil Code" by Galtsova Polina (2008). The article analyzes IP reform, started in Russia in 2006 and aimed at replacing the IP laws of the transitional post-Soviet era with a new legislation. Namely: discussed the updating of legislation, advantages and disadvantages as well as impact of these new reforms. Materials of article was used to analyze Part IV of Civil Code.

b) "The pirates of Nevskii Prospekt: Intellectual Property, piracy and institutional diffusion in Russia" by Sezneva Olga (2012). The article examines copyright as an international institution. Author uncovering the layered and contentious process of its adoption and adaptation with using demonstration of the hybrid character of the media market in Russia in which legal and illegal objects co-circulate and patterns of behavior coexist. Main findings show that institution of IP does not present itself in a natural way to market actors in Russia, and copyright is widely contested. Author claims that understanding reasons of piracy, requires to understand simultaneously the process of diffusion and legitimation of copyright as an institution. This article gave an idea, expressed in the continuation of study the Russian institutional activity in area of PR and IPR.

c) "Development of Intellectual Property laws for the RF" by O'Connor Thomas (2011). The article considers Russian IP laws and points out adaptations that western nations should make when dealing with similar entities in the Russian Federation. O'Connor argues that adaptive process of the last years has made the RF a much less risky place for Russians and foreigners to seek to profit from their possession of IPR. The system is far from perfection, but the new laws, despite their defects, at least recognized the idea of Intellectual Property and made some attempt to sanction it along with the other PR of individuals (including corporations). The material of the article was very useful and repeatedly quoted throughout this research.

d) “A study of the NASDAQ OMX 30 Stockholm Index” by Lallerstedt Karl and Krassén Patrick (2015). This study was aimed at filling some of the information gaps, by providing an insight into how leading Swedish companies are affected by counterfeiting and IPR infringement. Moreover, this study suggests that response taken against IPR enforcement needs to be global in nature and more states need to realize the extent of the challenges faced, and their own national interest in addressing it. This article led to idea of analyzing the collaboration of Swedish - Russian enterprises, which are most susceptible to influence of counterfeiters and IP pirates.
2.1. Contribution to Research

According to Petre & Rugg (2010), the making a significant contribution means adding to knowledge or contributing to the discourse – that is, providing evidence to substantiate a conclusion that’s’ worth making. It can be considered that this study has provided the creation of certain knowledge beyond the previously researched literature, namely: in previous studies, a number of important issues related to such a rather new concept for the Russian Federation as Intellectual Property Rights were investigated. Prior articles discussed the past reforms, their consequences with advantages (reducing risks for foreign investors), and shortcomings (constantly continuing copyright infringement).

In contrast, the current research is an attempt to analyze the problems of IPR infringements in the RF through the institutional context and by using a concept of the New Institutional Economic Theory, to contribute to the vision of these matters from a new perspective. In particular, besides the creation of the main basic platform of research with help of NIEs’ elements, it allowed to identifying the most vulnerable class of actors in general mechanism of counterfeiting and IP piracy.

Moreover, previous research, concerning problems of IPR violations were not focused on international collaboration with the RF. Despite the fact that some of them contained the elements of named issues, a study of the cumulative relationship between these two components is lacking.

The present work is intended to consider this relationship, based on the opinion of representatives of the international Swedish - Russian enterprises as well as to determine how they perceive the situation in the country and assess the activities of the Russian institutions, playing an important role in controlling and combating violations against counterfeiting and IP piracy.

Benefits: By the combination of several different and partially incompatible studies aspects, this research filled the previously existing gap in considered area, analyzing institutional activities in the RF, entailing the growth of counterfeiting and IP piracy and influencing the international collaboration. Since research is conducted using elements of the NIE Theory, it focuses on a deeper understanding of the study issues, thus providing a scientific contribution to the total amount of previous studies.

Challenges: Based on too broad area of explored information, this phenomenon is difficult to assess uniquely. Since it can be viewed from a huge number of perspectives and even the same data and facts can be perceived and interpreted differently by various researchers. Accordingly, this can lead to conclusions of other researchers, different from those presented here.
3. Theoretical Framework

3.1. Definitions of Concepts

The WIPO Convention, the constituent instrument of the World Intellectual Property Organization (WIPO), was signed at Stockholm in 1967 and entered into force in 1970. This organization has become a specialized agency promoting the protection of IPR worldwide through cooperation between states (WIPO, 2017).

Property Rights are treated as a bundle of rights that include the power to consume, obtain income from, and alienate assets such as land, labor, or capital (Barzel 1989; Riker & Weimer, 1993; Frye, 2004).

An Intellectual Property (IP) is a property of intellectual or intangible character. Intellectual Property Right (IPR) is a legally codified right created and used to assign ownership to intellectual resources such as knowledge, technologies, brand names, and other types of intellectual creations (Granstrand & Holgersson, 2015).

Protection of IP is expressed through patents, trademarks, copyrights and design rights (Casey, 2012).

A patent is an exclusive right awarded to an inventor of a product or process, which prevents others from making, selling, distributing, importing or using the invention, without license or authorization, for a fixed period of time (the TRIPS Agreement provides for a minimum period of protection of 20 years). In some countries protection is provided for Utility models, which are incremental innovations of lesser inventiveness, which secure protection for shorter duration (Blakeney, 2016).

Trademarks provide exclusive rights to use distinctive, visible signs, such as brands, symbols, colours, letters, shapes or names to identify the producer of a product. In order to be eligible for protection a mark must be distinctive so as to identify the origin of proprietors’ goods or services. The period of protection varies, but most countries provide for the renewal of registrations, so that protection can be indefinite (ibid.)

Copyright is the proprietary IP domain of ideas expressed in a tangible medium. A copyright protects original works of authorship (Gollin, 2008).

Copyright exists upon the creation of a literary, artistic and musical work, as well as photographs, films and videos, computer programs, optical discs and music CDs. It prevents unauthorized reproduction, public performance, recording, broadcasting, translation or adaptation. Copyright protection lasts (as a general rule) for the life of the creator plus 50 years (70 years in the US and EU). Most countries do not require that copyright protection is
dependent upon registration, although copyright collecting societies exist to collect the royalties of the various categories of copyright owners: book, magazine and newspaper publishers, music publishers, film and movie producers, software producers (Blakeney, 2016). The design rights is an IPR protecting the visual design of objects (Gollin, 2008). Industrial designs protect the aesthetic aspects of an object (shape, texture, pattern, colour), rather than its functional aspects. The TRIPS Agreement requires that an original design be eligible for protection from unauthorized use by others for a minimum of 10 years (Blakeney, 2016).

Infringement of IPR is the illegal using, copying, manufacture and distribution of works of science, literature and art without permission of the authors and copyright holders or with breach of contract on the use of such works both for a personal purposes and to solve business tasks (Grishaev, 2004).

The term “Piracy” in relation to goods, refer to the manufacture, distribution and sale of copies of goods which have been made without the authority of the owner of the IP. These goods are intended to appear to be as similar to the original as to be passed off as genuine items (Blakeney, 2016).

Counterfeit and pirated goods are divided into the groups: forgery, commodity – imitator and "gray" products.

- forgery is a product released with an unauthorized placement the brand names of genuine goods. Often found among products that have already conquered the market and have a high consumer loyalty,
- commodity – imitator is a product released with copying or style replacement of individual elements of genuine goods. It is similar to the original product with a similar name or appearance,
- a "gray" product is the supply of an original product that is not authorized by the right holders. Actions of "gray" suppliers are based on the ability to import goods at lower prices than agents authorized by the right holder (Shumaev & Dolina, 2011).

3.2. Effects of Piracy

3.2.1. Positive Effect

Despite the fact that illegal copying of Intellectual Property causes a negative attitude in the minds of the majority, this phenomenon has defenders. Some researchers has found that illegal copying may not necessarily be a damaging act. Sezneva (2012) argued that pirate networks emerge, above all, in contexts of uneven distribution of wealth and purchasing power, connecting viewers and listeners at the economic periphery to the global centers of cultural and entertainment production. Furthermore, piracy acts as an alternate distribution
stream for goods and may lead to an increase in sales. Individuals, who may not have been aware of the product through normal distribution channels in future can purchase the original products or encourage others to purchase goods legally (Givon et al., 1995; Peace et al., 2003). Research by Jain (2008) have shown that illegal copying can be beneficial to firms when exist the strong network effects and copying expands the market, contrary to the claims of manufacturers. There are conditions under which copying can increase firms' profits, lead to better quality products, and increase social welfare because weaker copyright protection enables firms to reduce price competition by allowing price – sensitive consumers to copy. Thus, weaker copyright protection can serve as a coordination device to reduce price competition.

Besides, in support of IP piracy in some countries exist the pirate parties. They advocates freedom of speech and information as well as access and promoting of free/ libre/ open – source software. Activists of these parties consider it important to support for strengthening the individuals' right to privacy, both on the Internet and in everyday life and to ensure the transparency of public administration (Jääsaar & Hilden, 2015).

Activists of the pirate party in Russia argue that IP piracy allows the low – income or insolvent population of country to use products that were not available due to the high prices. For the majority of population, this is only way to overcome the digital divide and gain access to the necessary information (Sereda, 2009; PirateParty, 2017).

3.2.2. Negative Effect
The negative effect of counterfeiting and piracy is classified much more widely:

Economy - Wide Effects
Counterfeit and pirated trade is a global and dynamic phenomenon, which originate from virtually all economies on all continents, even middle - income and emerging economies tend to be important players (OECD/EUIPO, 2016).

The economic impact of piracy at the national level is reflected in the loss of the tax revenue and enforcement costs (Casey, 2012).

The harm of piracy at the companies level is expressed through the lost benefit and costs of IPR protection (Casey, 2012; GAO, 2010). In addition the direct economic loss, companies suffer damage in the form of loss of brand value and firm reputation, as well as injury to buyers' goodwill (OECD, 2008).

General Socio - Economic Effects:
a) Trade
Counterfeiting and IP piracy may affect the structure of trade. Economies that are known to
be important sources of counterfeit products have lower exports of goods, because their quality is substandard and could affect the health of consumers negatively. Beyond this, as counterfeiters and pirates do not incur the developmental costs related to the creation of new processes and products (e.g. the cost of research and development, etc.) they are able to sell products profitably, at lower prices. In this case, a high reduction in demand for genuine products might require a significant change of pricing policy by the rights holder (OECD, 2008).

b) Foreign Investment
The results of studies on the relationship between IP and Foreign Direct Investment (FDI) suggest that strong IPR protection provides incentives to invest in the development of new products and processes, while high levels of counterfeiting and piracy are discourage FDI (OECD, 2008). According to Kearny (2005) report, the firms reluctant transfer more advanced and interesting technology to economies where IP piracy is high.

c) Employment
The counterfeiting and piracy affect employment in a number of ways. Firstly, employment shifts from rights holders to infringing parties. Secondly, compounding the risk to health and safety, due to unhealthy and often dangerous working conditions as well as detection and arrest for participating in such criminal activity is the constant threat. Moreover, the level of pay and benefits for workers employed in clandestine operations is far lower than in legitimate enterprises, as is job security (OECD, 2008).

d) Criminal activities
The link between organized crime groups and counterfeit goods is well established (Interpol, 2003). Many organised criminals are involved, either in the manufacture of counterfeit products, or in their distribution, attracted by the high profits and the low risk of detection (AACP, 2003). For organized crime counterfeiting is attractive because criminals can invest at the beginning of the counterfeiting cycle and extract an illicit profit at each stage of the counterfeiting process from production to sale, thus maximising returns (Interpol, 2003). Moreover, where criminals are involved, it is reasonable to assume that a proportion of the profits can be used to fund other more serious crimes (AACP, 2003).

e) Environment
The seizure of counterfeit and pirated items raises environmental issues since destruction can be a costly process that creates considerable waste. Substandard counterfeit products can have environmentally damaging consequences. A case in point is the chemicals industry, which has documented cases where the use of counterfeit fertilisers caused vast damage to the environment (OECD, 2005; OECD, 2008).
f) Innovation

Counterfeiting and IP piracy erode the returns on innovation and slow down economic growth because of the negative impacts on companies, consumers and governments (Casey, 2012). This causes large-scale damage to both the economy of individual countries and the world economy as a whole.

Furthermore, counterfeiting and IP piracy undermine the efforts of innovators and therefore can have an important adverse effect on R&D. This is, in turn, create a critical risk not only for innovative small- and medium-sized enterprises, which are a major source of new jobs in most economies, but for all innovative companies that rely on IP to support their business strategies (OECD, 2008; OECD/EUIPO, 2016).

According to research of Athey & Stern (2013) copyright infringement, in the form of counterfeiting and IP piracy, can result in a reduction in incentives to innovation and a distortion in the level of country-specific investment and vice versa, in the countries with intensive development of innovations, IP piracy is declining (ibid.)

3.3. The Situation in Russia

3.3.1. Recent Years Data

The Russian market has always been very attractive for the business world, but the lack of a legislative framework consistent with international standards in area of IPR was a serious obstacle for foreign investors and international business as whole.

As Frye (2004) argues the Property Rights was a critical issue in the post-communist Russia and despite of ongoing measures to counter the IPR infringement, situation with this problem still continues to be worst in the world (Gerden, 2016).

According to O'Connor (2011) Russia appeared on the Special 301 Priority Watch List of the Special 301 Report (an annual review that examines in detail the adequacy and effectiveness of IPR protection in 87 countries and places those of dubious quality on the Watch List) of the US Trade Representative (USTR) in the beginning of 1997 and continues to be there until the present time.

Counterfeit and pirated goods continue to be manufactured, transshipped and sold in Russia, including counterfeit seeds, agricultural chemicals, electronics, information technology, auto parts, consumer goods, machinery, and other products. Besides, counterfeit pharmaceuticals are produced and sold through online pharmacies (USTR, 2016).

In 2006 Russia was in second place in the world after China by the number of manufacturing of illegal video and audio products (Yakovlev, 2006) and in 2015, 64% of software, installed by Russian users, was unlicensed (ActualNews, 2016).
As noted in the “Report on Russia’s Implementation of the WTO Agreement” by USTR (2014, 41): “The current IPR enforcement environment in Russia remains weak and, more specifically, online piracy has been, and remains, a significant problem in the country”.

Internet and wireless access by Russian citizens continues to grow rapidly and has resulted in the fact that in the RF exist one of the largest and most active online communities in Europe. According to the International Telecommunications Union (ITU) from 2014 over 61% of the Russian population has Internet access, and wireless broadband penetration is at 60%.

Unfortunately this progressive growth lead to a number of negative consequences and currently country is host to a number of large – scale infringing websites, including web – based and peer – to – peer (P2P) downloading sites, linking sites, and cyberlockers, that offer access to pirated music and film materials. Because many of these sites cater to English – speaking (and other non – Russian) users they harm markets in many countries, in addition to the RF (IIPA, 2016).

Russia is home to some of the worlds’ most prolific criminal release groups of motion pictures. Pirates obtain their source materials for infringing copies by camcording films at local cinemas, and then upload these copies onto the Internet as well as sell illegal hard copies (ibid.)

Moreover, book and journal publishers are also concerned by the prevalence of online piracy, consisting of books and other text particularly on hosted – content websites that are locally designed (IIPA, 2015; IIPA, 2016).

Yet, basic copyright enforcement of Internet piracy has lagged far behind the rapid growth of Internet and wireless access in Russia (ibid.)

**3.3.2. Legislative Reforms Undertaken by the Government of the RF**

Soviet legal doctrine did not use the terms “Property Rights” as well as “Intellectual Property Rights” until 1990 (Sergeev, 2001; Galtsova, 2008). The current legal framework for PR and IPR protection appeared after the collapse of Soviet Union in 1991, when the RF had to enact its own legislation on these issues to replace the relevant provisions of Soviet laws (Butler, 2003; Galtsova, 2008).

The post – Soviet transformations accelerated this process and resulted in a major overhaul of Russian IP law, modeled closely on European law. New laws were passed in 1992 to protect computer programming and 1993 to establish modern copyright (Golovanov, 2008; Sezneva, 2012). The streamlining of laws into a single piece of legislation was accomplished in “Part IV” of the Civil Code, which was signed into law in December 2006 and entered into force in January 2008 (ibid.)
In August 2012, the Russian Federation joined the World Trade Organization (WTO). As part of this accession the RF has undertaken to comply with the requirements and provisions of the Trade – Related Aspects of Intellectual Property Rights (TRIPS), whose purpose is to expand the scope of international trade and to help create an effective system for the protection of IPR (Karpova, 2013; Mamaeva, 2015).

This accession has led to additional deeper changes in legislation. Copyright law was amended in 2013. The new law includes amendments to Part IV of the Civil Code, providing for third – party liability, as well as safe harbors from such liability for Internet service providers (ISPs) that comply with relevant requirements. Amendments were also made to the Civil Procedure Code (BSA, 2016). May, 2015 in Russia began to operate the expanded edition of the law on piracy. Simultaneously with these enactments were followed the institutional reforms, creation, and reformation of a number of state agencies dealing with IPR protection (Butler, 2003; Galtsova, 2008).

3.3.3. Statistics Official Punishment for IP Piracy

Counterfeiting and IP piracy are taking an important place among economic – related crimes committed in Russia. A major concern is the growth dynamics of these criminal activities, increasing of their sophistication as well as degree of organization and size of damage. According to the official data of Russian Ministry of Internal Affairs, in 2015 the pirates profits from illegal using of Intellectual Property in the RF, reached $ 400 million (Gerden, 2016). This carries a serious threat to both the economy and the national security of the country (Zawidow, 2002).

It should be noted, that since the 1990s, after the introduction of the Russian Federation laws on the protection of IPR, statistics on combating counterfeiting and IP piracy were extremely unsatisfactory. For example, in 1997 were revealed 330 crimes related to violations of copyright, but only 30 criminal cases were sent to the court and only 2 led to conviction for one - year suspended sentence. In 1998 were 607 criminal cases and 210 accused have been identified, but convicted only 20 people. In 1999, were initiated 836 criminal cases and 296 accused, but convicted only 37 people. Characteristically, in 1990s the criminal cases, involving copyright infringement in accordance with articles 146/147 of the Criminal Code mostly not brought to court (Zawidow, 2002).

Currently Investigative Authorities the RF note an increase in the number of criminal cases as well as cases of sentencing to the real terms of punishment for copyright infringement (Tadvizer, 2016). But the statistics of court cases, reflected in the Table 1, shows an absolutely different situation.
Table 1: Number of IPR Cases Examined by Courts of the Russian Federation (WIPO, 2016)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td>1551</td>
<td>13338</td>
<td>2336</td>
<td>2996</td>
<td>4401</td>
<td>146</td>
</tr>
<tr>
<td>2012</td>
<td>1141</td>
<td>10369</td>
<td>1326</td>
<td>5069</td>
<td>4059</td>
<td>783</td>
</tr>
<tr>
<td>2013</td>
<td>863</td>
<td>9721</td>
<td>2141</td>
<td>9091</td>
<td>4130</td>
<td>703</td>
</tr>
<tr>
<td>2014</td>
<td>794</td>
<td>8643</td>
<td>1619</td>
<td>10109</td>
<td>4169</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>798</td>
<td>8007</td>
<td>1642</td>
<td>10974</td>
<td>4019</td>
<td></td>
</tr>
</tbody>
</table>

When considering the number of punishment according to the Civil, Administrative and Criminal code, during recent years, it is possible to see a clear decline. Namely: number of IPR cases examined: by Civil courts of general jurisdiction decreased from 1551 to 798, by Administrative courts decreased from 13338 to 8007 and by Criminal code from 2336 to 1642 cases. In contrast, there is a noticeable growth of cases, examined by arbitration courts for economic disputes from 2996 to 10972.

This partly occurred, as the legislation was amended to raise the threshold of citizens' liability for the illegal distribution and extraction of benefits in operations classified as piracy (WIPO, 2016). But to a greater extent this is due to the lack of an integrated program for the struggle, a clear state policy and an effective lever to influence this issue (Vanok, 2013). That, in turn, affects both the indicators of institutional activities of particular institutions and cumulative result of their general activities in the field of control and regulation of IPR infringements.

3.4. The New Institutional Economics Theory

Institutions have been devised by human for creating order and reducing uncertainty, which to some extent, surrounds all economic activity (Karlsson & Karlsson, 2002; Menard & Shirley, 2008).

The New Institutional Economics (NIE) is an attempt to incorporate a theory of institutions into economics and arose in response to questions not well explained by standard neoclassical

Oliver Williamson, Ronald Coase and Douglass North became the founders of this concept and NIE has developed as a movement within the social sciences, especially economics and political science, that united theoretical and empirical research examining the role of institutions in furthering or preventing economic growth (Coase, 1998; Benham, 2017; Ménard & Shirley, 2011).

The New Institutional Economics operates at the micro and macro levels. Micro analysis covers the impact of institutions on economic transactions and behavior, organization of economic activities, contracts, allocation of Property Rights, etc. The focus of macro analysis is the link between institutions and economic development, social welfare, and public sector governance. Sometimes NIE combines micro and macro perspective, i.e. Property Rights are essential both at the micro and macro levels (Lipset, 1960; Tabellini, 2008; Menyashev et al., 2011). Another example are informal institutions, such as behavioral norms – being essentially a micro phenomenon, which are highly relevant for macroeconomic development (ibid.)

Williamson (2000) describes four levels of which the NIE consists:

Level 1 institutions have a lasting grip on the way a society conducts itself. Institutions have become an important zone in the broader, ongoing disputation within the social sciences centering to explaining human behaviour (Scott, 2014). Among the key participants that associate with this level of NIE are: Human Actors (Simon 1985; Williamson, 2000). Actors construct institutions that achieve the outcomes they desire (Richter, 2003). Besides, one of the elements of this Level are the norms. Norms specify how things should be done, they define legitimate means to pursue valued ends (Scott, 2014).

Level 2 is referred to as the institutional environment and include the executive, legislative, judicial, and bureaucratic functions of government. The definition and enforcement of Property Rights and of contract laws are important features of this Level (Williamson, 2000; Merges, 2000). The formal features of the institutional environment - the laws, polity, judiciary, bureaucracy, as elements of NIEs' Level 2 - are crucial in examining the development of nation states (North & Weingast, 1989; Williamson, 2000) as well as studying many other related areas.

At Level 3 the institutions of governance are located. Property remains important here, but perfectly functioning legal system for defining contract laws and enforcing contracts is not contemplated (Summers, 1969; Macneil, 1974). The state as the main institution of the government system (Burenko & Zhuravleva, 2004) can also be considered at this Level.

Level 4 is the level at which the optimality apparatus is employed. The organization (firm and
company), for these purposes, is typically described as a production function (Williamson, 2000). This conception of the organization (firm and company) - as production function (which is a technological construction) to consider the organization as a governance structure (which is an organizational construction) in which internal structure has economic purpose and effect (ibid.) In other words, at this level of NIE, the main element is organization.

Figure 1: The New Institutional Economics (Williamson, 2000)

The solid arrows that connect a higher with a lower level signify that the higher level imposes constraints on the level immediately below. The reverse arrows that connect lower with higher levels are dashed and signal feedback (ibid.)

Coase (2000) and North (1993) stress that the representatives of NIE are trying to use analytical tools to study the working of the economic system, meaning the institutions of a country, its political system, its educational system, its culture and so on. In effect, it is the institutions that govern the performance of an economy, and it is this that gives the “New Institutional Economics” (Richter, 2003).

Clague (1997, 368) asserts: “The research program of the NIE is the assessment of the determinants and the consequences of different institutional structures. These structures include: the constitutional order (fundamental rules), the institutional arrangements (operational rules devised with the constitutional order) and the cultural endowments (behavioural norms and mental models shared by society”).
Besides, NIE deals not only with institutional arrangements, but also with the institutional environment (Richter, 2003). According Van de Ven (1993) institutions represent nothing more than pragmatic solutions to reconcile past conflicts, they are solutions that consist of a set of right and duties and an authority for enforcing them. Institutions are understood as governance tools and instruments to overcome imperfections (Van de Ven, 1993; Richter, 2003).

The institutional environment within which an activity is performed often determines whether this activity is productive, unproductive or destructive (Baumol, 1990). In particular, what appears to be an unproductive activity may in many circumstances be a second – best substitute for inefficient institutions (Douhan & Henrekson, 2010).

Institutional frameworks also impact the behaviour of counterfeiters and pirates. They are effective only if include effective deterrent penalties that are adequately enforced, but if the resources devoted to enforcement are inadequate, or if relevant laws are not enforced by public authorities, the effective value is limited and there is a risk that weak enforcement of IPR frameworks could be viewed as effectively permissive (Keefer & Knack, 2002).

Where institutions are inefficient, unproductive or destructive, individuals can become rich through activities that redistribute wealth, or that are purely predatory (Henrekson & Sanandaji, 2010). Thus, the emergence of counterfeiters and IP pirates depends heavily on the rules of the game, that determine the relative pay – offs to different actors activities and whose behaviour changes direction from one economy to another in a manner that corresponds to the variations in the rules of the game (Baumol, 1990).

But more important is the specific institutional constraints dictate the margins at which organizations operate. That is, the organizations owe their existence to the opportunities provided by the institutional framework (North, 1991). Namely, the course provided by state or conditions created by frameworks of certain institutes are criteria of organizations existence (Creane & Jeitschko, 2016).

**3.4.1. Organization as a Unit of Institutional Environment**

Some of institutional scholars argue the most important institution in modern society is the organization and each one of the organizations possesses it own institutional rules and norms (Zucker, 1977; Wallis, 2011; Greenwood et al., 2014).

Williamson (1994) also focused attention on organizations as institutional forms that governance system devised in order to reduce transactions cost - which must take into account "background conditions" such as Property Right - laws, norms and conventions (Scott, 2014).
The concept "Organization" does not have one certain definition and determined differently by various scholars. Greenwood & Hinings (1996) define organizations as the complex entities composed of various groups promoting different values, goals, and interests. Selznick (1948) determined organizations as the structural expression of rational action and as a mechanistic instrument designed to achieve specified goals. Scott (2014) considered organizations as an adaptive, organic systems, affected by social characteristics of its participants as well as by the varied pressures imposed by its environment. North (1990) argued that organizations are a purposive entities designed by their creators to maximize wealth, income, or other objectives defined by the opportunities afforded by the institutional structure of the society. Olivers (1991) view of organizations as unitary actors that develop optimal response strategies to exogenous institutional processes (Pache & Santos, 2010).

Enterprises, companies, firms are organizations. But what distinguishes last from the general list of organizations is the aim of obtaining a profit through selling products and services in the market (IntoBusiness, 2017).

Enterprise is organization, engaged in business (DC, 2017). A firm or a company is an organization (part of economic bodies), which made up of groups of individuals bound together by some common purpose to achieve certain objectives (North, 1993/1994) often within a certain commercial activities.

Thus, from the general concept "Organization" originates the subconcept "Enterprise", in which may include the new subconcepts "Firm" and "Company". This abbreviation will be applied in the study.

3.5. The NIEs’ Elements in Applied Research

Many researchers, including proponents of NIE, identified regulative, normative, cultural - cognitive systems, reflected in all four levels of NIE, as the vital ingredients of institutions (Scott, 2014). Some of social theorist attach special importance to the cultural - cognitive element placed on Level 1, where shared and create the frames through which meaning is made (ibid.) and peoples' behavior is formed.

Since this study is aimed at investigating violations in the field of Intellectual Property Right, it pays special attention to Level 2 and Level 3, which covers these aspects.

Thus, united zone, consisting of Level 1, Level 2 and Level 3 can embraced not only issues related to human behavior or questions of IPR, but also investigate many joint questions exploring generalized aspects of all three levels. This expands the research range and generates a number of various directions for applied researches. For example, this made it possible to investigate the causes leading to PR and IPR infringements or explaining the violators behavior etc.
Exploring these issues deeper, it is worth noting that Peace et al. (2003) analyzed the reasons causing the IP piracy through an example of software illegal copiering. In article authors refers to several researches of various scholars:

a) Ajzen and Fishbein (1975; 1977) found that a stream of research in social psychology suggests that a persons’ behavioral intention toward a specific behavior is the major factor in whether or not the individual will carry out the behavior. Behavioral intention is, in turn, predicted by the individuals’ attitude toward the behavior and subjective norms. This is referred to as the **Theory of Reasoned Action (TRA)**.

Christensen and Eining (1991; 1991, a) utilized TRA with some success in the study of illegal copying. Attitude toward piracy among certain classes of actors were found to be directly related to IP piracy behaviour. Individuals who use pirated goods appeared to believe that others people viewed this as an acceptable action (Peace et al., 2003). In this case the act of piracy was not considered by participants as unethical (ibid.)

b) Economic issues, such as costs and benefits, are also commonly claimed to be factors in a persons’ decision-making process. For example, a lack of financial resources can be a weighty reason for illegal copying behavior (Solomon & O’Brien, 1990). **Expected Utility Theory (EUT)** posits that a rational, self-interested individual will choose the course of action that maximizes his or her expected utility, when faced with risky choices. The individual making the decision weighs the potential outcome of each alternative, taking into account the expected costs and benefits, and the probability of each alternative occurring (Peace et al., 2003). They choices can be reflected in terms of EUT, but it is necessary to determine the costs and benefits involved.

In the most cases, users have three possible courses of action when faced with pirated products: purchase the illegal product, do without illegal product, or copy illegal product. In the case of illegal copying, costs result not only from purchasing the goods, but also from the punishment level and the probability that the punishment will be incurred. The individual will illegally copy when the expected utility of piracy is greater than the expected utility of not committing piracy (Chen & Png, 1999; Conner & Rumelt, 1991; Gopal & Sanders, 1997).

c) Tittle (1980) argued that the punishment probability factor and the punishment level factor are referred to in **Deterrence Theory (DT)** literature as punishment certainty and punishment severity, respectively. Deterrence theory proposes that, as punishment certainty and punishment severity are increased, the level of illegal behavior should decrease.

In essence, the unwanted behavior can be deterred through the threat of punishment. Ehrlich (1973/1996) directly related this theory to economic factors and found that many crimes against property are related to the expected gains of the crime versus the expected costs at the
Researcher state that the rate of some felonies is positively related to estimated gains and negatively related to expected costs. According to Cheng et al. (1997) the low probability of being caught was listed in a recent survey as the most important reason in the decision to illegally copy (Peace et al., 2003).

But DT, in addition to identifying the importance of the punishment certainty and punishment severity in the decision to illegally copy, also highlights the importance of goods cost. As Ehrlich (1996) assert the strong correlation has been found to exist between income inequality and crimes against property. This may be due to the fact that those with less income perceive more potential gain from illegally obtaining property than those for whom the cost of obtaining the property legally is relatively lower (Peace et al., 2003).

In the institutional aspect, these theories used as an application element allowing to examine the subcomponents of any (or several together) levels. But more importantly, through exploring aspects of peoples’ psychological behaviour leading to violations in the IPR field, it is possible to identify and study a certain mechanism in which exist and interact several classes of different actors, relating to regulative, normative, cultural – cognitive systems, designated as elements of the NIE.
4. Method

4.1 Research Approaches

Deduction (from Latin "deductio") is a transition in the process of cognition from general knowledge to particular conclusions. In other words, deduction allows from already existing knowledge to receive new truths with the help of pure reasoning. With reliable premises, deduction gives a full guarantee of the correct conclusion (Mezentsev, 2011; Tyagnibedina, 2017).

Induction (from Latin "inductio") is a transition in the process of cognition from partial knowledge to the general. This is a research approach related to the generalization of the results of observations and experiments. The main function of induction is obtaining general judgments, in which empirical and theoretical laws, hypotheses, generalizations can act. Induction reveals the "mechanism" of emergence of general knowledge. A feature of induction is its probabilistic nature and any inductive conclusion needs to be checked (Tyagnibedina, 2017).

An additional research approach is abduction, which is sometimes called as a combination of the concepts of deduction and induction, but this is not entirely true. The term “abduction” was coined by Charles Sanders Peirce (1839 - 1914) in his work on the logic of science (Douven, 2017). According to scholar the [a]bduction is the process of forming explanatory hypotheses. It is the only logical operation which introduces any new idea (ibid.) It entertains possible hypotheses and it chooses hypotheses for further scrutiny. As such, abductive conclusions are not matters for belief or for probability, but they are mere suggestions that, if true, it would offer an explanation for the cognitive target and can lead to new conclusions (D’Avila Garcez et al., 2007).

This study has been conducted, using a deductive and abductive approaches. The deductive approach is appropriate, because study is rooted on the correlation of theoretical data related to concept of NIE with the empirical data obtained from interview with Swedish - Russian enterprises. In work the application of the deductive approach proceeds from the "Previous researches" and "Theoretical framework", further, using "Empirical findings", it concentrates in "Analysis" and ends in "Conclusions" of study.

Summary, result of generalizations the theoretical and empirical data can give new reliable conclusions. Accuracy and trustworthiness can be guaranteed by information received from scientific publications underlying are within the subject area as well as the competence, loyalty and honesty of the respondents.

The application of abductive approach in study beginning in the "Contribution to research", 21
continuing in "Analysis" and "Conclusions", is mainly concentrated in "Ideas for Future Research".

In the work, the abductive approach may be able to generate results, which can become a starting point for new research or foundation for new hypotheses, allowing other researchers to create the topics for future investigations.

4.2. Choice of Method

The choice of method was based on previously defined research approaches. In order to achieve the purpose of the present research and answer questions, the study uses a combination of two methods: a qualitative study and a literature review.

The qualitative study based on primary data collection is the method that do not involve measurement or statistics and especially suited to explain the subject of research (Dudovskiy, 2016; Quisbert, 2008; Boeree, 2005).

Among the frequently used qualitative methods are interviews. The semi-structured interview is the most common because it is accessible, intelligible and allows to keep some control of interview as well as give flexibility in terms of the interviewees’ responses (Alvesson & Deetz, 2000; Qu & Dumay, 2011). In many cases this kind of interview is the most effective and convenient means of gathering information (Kvale & Brinkmann, 2009; Qu & Dumay, 2011).

The literature review is the second method used in study. This method is based on, previously published, secondary data (RLF, 2017). According to Gay et al. (2006) the review of literature involves the systematic identification, location, and analysis of documents containing information related to the research problem. Some qualitative researchers have argued that the review of literature is important early in qualitative research process since it performs the following functions:

• demonstrates the underlying assumptions (propositions) behind the research questions,
• provides with an opportunity to identify any gaps that may exist in the body of literature and to provide a rationale for how the proposed study may contribute to the existing body of knowledge. The gap in previous studies, that have been identified using this research method, is described in more detail in the chapter "Contribution to Research", (see page 6).
• helps to refine the research questions and embed them in guiding hypotheses, providing possible directions for researcher.

In this research, the method of literary review allowed to analyze the existing hypotheses in the field of the state, institutions, organizations and individuals (counterfeiters and IP pirates) activities and focus on the connection of institutional imperfection, IPR infringements and international collaboration.
4.3. Data Collection

Primary data is the data, gathered for the first time. The information is collected directly from individuals’ or groups of individuals’ and is intended for the specific research (Jacobsen, 2002). Primary data collection was implemented through interviews with enterprises (firms and companies). In the study it was appropriate to conduct semi-structured interview with initially prepared list of issues, serving as a primary template and allowing to conduct interview towards a specific direction. But according to Hopf (2004) besides pre-determined subjects of conversation, this forms of interview are freer and more open to associative reactions to the discussed subjects. It is one of the goals of semi-structured interview to maximize the scope of the topics and to give interviewees an opportunity to invoke points of view that had not been anticipated (ibid.) Furthermore, with this forms of interviews, respondents should not limited themselves in certain frames and can freely talk about their perception of research (Farquhar, 2012), as well as to complement it by expressing own opinion in answers. In this regard, during the interview, the basic list of questions was supplemented and varied, depending on the respondents' occupied position, competence, desire to communicate, as well as it was adapted to the specifics of the industry in which respondents' company is operate.

The secondary data are information, gathered by others researchers (Jacobsen, 2002). In this case, the secondary data are material obtained from previous publications, that formed the foundation of present study. Eventually, it allowed to estimate the differences and similarities between present and previous studies as well as to draw conclusions and continue to lead own research direction. Besides, the secondary data served as a source of legal framework of regulatory and legislative provisions.

The information of secondary data was collected through database of Södertörns University Library, Nyköping City Library, Google search engines and via others Internet search systems.

To search and explore the scientific works related to studied subject, the following keywords was used: Intellectual Property, Property Rights, Intellectual Property Right, Counterfeiting and IP piracy in the world, Counterfeiting and IP piracy in the Russia Federation, Legislation of the Russian Federation, etc., that led to finding a certain number of books and articles. In addition, a huge number of electronic publications supplemented the search. Finally, all materials were combined, analyzed and used as a basis for research and in the form of citations.
4.4. **Reliability and Validity**

The main goal of an interview is to collect data of an objective impact to reproduce and thus, try to explain the objective reality. Therefore, it is important to determine whether the data can be independent of the context in which they emerged (reliability) and, above all, to what extent they have found the truth (validity) (Gustavsson, 2008).

Reliability is extent to which a measurement procedure generates the same results on repeated measurements (ibid.) The aim of reliability in relation to a specified research, being conducted, is to ensure the trustworthiness of the data, and that the selected data is adequately exemplary of the whole selected data, as well as high enough in agreement (Krippendorff, 1980). In this research, reliability can be expressed by the repetition the same information received from various sources, in particular from several different interviewed enterprises.

Particularly, if the unfamiliar respondents of firms and companies, working in different sectors and located thousands kilometers away from each other, repeatedly state the same facts and make the same conclusions, the reliability of obtained information causes trust in a sufficiently high degree and allows to be guided by this data throughout the study.

Reliability is a prerequisite for validity, but a measure of reliability need not have validity. Thus, reliability is a necessary, but not sufficient, condition for validity (Gustavsson, 2008).

The concept of validity within analysis is between the credibility of the categorisation of data or texts, and the legality, or credibility, of any interpretation or inferred meaning where the entity is related to its cause or consequence (Weber, 1990).

Validity is extent to which an empirical measure actually measures the theoretical concepts. In this study primary (empirical) data obtained from interviews measure the secondary data obtained from literature review. Consequently, effect of cross-use of primary and secondary data reinforces the validity and allows more accurate convey the reliability of facts. That ultimately raises the credibility of the whole research.

Moreover, validity is difficult to establish because it involves determining the extent to which factors other than the intended theoretical concept systematically affect the value of the observed instruments. To seek access to an instruments' validity is therefore to rely theory (Gustavsson, 2008). In research such theory is the NIE Theory, considered by Williamson (2000) and formed the studies' core.

Validity provides assurances that research will be seen as credible when theories are assembled or decisions are made and the quality is upheld, as well as turning the results into unquestionable facts (Krippendorff, 1980). In the study validity is taken as the main indicator of quality, which confirms the veracity of final results.
4.5. Ethical Considerations

When conducting any research with the interviewed participants, ethical considerations should be taken into account. Aspects of morality and respect must necessarily take place. None of enterprises (firms or companies) should be harmed, and none of participants should be feel uncomfortable after the publication of studies' findings and results. The anonymity of interview should be provided by protection of the right of every person to privacy (Cohen et al., 2011).

These aspects were most important factors in the collection of primary data. Before the beginning of interview, direction and purpose of this study were presented and described to all respondents. Interview continued only after obtaining a positive consent to participate in the research. Respondents presented themselves by name and their positions.

Besides, the researcher has responsibilities and obligations not to lie, not to deceive or use the means to summarize the result of investigation (Hellström, 2014). Thus, no assumptions, manipulations or desired conclusions in research are done. Results are presented in an objective and impartial manner, reflecting the opinion of companies' representatives.

4.6. Motivation for Choosing of Interviewed Enterprises

The majority of firms and companies subjected to problems of counterfeiting or piracy indicate that they are faced with negative social consequences, because forgery of their products created risks for health and safety of consumers (Lallerstedt & Krassén, 2015). In this regard the mandatory condition for selecting the firms and companies was the location of their products in a certain ”risk zone”.

Since the counterfeiters and IP pirates while seeking to maximize profits have no liability for defects and have limited, or no, interest in ensuring the quality, efficacy or safety of their products, the potential for negative impact on the health and safety of consumers increases (OECD, 2008).

Particularly: counterfeit pharmaceuticals preparations may include correct ingredients in incorrect quantities or may be composed according to a wrong formula. Products can furthermore be made of non-active substances altogether, or even contain toxic substances (ibid.) The same can be said about the ingredients included in cosmetic products, causing allergic reactions and other harm to the health of consumers. Counterfeiting of medical equipment or its spare parts leads to a clear damage to health and safety of patients. In some cases, it may even cause death.

In the auto sector, inferior replacement parts falsely carrying the brand name of trusted manufacturers could seriously impair the safety of vehicles and accordingly lead to violations of traffic rules and create a threat for the life of drivers and passengers (ibid.)
According to assertions of Microsoft Corporation experts, the piracy of software, entails the data loss, theft of personal information and virus attacks, which leads to technical, financial, reputational and legal risks (Microsoft, 2011).

The above factors prompted inclusion in the study the enterprises (firms and companies) operating in industry of production of medical equipment as well as pharmacological, cosmetic, automotive and software industries.

4.7. Selection of Interviewed Enterprises

The choice of enterprises (firms and companies) is mainly determined by the following criteria:

- Swedish – Russian enterprises, having branches in the territory of RF (or international enterprises, including Swedish representatives),

- the enterprises working in sectors having certain” risk zone”, where the business activity could be affected by counterfeiting or IP piracy.

As a result, in interviews and study took part the firms and companies:

Table 2: Summary table of interviewed enterprises

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Activity</th>
<th>Location</th>
<th>Position in the company</th>
<th>Interview date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>Pharmacological Industry</td>
<td>Moscow; Kaluga region, Dobrino</td>
<td>Quality Manager; Secretary</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
<tr>
<td>Company 2</td>
<td>Production of Medical Equipment Industry</td>
<td>Moscow</td>
<td>Technical Expert</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
<tr>
<td>Company 3</td>
<td>Cosmetics Industry</td>
<td>Moscow</td>
<td>Consultant</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
<tr>
<td>Company 4</td>
<td>Cosmetics and Nails Industry</td>
<td>Krasnodar region, Labinsk</td>
<td>Commercial Director</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
<tr>
<td>Company 5</td>
<td>Auto Industry</td>
<td>Moscow</td>
<td>Head of Service Department</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
<tr>
<td>Company 6</td>
<td>Software Industry</td>
<td>Moscow</td>
<td>IT Expert</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
<tr>
<td>Company 7</td>
<td>Software Industry</td>
<td>Nizhny Novgorod</td>
<td>Manager</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
<tr>
<td>Company 8</td>
<td>Software Industry</td>
<td>Moscow</td>
<td>IT Expert; Manager</td>
<td>2017-02-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2017-03-16</td>
</tr>
</tbody>
</table>

All interviews have been held remotely, namely, by phone. The topics to discuss for interviews have been planned in advance, but during the interview some questions were adapted according to the enterprises' industry, deepened or added by explanations. Therefore,
the time of conversation with each of the respondents varied and had an individual character. It is important to note that present policy pursued in relation to foreign enterprise operating in the territory of the Russian Federation (RIA, 2017), deters respondents from frank statements about possible problems that may arise in their activities. Any issues that imply criticism of the state are perceived by enterprises with great caution.

The answers received from firms and companies during the first interview 2017-02-27 were cautiously and not full. Many respondents refused to answer the some questions, confining themselves to the answer: "We do not know" or “We are not competent in this matter". The lack of responses could be reflected on the Reliability and Validity of study. To correct this situation, a number of questions were changed. In particular, were removed the questions assessing activities of the state and the governing institutions. Nevertheless, the minor material obtained from the first interview was used and presented in the chapter "Analysis. Level 3 " (see page 53).

An additional interview was held 2017-03-16. In this case, with the updated list of issues, it was possible to obtain more complete answers. Respondents were more active, sociable and detailed in the responses.

Moreover, second interview was complemented by new participants (companies of Pharmacological Industry and Software Industry), that reflected in column "Position in the company" of the Table 2. This was due to the fact that during telephone contact the previous interlocutors were absent from the workplace. The new respondents supplemented information, received from their colleagues 2017-02-27.

As a result, the second interview gave more open data and allowed to create a clearer picture of reality, existing in the country.

Besides, initially a broader range of participants was supposed to be interviewed, but some enterprises did not respond and some refused to participate, explaining this by lack of interest in this area.

Table 3: Summary table of enterprises refusing to participate in the interview

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Activity</th>
<th>Location</th>
<th>Interview date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 9</td>
<td>Auto Industry</td>
<td>Moscow region, Khimki</td>
<td>2017-02-27</td>
</tr>
<tr>
<td>Company 10</td>
<td>Software Industry</td>
<td>Moscow</td>
<td>2017-02-27</td>
</tr>
<tr>
<td>Company 11</td>
<td>Software Industry</td>
<td>St. Petersburg</td>
<td>2017-02-27</td>
</tr>
<tr>
<td>Company 12</td>
<td>Software Industry</td>
<td>Moscow</td>
<td>2017-02-27</td>
</tr>
</tbody>
</table>
For the most accurate understanding and interpretation of interview data, all questions were divided into 4 blocks:

- Basic questions
- Analysis of reasons
- Analysis of suggestions
- Additional questions

The interview guide is attached in appendix.

4.8. Processing of interviews

Interviews were the main source for obtaining information, necessary for research. Therefore, the processing of interview was an extensive and deep process in which was important to avoid mistakes. The challenge was to be able to correctly generalize and translate data of various industries which the interviewed firms and companies operate in, into a single form, clear for understanding.

After transcribing and structuring, the interviews have been summarized to get a systematic basis.

To determine the patterns and similarities between all interviews, certain categories that corresponded to research objectives were created. Further it was converted into tables.

When data were processed and classified, the amount of data appropriate for study was selected. In the empirical data was included only information relevant to research questions. Consequently, respondents' reflections, deviating from essence of issue or things, discussed outside the research area, were eliminated.

The selected data were additionally compared with compliance of the direction and purpose of study and subsequently were used for analysis.
5. Empirical Findings: Institutions and Organizations

According to North (1993) it is essential to distinguish clearly institutions from organizations. Institutions are rules of the game of a society. They are composed of formal rules, informal constraints and the enforcement characteristics of both.

Organizations are the players: groups of individuals bound by a common purpose to achieve objectives. They include political, economic, social and educational bodies (North, 1993). Firms are part of economic bodies (ibid.)

5.1. Institutions

North (1991/1993) defines institutions as the “humanly devised constraints that structure political, economic, and social interactions” comprise both informal constraints (social and cultural rules such as sanctions, customs, traditions, ethics, social norms, and religion) and formal rules (constitutions, law, and Property Rights) and also the enforcement mechanisms that make up a particular institutional matrix or environment.

The security of the one of elements designated by North (1991) as formal rules – the PR, and respectively IPR, is ensured by effective legislation as well as by effectively functioning courts, police and other public agencies (Frye, 2004). The state guarantees protection of PR and IPR by a whole complex of institutions (Aliev, 2015) and the three most important Russian institutions on which depends the regulation of counterfeiting and IP piracy growth, as well as protection against the infringement in IPR area are presented in study.

5.1.1. Institution of Law: Legislation

The first on the institutional complex is institution of Law, with the appropriate legislation as the main tool. This institution are crucial in terms of outlining the set of rules for legal transactions and punishments for illegal acts (Goel &Nelson, 2009). Legislation is based on international standards by which the infringement of PR and IPR entails administrative, civil or penal liability.

Part IV of Civil Code

In Russian Civil Code the Part Four is the key source of IP rules (GPIPRR, 2014). Part IV, developed in 2006 is based on the concept of full codification of the whole bulk of specialized IP laws and including them in one document (Galtsova, 2008). This part describes the norms and rules for securing and protecting copyright, as well as the rights of inventors, creators, etc.

Part IV, was designed to be a comprehensive treatment of IPR, encompassing the existing body of law and correcting the flaws which had become apparent since 1992. In particular, Part IV introduced amplifications and some diminutions of the terms of the previous laws
The introduction, in the Part IV of Civil Code made some improvements, but many aspects still need refinement (IIPA, 2015).

Civil Code

In accordance with the Civil Code, infringement of any IPR is subject to strict liability, entitling right holders to remedies through the courts. Before the courts the right holders may claim damages, destruction of counterfeit goods and, in some cases, liquidation of the equipment and of the legal entity (IIPA, 2015; GPIPRR, 2014).

Currently the Civil Code has several overarching concerns:

- administrative law principles throughout the Civil Code that likely cannot be enforced by civil or criminal procedures (ibid.),
- the absence of clear liability rules for online websites and services that induce or encourage infringement (ibid.)

Administrative Code

Administrative liability is a form of public liability for an administrative offence in connection with violation of IP rights and is less severe than criminal liability. The Code of Administrative Offences provides a range of fines for natural persons, the owners or managers of legal entities as well as permits the confiscation and destruction of counterfeited goods.

Administrative cases are filed by the police, but the levying of fines is done by the courts of general jurisdiction (for natural persons) and arbitration courts (for legal entities) (ibid.)

Administrative Code requires increased copyright liability under the Administrative Code by eliminating the for – profit requirement in Articles 7, 12 of the Code of Administrative Offences (IIPA, 2015). One of the challenges of Administrative Code at the present time lies in the absence of amended Law on Circulation of Medicines. Until now the final regulations that include the detailed provisions necessary to ensure the implementation of protection against the manufacture and sale of counterfeit and pirated products has not been published (USTR, 2016).

Criminal Code

Infringements of IPR are also covered by the Russian Federation Criminal Code. In order to qualify for criminal prosecution the infringement should cause significant damage or be recurrent. The Criminal Code punishes serious violations with fines and imprisonment. Yet, providing sufficient damage and providing the title under the Russian procedural rules are major obstacles to getting criminal investigation started in most cases, especially those involving copyright infringements (IIPA, 2015; GPIPRR, 2014).

Actually, in the current Criminal Code is the lack of criminal liability against principals in legal entities, including for IPR crimes. Particularly, only a natural person, usually a
corporation director, can be found criminally liable for infringement, and only upon a showing that he/she had a direct intent to commit the infringement (IIPA, 2015).

In summary, general application of national laws connected with the guarantee of Intellectual Property Rights require a number of amendments in these laws (Sabelnikov, 1996). Acts which are already adopted but are not supported in the proper way with concrete measures aimed at protecting the rights they set out are neither effective nor, so far, even noticeable (ibid.)

5.1.2. Institutions of the Police and the Judiciary

The second analyzed institutions are the Institutions of the Police and the Judiciary. This is a state and legal mechanism, the most important element of which is law enforcement and judicial support.

The main role in the detection of violations in field of IPR protection is administered by Ministry of Interior, protecting the rights of authors and other right holders primarily by forces and facilities of Public Security Police and Criminal Police.

The legal basis for police to identify public security for administrative violations in field of IP protection is the Federal Law № 3 - FZ of February 7, 2011. Guided by the Police Act ("On police"), the law enforcement officials have right and duty to prevent violations. Activities of law enforcement officials include identifying and qualifying violations of IPRs, conducting forensic examinations, preparing pre-trial documentation and other measures, provided by the law above (Matveeva, 2016).

It should be noted that the fight against this type of crime is being insufficiently effective, since there are serious shortcomings in the organization work of law enforcement authorities as well as departments of relevant government agencies involved in protection from fraudulent attacks and countering counterfeiting and piracy (Zawidow, 2002).

Conducting random control raids as well as the destruction of several kiosks on markets of counterfeit and pirated products was the primary measures taken by untrained police after the entry into force the laws and measures to combat counterfeiting and piracy in the early 1990s. The results of the most of these acts was close to zero, as in the best case, the adverse effects experienced only minor violators of IPR (Prokhorov, 2005).

Over the past years, the quality and quantity of control raids and police activities against IPRs' violators even more significantly decreased. A key factor of decreasing is reorganization of police and serious reduction of law enforcement personnel (IIPA, 2015).

In addition, exist a number of additional crucial factors:
• the police fail to comply with the Criminal Procedure Code. In the process of law
enforcement, difficulties occur due to the lack of adequate staffing and the high volume of the work. Enforcement is also hampered, and trials delayed, by the requirement that samples should be collected only in presence of states' officials, and by a statutory reliance on government expert reports (IIPA, 2015),

- insufficient commitment from the relevant authorities, for example, by an apparent reluctance by enforcement authorities to take action against large infringers (GPIPRR, 2014).

Another important component of these institutions is the Institution of Judiciary. In the Russian Federation IPR infringements are addressed by federal courts of general jurisdiction and arbitrations courts. Civil disputes that involve individuals, legal entities and the state, as well as administrative and criminal cases that relate to the protection of IPR, are examined by the courts of general jurisdiction. Economic disputes and cases that relate to business and other economic activity involving legal entities or individuals engaged in business activity not as legal entities but as sole traders, are examined by arbitration courts. Participants in legal relationships that concern the use of IPR actively exercise their right to judicial protection, as they trust the effectiveness of such protection (WIPO, 2016).

Currently, the following deficiencies exist in the activities of the Institution of Judiciary:

- prosecutors are generally reluctant to recommend the initiation of criminal cases and often draws unqualified experts (Boletskaya, 2007),
- the absence of IPR special prosecutors and investigators at both the federal and regional levels throughout Russia complicates the work (IIPA, 2015),
- many prosecutors and judges do not know the Corps of Law "On Copyright and Related Rights". Thus, 80% of Russian judges consider a crime committed on the grounds of Article 146 and Article 147 of the Criminal Code as an insignificant act, which corresponds to the concept of "a minor offense", because a sanction of Part 1 in Article 146 and Article 147 does not exceed 2 years (Zawidow, 2002). Based on this, prosecutors and judges are stopped the criminal proceedings, trying to "retrain" pirate action, in the direction of administrative responsibility (Prokhorov, 2005),
- courts tend to interpret laws and regulations in a narrow way which created loopholes for infringers (GPIPRR, 2014).

5.1.3. Institution of Normative and Legal Culture

The third institution is the Institution of Normative and Legal Culture, which forms the attitude of consumers to counterfeiting and IP piracy as well as their legal behavior, since scarce perception of the illegality of counterfeiting, IP piracy and the low awareness about negative consequences are generate favorable attitudes towards these violations (Cesareo et al., 2015).
One of the key problems preventing the reduction of counterfeiting and IP piracy in Russia is the low level of consumers' legal culture as well as lack of explaining work from relevant bodies and organizations stating clearly that counterfeiting and IP piracy are IPR infringements (Aliev, 2015). The country lacks not only an adequate regulatory framework to combat named violations, but also present insufficient awareness of the types of counterfeiting and IP piracy, measures of responsibility for offenses in this area, as well as existing methods of suppressing counterfeiting and IP piracy at the initial stage (Prokhorov, 2003).

According to Yankovskaya (2008) the effective element in the fight against counterfeiting and IP piracy is not "harsh law", but educational and explanatory activities. Fundamentals of norms of legal behavior are formed from childhood. In countries with effective indicators of the fight against piracy this education originates in pre-school and in school (Villarroel, 2010).

The study conducted in 2008 in framework of the project "The development of Intellectual Property protection system and interaction in this field between Russia, Finland, Sweden and Denmark" gave results in which on the questions: "What the young people know about piracy?" - 89% of interviewed Russian adolescents replied that they had never studied it at school, 51% said they bought pirated products as well as illegally downloaded music, films and would never stop doing it. Besides, 53% did not see any problems in IP piracy and considered buying IP pirated products are acceptable behavior (Yankovskaya, 2008). Moreover, Makarova (2017) argued that most often the illegal camcording of motion pictures in the cinema is made by teenagers under 14 years old, who are manipulated by adult pirates. This is due to the fact that adolescents under the age of 14 years, do not bear any legal responsibility.

To continue, for adults education is expressed through conducting of seminars, conferences, forums and other educational events. The purpose of such events is clarification the nature of discussed problem, and provision an information about possible punishments and fines as well as a visual demonstration of the licensed products advantages and the counterfeit and IP pirated copies' shortcomings (Lavronenko, 2016).

But it is necessary to admit that the state failed to instill in the population the law-abiding in the considered area during the years of ongoing reforms. Speaking about the adult population of country, it should be noted that production of counterfeit and IP piracy is not condemned by public opinion, as well as citizens do not feel a strong moral prohibition with consumption of pirated and counterfeit products (Solovyov, 2005). The theft of Intellectual Property is not yet, equated in the public mind with other offences against property, crimes,
such as fraud, theft or trespass (Blakeney, 2016).

Recent polls published in Russia are indicative of a common view: Russian citizens are not concerned about piracy involving music, films and software products, because they believe the only victims of this type of piracy are major Western recording and film studios, which, in their view, have no need for the extra revenue generated by sales in Russia (O'Connor, 2011). In addition, a clearly developed opinion exists, considering viewing any activity that can be committed over the Internet as permissible until some authorities affirmatively acts to stop it (Panethiere, 2005).

Proceeding from this it can be concluded, that most of people of all generations don't think, that by committing an act of counterfeiting and IP piracy, they commit a crime and in the society there is a "blurred" and rather superficial perception of the very notion of "copyright" (Zemchenkov, 2002; Solovyov, 2005).

Institutions ride on various conveyances and are instantiated in multiple media. They are conveyed by various types of "carrier" (Jepperson, 1991). It is readily apparent that carriers are important in considering the ways in which institutions exist. They point to a set of fundamental mechanisms that allows to account for how ideas move through space and time, how or what is transporting them (Scott, 2014).

Although above – mentioned institution is informal, the basic agents, governing it activities, functionality, direction of development are state and media, as promoters of explanatory information for masses of people. The state uses media as most effective way for propagate certain ideas, views, teachings and the states' programs (Zimin, 2012).

The media plays a decisive role in building certain relationships between the state and society. Informing audience about goal, received from the authorities, the media are conductor of information course provided by state. State in this case, develops tasks and strategy of actions and media finds the most effective levers for their implementation (Nisnevich, 2007).

Being a powerful information resource, media can have a huge impact on the formation of public opinion and increase the level of population legal culture. Through the development of concrete social attitudes, the media is pushing people to certain actions, but inaction of media makes it possible to hide or ignore problems, helping them expanded and aggravated in future time (ibid.)
5.2. Organizations

5.2.1. Data Received from Interviewees

Organizations as enterprises (companies and firms), participating in the interviews were suppliers of primary data. All materials, received as a result of both interviews were transcribed, summarized, structured and presented in tables below.

Operating in different functional sectors, organizations are legitimated by different values, exhibit different adaptive patterns, and governed by different codes and normative frameworks (Parsons, 1953; Scott, 2014). But absolutely all organizations are in certain institutional frameworks provided by state (Scott, 2014). The state is a special organization of a society that spreads its power throughout the country’ territory, having for this purpose a special apparatus of government and possessing sovereignty (Redkacheva, 2011).

According to Wallis (2011) state is the organization that organizes other organizations and exert highly significant effect not only on individual organizations (firm and companies) structures and behaviours, but also on structuring of environment where organizations is operated (Scott, 2014; Wallis, 2011).

Thus, for all interviewed organizations it was fundamentally important to correctly and loyally assess the environment provided by state (country) on whose territory the firms and companies are located and operate. To the question asked about whether there is counterfeiting and IP piracy exist in the country at all, the following answers were obtained:

<table>
<thead>
<tr>
<th>Response of companies / firms</th>
<th>Amount (n=8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, on a large scale</td>
<td>3</td>
</tr>
<tr>
<td>Yes, but not on a large scale</td>
<td>4</td>
</tr>
<tr>
<td>No</td>
<td>-</td>
</tr>
<tr>
<td>Difficult to answer</td>
<td>1</td>
</tr>
</tbody>
</table>

For a more accurate understanding, each main table is supplemented by an additional table, reflecting the data on industrial sectors where enterprises operate.

The” Industry of Production of Medical Equipment” will be shortened to” PME”.
Table 5 (Supplement to Table 4): A more detailed answer, according to industrial sectors

<table>
<thead>
<tr>
<th>Response of companies / firms</th>
<th>Industry of PME, Pharmacological and Cosmetics Industry (n=4)</th>
<th>Auto Industry (n=1)</th>
<th>Software Industry (n=3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, on a large scale</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Yes, but not on a large scale</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>No</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difficult to answer</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Furthermore, every organization is a subsystem of a wider social system which is the source of the "meaning", legitimation, or higher – level support, making the implementation of the organizations’goals possible (Parsons, 1956/1960; Scott, 2014).

But, it is known that - no system can function perfectly well and any flaws or shortcomings of it produce direct and indirect impact instantly affecting the organizations within it. The questions about whether the organizations faced cases of counterfeiting and IP piracy in their activities were answered as follows:

Table 6: The respondents’ answers, confirming the facts of counterfeiting and IP piracy in their activities

<table>
<thead>
<tr>
<th>Response of companies / firms</th>
<th>Amount (n=8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>4</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 7 (Supplement to Table 6): A more detailed answer, according to industrial sectors

<table>
<thead>
<tr>
<th>Response of companies / firms</th>
<th>Industry of PME, Pharmacological and Cosmetics Industry (n=4)</th>
<th>Auto Industry (n=1)</th>
<th>Software Industry (n=3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

The most important performance indicators for all organizations are economic indicators. Particularly: profitability, positive financial result, productivity level etc. But not only material and practical components flow across boundaries of organizations (Scott, 2014). They also need social acceptability and credibility (Scott et al., 2000), which are directly reflected on such non-economic indicators as business reputation and organizations' image.
as well as general attractiveness for investments and for international collaboration, since maintaining good relations with international partners is the driving force of business.

In addition, innovation is the process, which considered as the main source of life to organizations (Herkema, 2003). Therefore development and implementation of innovation is vital for their existence (Scott et al., 2000).

In this regard, any negative and uncontrolled external interference can seriously and irreversibly damage each of the above - mentioned indicators of organizations (firms and companies). Consequently special attention was paid to these issues. The respondents' reaction to the question of how counterfeiting and IP piracy affects the companies' indicators is reflected in the Tables 8 and 9.

Table 8: The respondents’ answers, assessing the level of impact of counterfeiting and IP piracy

<table>
<thead>
<tr>
<th>Level of impact of counterfeiting and IP piracy on companies / firms:</th>
<th>Significant (n=32)</th>
<th>Average (n=0)</th>
<th>Insignificant (n=0)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Image</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Investment attractiveness and international collaboration</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Development of innovation</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 9 (Supplement to Table 8): A more detailed answer, according to industrial sectors

<table>
<thead>
<tr>
<th>Significant impact on companies / firms:</th>
<th>Industry of PME, Pharmacological and Cosmetics Industry (n=16)</th>
<th>Auto Industry (n=4)</th>
<th>Software Industry (n=12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Image</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Investment attractiveness and international collaboration</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Development of innovation</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Moreover, in order to reduce future risks, organizations (firms and companies) need to timely and correctly assess the origin of possible negative influences from outside. In the study, this is reflected in the assessment of the causes of counterfeiting and IP piracy in the country.
Table 10: The respondents’ answers, assessing the causes of counterfeiting and IP piracy in the RF

<table>
<thead>
<tr>
<th>Responses of companies / firms</th>
<th>Amount (n=18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of information about liability</td>
<td>5</td>
</tr>
<tr>
<td>Unavailable prices for licensed products</td>
<td>4</td>
</tr>
<tr>
<td>Mentality of people</td>
<td>3</td>
</tr>
<tr>
<td>Own answers</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 11 (Supplement to Table 10): A more detailed answer, according to industrial sectors

<table>
<thead>
<tr>
<th>Responses of companies / firms</th>
<th>Industry of PME, Pharmacological and Cosmetics Industry (n=9)</th>
<th>Auto Industry (n=3)</th>
<th>Software Industry (n=6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of information about liability</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Unavailable prices for licensed products</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Mentality of people</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Own answers</td>
<td>4</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

It should be noted, that not all probable "causes of counterfeiting and IP piracy in the country" specified in interview, covered the full range of possible and were actively supplemented by respondents themselves as "own answers". Among them are:

- insufficient internal work of the companies themselves or their management as well as their security services,
- insufficient security of goods, including the lack of barcodes and other attributes of licensing,
- insufficient organization of cooperation and control with branches and dealer networks,
- the lack of widely available information centers, emanating from the companies themselves, which could disseminate information, provide advice as well as conduct the explanatory work about that purchases of licensed goods are more convenient and safe than acquisition of counterfeit and pirated products.

Besides, it is necessary to highlight especially the own answer of representatives of software industry, who note that the Russian users do not see a fundamental difference between the concepts of "illegally download" and "purchase" of software products and even if users see it, then not in favor of the latter. Here it is possible to observe the interlacing of a number of
factors: convenience, impunity, absence of visible fundamental differences, explained by someone. As representatives consider – the problem of choosing between "illegally download" and "purchase" will exist as long as present a choice and don't exist real responsibility.

To continue, if viewed organization as an adaptive, organic system, affected by the varied effect and pressures imposed by environment (Scott, 2014), it is quite obvious that under conditions influencing organization negatively, one can expect a responding reaction to elimination of this negative impact. In other words, organizations employ in direct response to the any, including institutional, processes that affect them (Lawrence & Suddaby, 2006). Based on this statement, certain questions were raised and it was reflected in the respondents' opinion on possible measures that must be taken to correct the situation with counterfeiting and IP piracy in Russia.

Answers received from the respondents are reflected in the Tables 12 and 13.

Table 12: The suggestions for improving the situation, proposed by respondents

<table>
<thead>
<tr>
<th>Responses of companies / firms</th>
<th>Amount (n=24)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amend legislation</td>
<td>6</td>
</tr>
<tr>
<td>Improve activities of executive: law enforcement and judicial bodies</td>
<td>4</td>
</tr>
<tr>
<td>Improve the explanatory and educational activity</td>
<td>8</td>
</tr>
<tr>
<td>Own answers</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 13 (Supplement to Table 12): A more detailed answer, according to industrial sectors

<table>
<thead>
<tr>
<th>Responses of companies / firms</th>
<th>Industry of PME, Pharmacological and Cosmetics Industry (n=13)</th>
<th>Auto Industry (n=4)</th>
<th>Software Industry (n=7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amend legislation</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Improve activities of executive bodies</td>
<td>3</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Improve the explanatory and educational activity</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Own answers</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>
Own answers of enterprises (companies and firms) expressed in the Tables 12, 13 consisted in the opinions that not only analyzed institutions need to improve their activities, but others as well.

For example, the Customs Service does not work in the established order, which proves a huge number of goods of dubious origin, supplied to the RF. In addition, respondents stated about absence of special organizations, with except for police, who could seize counterfeit goods from the sale before they will be sold and could cause harm.
6. Analysis

6.1. Definition of the Most Vulnerable Class of Actors

This part of study is based on secondary data obtained from the literature review, that allowed to conduct a theoretical analysis, reflecting the interaction of basic and applied theories.

By using the three theories mentioned in the chapter "The NIE Elements in Applied Researches" (see pages 18-20): Theory of Reasoned Action (TRA), Expected Utility Theory (EUT) and Deterrence Theory (DT), placed in united zone of Levels 1, Level 2 and Level 3 and covering PR and IPR issues as well as aspects of human behaviour, it is possible to perform a number of research in different directions.

Figure 2: Combination of NIEs’ elements and TRA, EUT, DT (own illustration)

In this study, the indicated combination allows to analyze a certain mechanism in which several classes of different actors exist and interact:

- first class are counterfeiters and IP pirates (in the NIE theory is located at the Level 1),
- second class are consumers (in the NIE is also located at Level 1),
- third class is the state as a regulatory body (in the NIE is located at Levels 2 and 3),
- fourth class are organizations (in the NIE is located at Level 4).

Besides, this allow determine which class of actors are most vulnerable in whole mechanism.
The success of any institutionalization project and the form that the institutions takes depends on the relative power of the actors who support, oppose, or otherwise strive to influence it. The "existence" and characteristics of actors is socially constructed and highly problematic, and their action is the a matter of internally generated and autonomous choice, motivation and purpose (Scott, 2014) as aspects of behavioral intention.

Behavioral intention, specified in TRA, can predicted by the individuals’ attitude toward the behavior and subjective norms. Christensen and Eining (1991; 1991, a) by analysing of attitude toward piracy among certain group of individuals, found that when one group was uses (or sells) pirated goods the others people viewed this as an acceptable action (Peace et al., 2003) and buy them. In this case the act of piracy was not considered by participants as unethical.

The main actors of this theory can be confidently called actors of first class the counterfeiters and IP pirates, creating a supply as well as actors of second class the consumers, creating demand.

Besides, economic indicators, such as costs and benefits, are also commonly claimed to be factors in a persons’ decision - making process and a lack of financial resources can be a weighty reason for illegal copying behavior (Solomon & O’Brien, 1990). In this case EUT posits that a rational, self - interested individual will carefully weigh the expected benefits of all elements of illegal copying (in which can be included: a price of legal product, the worth of copied material and the overall value of results) and the expected risks (calculated using the probability of being detected, punishment probability and punishment level).

In essence, the individual will illegally copy when the expected utility of piracy is greater than the expected utility of not committing piracy (Chen & Png, 1999; Conner & Rumelt, 1991; Gopal & Sanders, 1997). Here the factor of control begins to act.

In this theory, in addition to the previously named two classes of actors is added a new actor of third class – the state, in whose power is the control over probability of violations and the regulation of punishment level.

Moreover, the punishment probability factor and the punishment level factor are referred to in Deterrence Theory literature as punishment certainty and punishment severity, respectively (Tittle, 1980).

As with analysed above theory, DT proposes, if punishment certainty and punishment severity are increased, the level of illegal behaviour should decrease. Therefore both a negative and positive correlation are formed. Namely: unwanted behaviour can be deterred by the threat of punishment, and the low probability of being caught increases the likelihood of illegal copying (Cheng et al.,1997; Peace et al., 2003).
In this case, in addition to the actors of the first class – the counterfeiters and IP pirates as well as second class – the consumers, actor of the third class – the state again plays the most significant role, as a controller and regulator of detection of violations and the threats of punishment. In this conception, regulatory processes involve the capacity to establish rules, inspect others conformity to them, and, as necessary, manipulate sanctions of punishments (Scott, 2014) – in an attempt to influence future behaviour of violators.

It is arguable that different theories apply to different classes of actors.

Table 14: Definition of the most vulnerable class of actors

<table>
<thead>
<tr>
<th>Level of NIE</th>
<th>Class of actors</th>
<th>Actors</th>
<th>Theory of Reasoned Action (TRA)</th>
<th>Expected Utility Theory (EUT)</th>
<th>Deterrence Theory (DT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Counterfeiters and IP Pirates</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>Consumers</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2, 3</td>
<td>3</td>
<td>State</td>
<td>-</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>Organizations (firms and companies)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Analyzing the Table 14, it becomes obvious the main class of actors in the piracy "mechanism" are counterfeiters and IP pirates as well as consumers.

The actors of the first class - counterfeiters and IP pirates are criminals, usually operating on a large and organized scale, engaged in the theft of the products of other peoples' talents, skills and investment (De Freitas, 1992), who driven by economic benefits created by counterfeit and IP piracy.

The generated proposals would not exist without the demand of consumers, actors of the second class. This is a certain contingent of people intentionally or unintentionally, but in any case illegally, purchasing the non – original products for personal use or distribution (Matskevich, 2016), who are guided by a wide range of factors: from greed, perceived necessity, lack of awareness, to ruthless criminal intent (Idris, 2001).

The actor of third class is state. State, as the main governing institute, has the basic levers of regulation and control. This is actor with coercive and regulatory authority that can coerce all actors to behave in a certain way through legal power (Holm, 1995; Ruef & Scott, 1998) and affects the behavior of all actors through normative processes. Having the total amount of power, state organizes regulatory activity by forming an institutional environment, developing
forms, methods and mechanisms for identifying and eliminating violations as well as developing measures of restraint and punishment.

As can be seen from the Table 14, the fourth class of actor – organizations (firms and companies), producing genuine product are not involved in the analyzed mechanism. Despite the allegations of Wallis (2011) that the state is the organization that organizes other organizations, analogy between fourth class of actors and state ends with the observation that organizations produces private goods and state public goods. The main difference concerns the use of power (Weber, 1968; Richter, 2003).

State is the sovereign, the supreme authority that has the power to give orders, to make and to administer law. State exert highly significant effect not only on individual organizations (firm and companies) structures and behaviours, but also on structuring of environment where organizations is operated (Scott, 2014).

By contrast, the organizations (firms and companies) are not sovereigns, which are not allowed to use coercive force towards its business and they must obey the laws of the state. This class of actors can gain revenue only through trade or service, not through levies towards its production costs and operating both on domestic and foreign markets, work according to policy of their state or in the case of international collaboration, the policy of the host country (Richter, 2003). The host countries' legal frameworks, can significantly differ from the frameworks of legal institutions in the organizations' (firms' and companies') homeland (Abdi & Aulakh, 2012). Thus, organizations (firms and companies) operate in accordance with the legal and institutional framework defined by these states. Moreover, their activity directly depends on the effectiveness of protective system, guarantor of which are these states.

Firms and companies do not have the weighty levers of control or resources to pursue enforcement actions. Placed in a “risk” zone, created by actions of counterfeiters, IP pirates and consumers as well as insufficiently protected by state, on the territory of which organizations operate, they are indeed the most affected and vulnerable class of actors.

Furthermore, as noted in the Figures 1 and 2, the solid arrows connect a higher with a lower level and the reverse arrows give signal feedback (Williamson, 2000). This means that all Levels of NIE (or classes of actors) are in constant interaction. Consequently, than higher degree of PR and IPR infringements and lower degree of punishments for violators as well as the states’ regulatory actions, that worse position of organizations.
6.2. Institutions and Organizations

In this part of analysis, a combination of primary data received from enterprises' respondents and secondary data obtained from the literature review was reflected through the prism of the NIE Theory.

The four level of NIE, described by Williamson (2000) contains certain components, whose functional characteristics correlate with institutions and organizations considered in the work. Thereby, each level was compared to a particular institution or organizations and was further explored separately and in more detail. As a result, the basic institutional idea proposed by the scholar was transformed into a model appropriate for analyzed topic and relevant to research aim.

To continue, institutions, as well as organizations, do not have one certain definition. Greifs’(2006) institutions are logical equilibrium structures in which the activities of a group of actors are coordinated by arrangements completely sustained within the group. Individual interests of actors lead everyone to behave within the boundaries of the choices formed by the institutional structure (Greif 2006; Wallis, 2011). North (1991) defines institutions as the humanly devised constraints that structure political, economic, and social interactions. He argues the effective institutions emerge in a society that has built - in system of incentives to create and enforce efficient Property (ibid.) Jepperson (1991) points toward the possibility of viewing institutions as patterns of sequenced interaction supported by specific mechanisms of control.

Thus, in many different utterances of various scholars traced the concept on which the common institutional platform is based. This is generalized and more clearly formulated in the statements of subsequent authors:

Scott (2001) describes institutions as set consisting of such central building blocks of institutional structures as:

• cultured – cognitive elements,
• normative elements,
• regulative elements.

The building blocks of institutions theory described by Richter (2003) include:

• a theory of Property Rights that describes the individual and group incentives in the system,
• a theory of the state, since it is state that specifies and enforces PR,
• a theory of ideology that explains how different perceptions of reality affect the reactions of individuals to the changing objective situation (ibid.)
Moreover, such founders of NIE, as Coase (2000) and North (1993) stress the representatives of NIE are trying to use analytical tools to study the working of the economic system that meaning the institutions of a country as:

- political system,
- educational system,
- culture system and so on.

In effect it is the institutions that govern the performance of an economy, and it is this that gives the ”New Institutional Economics” (Richter, 2003).

Additionally, Clague (1997) asserts that the research program of the NIE is the assessment of the determinants and the consequences of different institutional structures. These structures include:

- the constitutional order (the fundamental rules),
- the institutional arrangements (the operational rules devised with the constitutional order),
- the cultural endowments (the behavioural norms and mental models shared by society).

Summarizing the all statements of the authors, four levels of NIE can be reflected in correlation to certain institutions and organisations, presented in the Figure 3:

Figure 3: The NIEs' correlation with determined institutions and organizations (own illustration based on generalized assertions of Williamson (2000), Coase (2000), North (1993), Clague (1997), Richter (2003) and Scott (2001))
Menyashev et al. (2011) argues that coordination of activities which is the main task of institutions can be accomplished by both formal and informal means. Formal institutions, such as laws, regulations, courts, law enforcement and agencies, are supplied by the state. Informal institutions serve similar purposes, and include customs, traditions, religion, norms (for instance, the norms of legal behavior, presented in this study). Formal and informal institutions are 1 and complement each other. This is considered as one of NIEs’ cornerstone (ibid.)

6.2.1. Level 1

Level 1 institutions of the NIE Theory have a lasting grip on the way a society conducts itself and informal institutions are involved here (Williamson, 2000). According to study, one of these is Institution of Normative and Legal Culture. Among the key actors that associate with the NIE on this level are: Human Actors (Simon 1985). Actors construct institutions that achieve the outcomes they desire and behavioral norms are highly relevant in this aspect (Richter, 2003).

Among such actors are government officials. Although opinion about government officials activities in area of PR and IPR is subject to a lot of discussions, it is government officials who form policies, administrative and management programs with a view to respect for IP rights (Idris, 2001).

Sereda (2009) argues that today Russian government officials are obliged to analyze situation and plan the prospect of solving piracy issues, but those authorized persons who are engaged in the implementation of named tactical tasks, absolutely don't understand the essence of ongoing process and don't have a holistic view of the overall program, methods and means of combating piracy in the country in future.

Besides the government officials the population of the country, can be also called human actors, participating in the construction of institutions. As already mentioned earlier, among the problems, preventing the reduction of counterfeiting and IP piracy in the RF is the low level of legal culture of consuming population (Aliev, 2015).

The Russian state failed to instill the citizens the law-abiding and respect for the observance of Intellectual Property Rights during the ongoing reforms (Solovyov, 2005). Failing to deal adequately with the problem of piracy clearly has wide-ranging consequential effects on society (Panethiere, 2005). Therefore, most of people of all generations don't think, that by committing an act of piracy, they commit a crime and in society there is a "blurred" and rather superficial perception of the very notion of "copyright" (Zemchenkov, 2002; Solovyov, 2005).
As indicated in the Tables 10 and 11, one of the causes of IP violations is the such notion as "mentality of people" and representatives of three interviewed enterprises (in a more detailed industrial context: industry of production medical equipment, pharmacological and cosmetics industry – 1 answer, auto industry – 1 answer, software industry - 1 answer) pointed this reason.

North turned to cognitive science to understand better how humans’ beliefs are affected by their mental models. Human beings use mental models to explain and interpret the world, models that are shaped by their personal experiences and their inherited belief system. The belief system that they share with other members of their society where the past affects how people solve problems today (North 2005, Ménard & Shirley, 2011).

In considered case the term "mentality of people" means a legacy originating from the USSR, when in social policy existed slogan: "All is peoples' - all is mine ". This was interpreted as all property of the country belongs to its every citizen (U SSRLife, 2012). In the minds of a significant part of population still present a persistent belief that IP can not belong to one or more persons and it belongs to the whole society. Furthermore, IP products is a natural achievement of all mankind. Consequently, any encroachment on it is not only a crime, but on the contrary are legitimate positive attempts to give the opportunity to use IP products to the maximum number of people (Matskevich, 2016). Based on this legacy, Russian people think that paying for something what they can get for free is absolutely pointless and wasteful.

Besides, exist one more explanation. Unlike material property, for many unenlightened people is quite difficult to perceive the IP product as a material value. Most of the citizens do not realize the cost of commodity, that is available to everyone, and people refer to IP as something insignificant. Therefore, the act of IPR violation is not considered by population as a theft and majority of people do not think that illegal using of IP is equivalent to such violations as using a stolen car or stolen credit card (Luchko & Prorokov, 2014). This is exacerbated by a failure of the public authorities and organisations to communicate to the consuming public of the dangers from the use of unauthorised products and of the deleterious social welfare effects from this trade (Blakeney, 2016) and using, that is reflected in an another reason, indicated by respondents.

The representatives of the five interviewed companies and firms (industry of production medical equipment, pharmacological and cosmetics industry – 3 answers, auto industry - 1 answer, software industry - 1 answer) state that people commit IP violations due to the lack of information about liability among the population of the country. This is noticeable in the Tables 10 and 11. In other words, the activities from the side of the Institution of Normative and Legal Culture responsible for educational and explanatory is almost absent. Neither the
state nor its main conductor of information – the media is not concern about the importance of these issues for citizens. As exceptions, were named some actions by Microsoft or Business Software Alliance (BSA), which sometimes take place, but they have a "point strike" and give information only about products, in which Microsoft or BSA are interested. It don't convey the general picture about the real scale of problem.

Respondents believe, that until the sources of information on the dangers of counterfeiting and IP piracy are unavailable, as well as correct and proven methods of combating it will not be exist, this type of violation will continue developing in the country on an even larger scale.

The data of the Tables 12 and 13, shows that absolutely all eight respondents (industry of production medical equipment, pharmacological and cosmetics industry – 4 answers, auto industry - 1 answer, software industry - 3 answers) are dissatisfied with explanatory and educational activity, provided in the RF and believe that relevant bodies and institutions must pay more attention to improving the situations in this area.

6.2.2. Level 2

At Level 2 of the NIE the definition and enforcement of Property Rights and of contract laws are important features (Williamson, 2000). Especially worth noting is the importance of protecting of PR, and respectively IPR, since it is essential both at the micro and macro levels of NIE.

The results of the interviews showed that counterfeiting and IP piracy really do exist in Russia, violating the IPR of both interviewed, and, accordingly, of many other organizations throughout the country.

As can be seen from the Tables 4 and 5, three out of eight respondents stated that these infringements have a large scale (industry of production medical equipment, pharmacological and cosmetics industry – 1 answer, auto industry – 1 answer, software industry - 1 answer), four respondents said that the problem is taking place, but not on a large scale (industry of production medical equipment, pharmacological and cosmetics industry – 2 answers, software industry – 2 answers) and one respondent (industry of production medical equipment, pharmacological and cosmetics industry) found it difficult to answer.

To a more direct straight question: "Do interviewed enterprises themselves face problems of counterfeiting and IP piracy?" only 4 of them were capable of sharing (or willing to share) open information about cases of IPR infringing in their activities.

But one cannot expect the companies and firms to deliver information on this point, as highlighting these problems may conflict with commercial interests (Lallerstedt & Krassén, 2015). None of them would like to harm their business. Therefore, their answers are very valuable and weighty for the analysis.
More detailed results can be observed in the Tables 6 and 7. The enterprises that have faced such problems are: industry of production medical equipment, pharmacological and cosmetics industry – 2 answers, auto industry – 1 answer, software industry – 1 answer. Half of the respondents operating within the industry of medical equipment production as well as pharmacological and cosmetic industries stated that they did not face the indicated problems, on the basis of fact that enterprise carefully controls and protects quality of details, ingredients and components used in manufacturing.

One of the companies belonging to this group evaded a direct answer, but on the official website of the company there is a section about quality and authenticity of medicines, which says: "In recent years, the issue of safety of medicines has attracted wide attention in the pharmaceutical industry. We attach great importance to safety of ours customers. The problem of accidental acquisition of a falsified or counterfeit medicinal product exists both in Russia and throughout the world. In this regard, the company has a set of measures aimed at countering the circulation on the Russian market of counterfeit and falsified medicines. If you want to report a complaint, let us know on our website or call us on the phone."

This statement served as an indirect evidence that this pharmacological company presumably encounters the mentioned problem, which allowed to add company in the list of enterprises that responded positively.

Majority companies operating in the software industry claimed that they do not encounter problems of pirated or counterfeit products in own activity, because they work with licensed product or provide only original software. Although they often correct the consequences caused by pirated products, installed to customers by the third – party software vendors.

The most complete and open results were obtained from enterprise, operating in auto industry. In Russia the transport (auto) industry is one of the most important segments in terms of export (Sabelnikov, 1996), but as it turned out, it is also a fairly vulnerable segment in terms of supply of original spare parts. Respondents noted that they do quite often meet with counterfeit spare parts, sold under their trademark. These details are mainly manufactured and supplied from Asian countries, and sold in a huge numbers in the Russian territory through different trade points, absolutely not related with official brand of company. Representatives of auto industry said that are quite surprised by the impudence of unpunished implementation of fakes, but most of all they are surprised by the quality of products. Because often the packaging, accompanying documents and even the appearance of spare parts cannot be determined from the original and only qualified and experienced specialists can recognize counterfeit, but presently such experts in the police are not enough.
Further, Level 2 of NIE is referred to as the institutional environment, that include the executive, legislative, judicial functions (Williamson, 2000). Formal institutions, working at this level are: Institution of Law with the appropriate legislation as the main tool and the Institutions of the Police and the Judiciary. It is a states’ legal mechanism, the most important elements of which are the law enforcement, judicial support as well as legislative, administrative and legal protection of IPR.

Tables 12 and 13 presents the respondents' answers reflecting suggestions for improving the situation with counterfeiting and IP piracy in the country, that is directly related to the actions of analyzed institutions.

As claimed Athey & Stern (2013) piracy is negatively correlated with the strength of legal institutions. The quality of governance by these institutions have the largest impact on the incidence of piracy (Goel & Nelson, 2009) and weak rule of law undermine the security of Property Rights, and respectively IPR, in any society (Keefer & Knack, 2002).

According to Sabelnikov (1996) the activity aimed at adapting the national legislation to conventional world norms has been actively under way in recent years in Russia. However, so far this activity has been somewhat fragmentary and the measures passed constitute only a part of all that is needed. Thus not all the problems dealing with protecting copyright legislatively in Russia have been solved (ibid.) These statements are confirmed by the opinion of respondents and - six of the interviewed enterprises (industry of production medical equipment, pharmacological and cosmetics industry – 3 answers, auto industry - 1 answer, software Industry – 2 answers) state that it is necessary to amend the legislation, because enforcement of the law represents one of the biggest problems with IPR. The current legislation is ineffective and fines are nominal. Respondents believe that material punishment is the crucial forceful tool and state should change the laws for the fines become really frightening and each pirate prior to committing an act of IP piracy would think about real material consequences waiting for him.

Security of PR, and respectively IPR, should be associated with effective police and courts (Frye, 2004). In the Tables 12 and 13 are presented proposals for improving activities of such executive bodies as law enforcement and judicial bodies, expressed by four respondents out of eight (industry of production medical equipment, pharmacological and cosmetics industry – 3 answers, auto industry – 1 answer). Respondents believe that law enforcement officials don't fully perform their duties, because number of inspection raids detecting a counterfeit and pirated goods are not frequent and organizations – violators, selling counterfeit and piracy goods in mass volume are subjected to verification by police not totally, but selectively.
In the courts often take place the unreasonable delay or termination of investigated cases. According to respondents' opinion, this is most likely due to the fact that judges yet do not have a sufficiently good practice on IP issues. In addition, low activity of officials takes place both in the police and in the courts.

Besides, Internet piracy begins to assume more covert forms. Detection, prevention and prosecution of such crimes requires specialized knowledge of the law enforcement officials and judges (Prokhorov, 2005). According to the representatives of the software industry, one of fundamental shortcoming of enforcement is the absence of clear authority and jurisdiction to act against IP infringement in Internet. Another practical problem is that police and prosecutors have had difficulty applying the criminal law thresholds to Internet crimes, so few such cases are ever brought (IIPA, 2015).

6.2.3. Level 3

At Level 3 of the NIE the governance is located. To this level can be attributed the state and institutions of governance with basic governing levers - regulation and control. Using these levers, participants of Level 3 have right to make and enforce laws, specifies and enforces PR and IPR, to provide support and protection from any violations to businesses and citizens.

Having the total power, state and institutions of governance organizes regulatory activity by forming an institutional environment, developing forms, methods and mechanisms for identifying and eliminating violations, as well as developing measures of restraint and punishment. As argued Scott (2014), the conception of regulatory processes involve the capacity to establish rules, inspect others conformity to them, and, as necessary, manipulate sanctions.

In interview under the concept of "regulation" respondents designation such aspect - as alignment of price policy. The state and institutions of governance might exert an influence over the price structure, since some prices even in the most deregulated economies to some extent are set by power of the state and related institutions (Karlsson & Karlsson, 2002). Representatives argued that one of the main reason of IP piracy in the RF are inflated prices for genuine products. The population of country with a developing economy has a fairly low income and individuals cannot afford relatively expensive original goods (Peace et al., 2003). Based on this, representatives claimed, for increase volume of consumption of genuine products, state and institutions of governance, at least partially, should control the pricing policy for goods located in the "risk" group as well as proceed from consumer buying power and build prices so that original goods were available to most consumers. Eventually, it will leads to a natural ousting from the market of goods with "dubious" origin and quality.
Returning to the data of the Tables 10 and 11, where respondents assessed the causes of counterfeiting and IP piracy, it was noted, the IPR infringements are committed because prices for licensed products for main consuming group are unavailable. This was indicated by four respondents out of eight (industry of production medical equipment, pharmacological and cosmetics industry – 1 answer, auto industry – 1 answer, software industry - 2 answers).

In accordance with concept of another governing lever on this Level of NIE – the “control" is considered notion of the "states' control" as the activity of specially authorized state bodies or institutions of governance to monitor the operation of the controlled objects (institutions, public agencies, relevant organizations etc.) in order to establish its deviations from the specified parameters (Makareiko, 2014). The main tasks of control is compliance of the executive authorities and their officials the legislation as well as maintaining the stability of the state structure and increasing the effectiveness of state regulation (ibid.) In the study respondents implied control by the state and institutions of governance over the activities of institutions, discussed at Level 2, since only such state agencies as the police, courts and regulators enable the state to make PR and IPR free from trespass (Frye, 2004).

Furthermore, during the first interview 2017- 02 - 27, a number of questions were included in the list of issues, assessing activities of the state and governing institutions. These questions were removed later and not applied in the second interview 2017- 03-16.

Nevertheless, in the first interview, two enterprises (industry of production medical equipment, pharmacological and cosmetics industry – 1 answer, software industry - 1 answer) responded the questions posed and claimed that level of counterfeiting and IP piracy is growing due to the fact that state and governing institutions do not adequately control the activities of institutions authorized to work in this area.

Besides, two respondents (industry of production medical equipment, pharmacological and cosmetics industry – 1 answer, software industry – 1 answer) emphasized that all major reforms, both legislative and organizational in the fields of control and fight against counterfeiting and IP piracy, were conducted in the framework of WTO accession. After accession, management and control of this issue by the state and the governing institutions were weakened. This is also confirms by IIPA (2015, 45): "After accession of Russia to the World Trade Organization, and agreements with detailed IPR Action Plan with the U.S. Government neither the WTO obligations outlined in that Action Plan, nor in the 2006 U.S. - Russia IPR Agreement – both aimed at improving the marketplace for copyright materials – have been fully and properly implemented by the Government of Russia. Instead, enforcement has lagged."
6.2.4. Level 4

The Level 4 of the NIE described by Williamson (2000) as optimality apparatus, where the organization (enterprise: firm and company), is a production function in which internal structure has economic purpose and effect. At this level, it is appropriate to talk about organizations themselves, their performance and economic indicators as well as opportunities for functional and sustainable development.

Performance indicators are the main sensors of any organizations. They determined by a number of constituent components. In this study, they were founded on components, partially taken from the group of socio-economic effects in chapter "Theoretical Framework. Negative Effect of Piracy" (see pages 9 - 11).

Among factors, worsening the economic indicators due to the counterfeiting and IP piracy is a reduction in demand for genuine products. That lead to a direct loss in sales volume or an essential change of pricing policy by the rights holder (OECD, 2008) in attempts to survive in the framework of "unfair competition". In addition to lower sales, profitability are also adversely affected by the additional costs required to protect the firm and company from future episodes of IPR infringement (GAO, 2010).

Returning to the analysis of interview data in the Tables 8 and 9, all respondents noted that counterfeiting and IP piracy have serious impact on enterprises' (firms' and companies') activity and their effectiveness (industry of production medical equipment, pharmacological and cosmetics industry – 4 answers, auto industry - 1 answer, software industry – 3 answers).

Beyond the direct economic loss, companies and firms have indirect losses (OECD, 2008). In this case it is worth talking about injury of brand value and firm reputation, as well as a loss of buyers' goodwill (ibid.)

As can be seen from the Tables 8 and 9, such aspect as influence on non-economic indicators in the form of damage to business reputation and image are extremely important for respondents and is identified by them as a factor that has a significant impact on enterprises' activities (industry of production medical equipment, pharmacological and cosmetics industry – 4 answers, auto industry - 1 answer, software industry - 3 answers).

Another important aspect is an opportunity to develop innovation within organizations (firms and companies) framework. Innovations has long been recognised as a key factor of economy and welfare, contributing to long term economic growth at the macroeconomic level (OECD, 2008; OECD/EUIPO, 2016). According to Dougherty & Hardy (1995) innovative products and services are critical for many organizations, since innovation is one important way that organizations can adapt to changes in markets, technology, and competition. But innovative processes is a fragile and vulnerable activity (ibid.)
The main reasons for the decrease of enterprises' innovative activity are divided into internal, arising within organizations and external, arising outside organizations and usually located outside its sphere of influence. Several of the external factors include a lack of support and protection from the state, imperfection of the legislative framework, institutional inefficiency leads to erode the returns on innovation, have an important adverse effect on R&D and slow down economic growth of firms and companies (Casey, 2012; CIS 2017).

According to data obtained from interviews and shown in the Tables 8 and 9, all respondents stated that IPR infringement, following from institutions' insufficient functioning causes significant damage to companies and firms (industry of production medical equipment, pharmacological and cosmetics industry – 4 answers, auto industry – 1 answer, software industry – 3 answers).

One more important aspect for firms and companies is the general attractiveness of investment climate of the country, and accordingly, is the attractiveness of international collaboration.

The institutional framework and IP protection for FDI are significant in determining the investment locations (OECD, 2008). The state giving consent to the placement of foreign capital, assumes the guarantees of investment protection of foreign investors and international organizations operating on the states' territory. Ideally, the protection of foreign investment should be determined by domestic institutional environment, as well as laws and legal norms. However the problem often lies in the fact that they are not unconditional for investor. Neither the state nor the relevant institutions are not an absolute guarantor of protecting investors' activity.

Investment business is always connected with a certain risk, which increases several times in the territories of developing countries with a transitional economic situation and unstable political atmosphere (Wang, et al., 2012). Russia is one of such countries.

At the moment, the political basis of the Russian Federation is unstable by reason of sanctions (Milov, 2017). The economic situation, in addition to sanctions, is unstable due to imperfect PR and IPR legislation, poorly functioning judicial system and insufficient protection by law enforcement agencies (Nikitina & Poberezhtsyeva, 2015). That, naturally, bothers not only potential investors and collaborating partners, but makes those, who already work in the Russian market, worry about it.

Howbeit, the present list of investors in the RF may include entrepreneurs, foreign companies and firms, enterprises with foreign partners, founders and shareholders of business entities, etc., within the framework of which foreign investment projects are carried out (Nikitin, 2011). Respondents participating in the interview are also included in this list.
Their answers, reflected in the Tables 8 and 9, show that all companies and firms (industry of production medical equipment, pharmacological and cosmetics industry – 4 answers, auto industry - 1 answer, software industry - 3 answers) consider that violations in analyzed area have a significant impact on the enterprises' activities and the countrys' investment climate is not sufficiently protected against IPR infringements by the state and relevant institutions. That, in respondents' opinion, is a serious obstacle for foreign investment in the RF and, as a consequence, for functional international collaboration.

6.3. Link Between Institutions and Organizations

As has been noted, the solid arrows in the Figures 1 and 2, that connect a higher with a lower level of NIE signify that higher level imposes constraints on the level immediately below. The reverse arrows that connect lower with higher levels are dashed and signal feedback (Williamson, 2000). This suggests that all levels are interconnected and are in constant interaction. In other words, institutions interact with each other and in constant contact with organizations.

According to Lindblom (1977) the special character of government institutions is simply that governments exercise authority over organizations and all organizations are viewed as "structures", governing by the state (Scott, 2014), as the main institutional body. North (1990/1994) defines organizations as players operating within the institutional framework and reflecting the opportunities provided by the institutional matrix. Both what organizations come into existence and how they evolve are fundamentally influenced by the institutional framework (ibid.)

Pache and Santos (2010) argues that institutional influences are exerted on organizations through rules and regulations, normative prescriptions, and social expectations (Scott, 2001). They are also carried over through "institutional logics" (Thornton, 2004; Thornton & Ocasio, 2008), which are broader cultural templates that provide organizational actors with means-ends designations, as well as organizing principles (Friedland & Alford, 1991). The institutional environment lays down a set of fundamental political, social, and legal ground rules that establish the basis for production, exchange, and distribution, and provides a structure within which organizations can operate (North & Davis, 1971; Abdi & Aulakh, 2012). Moreover, institutional environment, in large part, defines the range of the organizational reality (Scott, 2014) and institutional rules defines the limits within which firms and companies could pursue their objectives (Commons 1950/1970; Scott, 2014).

From this it follows that organizations, located at a lower Level 4 of NIE, are in a peculiar institutional "dependence".

But Scott (2014) claims that most modern organizations are constituted as active players, not
passive pawns and, in turn, organizations influence how the institutional framework evolves and are agents of institutional change (North, 1990). Organizations are social objects that are constantly evolving (Jacobsen, 2013) and are embedded in environments that influence their behaviors (DiMaggio & Powell, 1983). Institutional theory offers a rich and coherent account of how organizations comply with regulative, normative, and cognitive environmental elements in an attempt to secure legitimacy and support (ibid.) Moreover, organizations are a primary driver of both the shape of institutions and their change over time (Wallis, 2011).

Proceeding from these statements, it is arguable, that despite the fact that organizations (companies and firms) are a more vulnerable class of actors, they have, albeit inessential, but some certain levers of influence in matters, which solution is more relevant for institutional areas.

For example, in the interview among the responses of firms and companies, assessing the origin of the causes of counterfeiting and IP piracy, in addition to answering the questions asked, a set of respondents' own answers was received, that is indicated in chapter "Empirical Findings. Data Received from Interviewees" (see pages 38-40). These answers denote that representatives of enterprises do not transfer responsibility for a high level of infringements in area of counterfeiting and IP piracy only to the state or relevant institutions. Enterprises are also ready to apply certain countermeasures as far as possible. Moreover, most respondents expressed hope that by advising and helping in this study, they probably, will make a certain contribution and attract relevant institutions and authorities to concrete and decisive measures of control and counteraction.

Parsons (1956/1960) applied his general cultural/ institutional arguments to organizations by examining the relation between an organization and its environment – that ways in which the basic system of an organization is legitimated by its connections to the main institutional patterns in different functional context (Scott, 2014). In this case, we speak about how closely the basic system of organizations activity intersects with the boundaries of institutional patterns. That, in turn, is reflected in the level of institutions influence on organizations as well as on a clear and principled view of institutional actions by organizations. In research, this is expressed in judgments of firms and companies, based on a general assessment of activity of institutions, responsible for regulation and control of counterfeiting and IP piracy in the RF.

Therefore, overall research results in the Table 15 shows that activity of Institution of Law, with the appropriate legislation as the main tool, is estimated as insufficiently effective by six respondents out of eight (industry of production medical equipment, pharmacological and...
cosmetics industry – 3 answers, auto industry - 1 answer, software industry - 2 answers).
Activity of Institutions of the Police and the Judiciary is not sufficiently effective according to
data obtained from the five respondents out of eight (industry of production medical
equipment, pharmacological and cosmetics industry – 3 answers, auto industry - 1 answer,
software industry - 1 answer).
Activity of Institution of Normative and Legal Culture is estimated as totally unsatisfactory by
all eight respondents (industry of production medical equipment, pharmacological and
cosmetics industry – 4 answers, auto industry – 1 answer, software industry – 3 answers).
Eventually, according to respondents' assessments, activities of the majority of analysed
institutions do not make a considerable contribution to reducing the level of infringements of
counterfeiting and IP piracy in the country at all.

Table 15: The overall results of institutional activities evaluated by firms and companies as unsatisfactory

<table>
<thead>
<tr>
<th>Responses of companies / firms</th>
<th>Industry of PME, Pharmacological and Cosmetics Industry (n=10)</th>
<th>Auto Industry (n=3)</th>
<th>Software Industry (n=6)</th>
<th>Total result (n=19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities of Institution of Law: Legislation</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Activities of Institutions of the Police and the Judiciary</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Activities of Institution of Normative and Legal Culture</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>

As can be seen from the table the importance of institution of Level 1 – Institution of Normative and Legal Culture, exceeds the importance of other considering institutions. Namely, in solving the problem of counterfeiting and IP piracy, informal institutions play a more significant role than formal ones.
Effective institutions environment beneficially affects the organizations' activities and
prosperity. And accordingly vice versa.
As follows from the table and the whole analysis, the respondents' answers contain many
reasons for concern, which prevent them from working in Russia in a safe and fruitful way.
Summing up the common opinion of all respondents, the following can be concluded: "If the
state and relevant institutions do not begin to create conditions, aimed at controlling the level
of counterfeiting and IP piracy as well as appropriate protection against these violations, the
issues of collaboration between foreign and Russian enterprises in the near future may be
seriously questioned".
7. Conclusion

7.1. Research Conclusions

The conducted research has attempted to make a contribution in the total number of previous researches by analyzing the problems of IPR infringements in the RF through the institutional context and by using concept of the New Institutional Economic Theory, contributed to possibility of exploring this issue from a new perspective. In particular, besides the creation of main basic platform of research with help of NIEs’ elements, it allowed to consider matters of how collaborating Swedish – Russian enterprises perceive the situation in the country and assess the activities of the Russian institutions, playing an important role in controlling and combating violations against counterfeiting and IP piracy as well as to identify the most vulnerable class of actors in general mechanism of counterfeiting and IP piracy.

North (1995, 17) summarizes the essential characteristics of the NIE as follows: “The New Institutional Economics is an attempt to incorporate a theory of institutions into economics. The NIE builds on, modifies and extends neoclassical theory to permit it to come to grips and deal with an entire range of issues heretofore beyond its borders”. Thus, using the NIE Theory in this analysis in a new special way, the following results were found:

Organizations (enterprises: firms and companies), classified as participants of NIEs’ Level 4 are the most vulnerable class of actors in the general mechanism of counterfeiting and IP piracy, existing in the RF.

Firms and companies are disadvantaged, because they do not have considerable protections levers and theirs activity are directly depend on the effectiveness of the state and relevant institutions.

International companies are in a more difficult situation because they provide own activities simultaneously in several legal and political systems. Thus, their work depends on the institutional framework of the countries within which they operate.

Representatives of interviewed companies claimed that Russian state don't use levers of own power sufficiently and the most important institutions, related to the analyzed issues are insufficient effective.

In particular, unsatisfactory actions of the participants, related to Level 3 of NIE: state and governing institutions is expressed in the fact that the state is not actively work in the field of controlling of pricing for commodities located in a certain "risk" group and many original goods are not accessible to the basic consumer group of population. Besides, state inefficiently controls institutions located at Level 2.

To continue, respondents emphasized that major reforms, both legislative and organizational
in the fields of control and fight against counterfeiting and IP piracy, were conducted in the framework of WTO accession. After this accession, management and control of this issue by state and governing institutions were weakened.

Participants, belonging to NIEs' Level 2 in the study: Institution of Law, with the appropriate legislation as the main tool as well as Institutions of the Police and the Judiciary include a number of shortcomings. Namely, legislation has a range of gaps, penalties for IPR violation are small and don't function properly as an intimidating element. In law enforcement authorities is a clear deficit of qualified, professionally trained specialists and exist a significant demand for qualified judges specializing in IPR issues. One of fundamental shortcoming of enforcement is the absence of clear authority and jurisdiction to act against IP infringement occurring in Internet. In addition, low activity of officials takes place both in the police and in the courts.

Participants, belonging to Level 1: Institution of Normative and Legal Culture, presented by human actors: government officials and the population of country. The government officials don't have a holistic view of the overall program, methods and means of combating piracy in the country in future. Among Russian citizens exists a low level of legal culture, law-abiding and respect for the observance of IPR. This is partly grounded on the mentality, acquired since the time of the Soviet Union. Another reason is a lack of information about liability among the population both on the part of educational and explanatory bodies. Neither the state nor its main conductor of information - the media is not concern about the importance of these questions for citizens.

The prerequisites for the above-mentioned problems are based on the fact the insufficiently effective regulative, normative and cultured-cognitive activities of the studied institutions allows the existence of destructive entrepreneurship in the form of counterfeiting and IP-piracy unhindered and unpunished. That, in turn, leads to an increase in the level of the indicated violations and, accordingly, to such possible consequences as the reduction of international collaboration. In particular, the collaboration of the Swedish-Russian enterprises, analyzed in this research.

7.2. Generalized Conclusions

Interfirm relationships occur in a context of surrounding institutional frameworks that shape and govern the economic behaviour in an "enormous variety of ways" (North, 1990; Abdi & Aulakh, 2012). Since institutional frameworks surrounding the firms vary across countries, relationships between firms residing in different countries are subject to multiple difficulties (Chan et al., 2008; Eden & Miller, 2004).
In this case, insufficient activity of analyzed institutions directly affects both internal business and international collaboration and lead to the fact that collaborative companies (Swedish – Russian or international, but related to Swedish – Russian business) working in Russia territory don't feel protected from IPR infringement.

The majority of enterprises, participating in this study, believe that state should take a set of measures for the foreign representatives could feel confident in the territory of the RF and Russian market would become even more attractive for foreign business.

Since only state can represent the interest of the whole society, the vision provided by state requires a corresponding institution – building and the institutional framework must encourage productive types of activity (Chang, 1994; Karlsson & Karlsson, 2002).

International trade is generally welfare improving of countries. But international specialization requires institutions to safeguard PR and IPR across international boundaries so that capital markets (as well as other kinds of exchange) can take place with credible commitment on the part of the players and their activities were not exposed to risks. Creating the institutions that will alter the benefit/ cost ratios in favour of cooperation in impersonal exchange (North, 1991; North & Fogel, 1993) as well as creating a set of institutions that generate an optimal degree of productive entrepreneurship in an economy is a not simple task and complex process (Karlsson & Karlsson, 2002). The main problems of this question require not only legal protection, but also competent management by state.

The opportunity of solving these problems can be achieved through essential adjustments to state and relevant institutions policy in all areas: legislation, law enforcement, the judiciary and the improvement of legal awareness. For the dynamic development of the whole process, all participants of legal relations should observe the balance and these relations should be regulated and create security assurances.

Success in fostering a global environment more conducive to the protection of Intellectual Property Rights can be implemented through international cooperation and for countries with ineffective or not sufficiently effective institutions, trading partners with strong institutions can offer a path that circumvents the barriers to growth and development (Lallerstedt & Krassén, 2015; Creane & Jeitschko, 2016). That also can be called one of the advantages of international collaboration both for the countries considered in this study, and for countries in the whole global world.
8. Ideas for Future Research

In this work were considered not all Russian institutions, providing control and protection against the IP infringements. Institutions that have been investigated here are among the most important. Nevertheless, for creating a complete picture of objectivity, it may be recommended to analyze the Institution of Information Technology Management, Federal Customs Service and Institution of Ministry of Culture, responsible for Internet regulation in Russia. The activities of which are no less crucial in the process of control and combating against counterfeiting and IP piracy.

Moreover, during interviews among the responses, obtained from firms and companies, in addition to answers to questions asked, a number of their own responses were received. There were interesting reflections that not only state should conduct controlling and counteraction measures, but also enterprises (firms and companies) themselves should be involved. Effective organization of their activities can provide considerable assistance to the state and relevant institutions in this process and can be recommended as a topic for new studies.

Besides, according to abductive approach, used in the work, both proposition and hypotheses can be suggested as ideas for further research.

Based on the data obtained from analysis, it follows that in solution of investigated issues the informal institutions play a more significant role than formal ones. At the moment, this data is only preliminary hypothesis, requiring more in – depth verifications. Therefore it might be advisable in further researches to pay the close attention specifically to this group of institutions.
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Appendix

Interview Guide

Block 1: Basic questions

1. Working in the Russian branch of your international enterprise do you have faced in yours activities with:
   • counterfeit pharmaceutical products or spare parts for medical equipment? (for Industry of Production of Medical Equipment and Pharmacological Industry)
   • counterfeit cosmetic ingredients which can be included in the products of yours brand (for Cosmetics Industry)
   • counterfeit automotive spare parts (for Auto Industry)
   • pirated software, or counterfeit spare parts for computers? (for Software Industry)
     a) Yes
     b) No

2. If met, so how do you deal with these problems? (Deliberately open question, allowing representatives to explain their actions themselves)

3. Do you think that these problems affect on:
   a) Company's effectiveness
   b) Company's image
   c) Investment attractiveness and international collaboration
   d) Development of innovation

4. If "Yes", at what level?
   a) Significant
   b) Average
   c) Insignificant

5. Do you think that counterfeiting and IP piracy is a problem in the country?
   a) Yes, on a large scale
   b) Yes, but not on a large scale
   c) No
   d) Difficult to answer

Block 2: Causes

6. Why do you think this is happening?
   a) By reason of lack of information about liability
   b) By reason of unavailable prices for licensed products
   c) By reason of the people's mentality
d) Own answers

*Block 3: Suggestions*

7. Do you think that in order to combat these violations, the state needs:
   a) Amend legislation
   b) Improve activities of executive and supervisory bodies
   c) Improve the explanatory and educational activity
   d) Own answers

*Block 4: Additional questions*

8. Can we use yours answers as:
   a) Official source
   b) Anonymous source?