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# RUSSIAN DESK

## Infringement of a trademark as grounds for its inclusion in the customs register: new clarifications of the Supreme Court of the Russian Federation

### Crux of the issue

When selling products in Russia, foreign manufacturers and their Russian subsidiaries have to deal with the issue of counterfeit products. This can be both parallel imports when original products are imported in circumvention of the official importers, and also the import of fakes – imitations labelled with the trademark of the rights holder.

One way to fight counterfeiting is to include the trademarks in the Customs Register of Intellectual Property<sup>1</sup> (the „**Customs Register**“) which is maintained by the Federal Customs Service of Russia (the „**Federal Customs Service**“).

In 2019 the customs authorities identified over 11 million counterfeit products and prevented damages of RUB 8 billion that might have been caused to the rights holders.<sup>2</sup>

Accordingly, the volume of counterfeit products imported into Russia remains significant, which is forcing a number of rights holders to think seriously about the need to enter trademarks in the Customs Register.

During the entry of a trademark in the Customs Register, the rights holder must prepare and submit to the Federal Customs Service a fairly considerable set of documents. An exhaustive list of these documents is enshrined in Administrative Regulation No. 131.<sup>3</sup>

At the same time, one of the most problematic issues concerns the requirement enshrined in Clause 19.3 of Administrative Regulation No. 131, which stipulates that the application for the inclusion of a trademark in the Customs Register must contain information on the products, whose import into Russia *would result in an infringement of trademark rights that is sufficiently detailed to enable the customs authorities to identify such products.*

This implies the following: initially the rights holder collects evidence that an infringing party imported a counterfeit product labelled with the trademark of the rights holder, and only then acquires the right to apply to the Federal Customs Service for the inclusion of the trademark in the Customs Register.

The failure of applicants to comply with this requirement has frequently served as the grounds for the adoption of a decision by the Federal Customs Service to refuse to include the trademark in the Customs Register.

If a corresponding dispute has moved to the court stage, then the courts, taking their cue from the Federal Customs Service and refusing the entry of the trademark in the Customs Register, have more often than not cited the norm of Clause 3, Part 2 of Article 306 of the Law On Customs Regulation<sup>4</sup>, which states that an application for the inclusion of a trademark in the Customs Register must contain *information that is sufficiently detailed to enable the customs authorities to identify products, whose import or export jeopardises the rights holder through the infringement of their legal rights.* For example, the Commercial Court of the City of Moscow, citing the provision of this Article in its decision<sup>5</sup>, adds that a corresponding application, which does not contain information on products that have indicia of counterfeit products, should not be considered by the Federal Customs Service.

<sup>1</sup> <http://customs.ru/registers/objects-intellectual-property>.

<sup>2</sup> <http://customs.ru/press/federal/document/229933>.

<sup>3</sup> Administrative Regulation of the Federal Customs Service on the Provision of State Services regarding Maintenance of the Customs Register, approved by Order No. 131 of the Federal Customs Service dated 28 January 2019.

<sup>4</sup> Federal Law No. 311-FZ dated 27 November 2010 „On Customs Regulation in the Russian Federation“ (version dated 29 December 2017) („**Law On Customs Regulation**“) has at present lost legal force, but when in force contained provisions similar to the aforementioned provisions of Administrative Regulation No. 131.

<sup>5</sup> See: Decision of the Commercial Court of the City of Moscow dated 5 April 2018 in case No. A40-3595/2018.

At the same time, the difficulties faced by applicants related to the indicated requirement of Administrative Regulation No. 131 are understandable, as the applicants (the rights holders of trademarks – private companies) do not have any coercive powers and frequently are not in a position to independently conduct such an „investigation“ and identify infringements of rights to their trademarks, which happened specifically when the products passed through customs control. It should be noted here that the customs authorities refuse to provide rights holders with the information at their disposal on imports into the Russian Federation of products labelled with trademarks owned by such rights holders, and also on the persons performing such actions even if such requests have been drafted as attorney requests.

As a result, recently a situation has developed in Russian law enforcement and court practice where the access of rights holders to the state service regarding the inclusion of trademarks in the Customs Register would be subject to material restrictions, whose legality required a legal assessment by the competent authority.

## Resolution of the problem – position of the Supreme Court of the Russian Federation

The Supreme Court of the Russian Federation articulated its position on the aforementioned problem in the case of *OOO Trivurum-XXI versus the Federal Customs Service*<sup>6</sup> on a challenge of a decision of the Federal Customs Service to refuse to include the trademark in the Customs Register.

The Supreme Court of the Russian Federation defended the entrepreneur and stated<sup>7</sup> the following:

- Interpretation of Clause 25 of the Administrative Regulation of the Federal Customs Service on the exercise of state functions regarding maintenance on the Customs Register,<sup>8</sup> to demand the submission, together with the application, of additional information on infringements of the rights of rights holders which have already occurred, is incorrect, as it is at variance with the goals of measures aimed at protecting intellectual property rights.
- Otherwise the actions of the customs authorities regarding maintenance of the Customs Register would only be related to instances where infringements have already occurred, which renders meaningless the introduction of a Customs Register as means that facilitate the identification and prompt prevention of infringements and the protection of the rights of rights holders.

In other words, the RF Supreme Court deemed as incorrect the position of the Federal Customs Service whereby the inclusion of trademarks in the Customs Register is contingent on the submission by the applicants of information to the Federal Customs Service on infringements of their rights to these trademarks that have already happened.

The cited position of the RF Supreme Court was also supported by its Presidium, which refused the request<sup>9</sup> of the Federal Customs Service to transfer the supervisory appeal against the aforementioned ruling for consideration at the court session of the Presidium of the RF Supreme Court.

Practical application of the indicated position by corresponding state authorities (first and foremost, the Federal Customs Service) should result in simplification of the procedure for including the trademarks in the Customs Register, and as a result ensure in Russia the best protection of the rights of rights holders to trademarks in particular and to intellectual property in general, whose legal protection is guaranteed in Article 44 of the Constitution of the Russian Federation.

## First reaction of the state authorities

At the same time, at the time of writing of this Article (July 2020), the Russian state authorities had still not had time to absorb in full the indicated position of the Supreme Court of the Russian Federation.

The indicated opinion is based on official clarifications<sup>10</sup> obtained by BEITEN BURKHARDT from the Federal Customs Service and the Ministry of Finance of Russia in response to the requests that we sent. Unfortunately, the substance of the indicated clarifications is to a large extent at variance with the aforementioned position of the Supreme Court of the Russian Federation.

Consequently, the preparation of the application of the rights holder to the Federal Customs Service for the entry of the trademark in the Customs Register as in the past requires qualified legal support in order to mitigate the likelihood that customs authority may refuse to include the trademark in the Customs Register.

<sup>6</sup> The card file of the case is available at the link: <https://kad.arbitr.ru/Card/6cdbc393-9f75-47c4-bacc-6e529ea61170>.

<sup>7</sup> You can study the full text of Ruling No. 305-ES19-17108 of the Judicial Panel for Economic Disputes of the Supreme Court of the Russian Federation dated 22 January 2020 in case No. A40-241863/2018 by clicking on the link: [https://kad.arbitr.ru/Document/Pdf/6cdbc393-9f75-47c4-bacc-6e529ea61170/8c2fb6b5-05b3-4b1b-be31-b79a89a28bfa/A40-241863-2018\\_20200122\\_Opredelenie.pdf?isAddStamp=True](https://kad.arbitr.ru/Document/Pdf/6cdbc393-9f75-47c4-bacc-6e529ea61170/8c2fb6b5-05b3-4b1b-be31-b79a89a28bfa/A40-241863-2018_20200122_Opredelenie.pdf?isAddStamp=True).

<sup>8</sup> It was approved by Order No. 1488 of the Federal Customs Service of the Russian Federation dated 13 August 2009, has at present lost legal force, but when in force contained provisions similar to the aforementioned provisions of existing Administrative Regulation No. 131.

<sup>9</sup> You can study the full text of the document by clicking on the link: [https://kad.arbitr.ru/Document/Pdf/6cdbc393-9f75-47c4-bacc-6e529ea61170/856f0137-fb0f-4088-af7b-46338115f504/A40-241863-2018\\_20200608\\_Opredelenie.pdf?isAddStamp=True](https://kad.arbitr.ru/Document/Pdf/6cdbc393-9f75-47c4-bacc-6e529ea61170/856f0137-fb0f-4088-af7b-46338115f504/A40-241863-2018_20200608_Opredelenie.pdf?isAddStamp=True).

<sup>10</sup> Copies of the indicated clarifications are at the disposal of BEITEN BURKHARDT.

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