



Faculty of Economics, University of Niš, 16 October 2015

International Scientific Conference

**CHALLENGES IN BUSINESS AND ECONOMICS:
GROWTH, COMPETITIVENESS AND INNOVATIONS**

CUSTOMS PROTECTION OF INTELLECTUAL PROPERTY IN THE EURASIAN ECONOMIC UNION

Olga Vladimirovna Shishkina*

Aleksei Mikhailovich Sorokin*

***Abstract:** The article discusses the system of customs protection of goods containing intellectual property assets in the Eurasian Economic Union. It provides a hierarchical system of the Union's and the Member States' legislation to protect rights to intellectual property during cross border movement of goods. It analyses customs protection processes and reveals their basic stages.*

***Keywords:** The Eurasian Economic Union, intellectual property, customs control, Customs Register of intellectual property assets, ex officio.*

1. Introduction

The Eurasian Economic Union (EEU) was established in accordance with the Treaty on the Eurasian Economic Union, signed in Astana on May 29, 2014. It became effective on January 1, 2015. At that time, the EEU included four states: Russia, Kazakhstan, Belarus and Armenia. In May 2015 they were joined by Kyrgyzstan.

The EEU Treaty's Section 23 deals with intellectual property [1]. The activities of the EEU Member States shall be carried out in accordance with the rules of the following basic international treaties and agreements:

1. Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886 (amended in 1971);
2. Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure of April 28, 1977;
3. The Treaty of the World Intellectual Property Organization on Copyright of December 20, 1996;
4. The Treaty of the World Intellectual Property Organization on Performances and Phonograms Treaty of 20 December 1996;
5. The Patent Law Treaty of 1 June 2000;

* Russian Customs Academy, Russia; ✉ otk-olga@list.ru, sorokinalexmih@gmail.com
UDC 347.77

6. The Patent Cooperation Treaty of June 19, 1970;
7. Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms of 29 October 1971;
8. Madrid Agreement Concerning the International Registration of Marks of April 14, 1891 and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of 28 June 1989;
9. International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 26 October 1961;
10. Paris Convention for the Protection of Industrial Property of March 20, 1883;
11. The Singapore Treaty on the Law of Trademarks on March 27, 2006.

Member states that are not parties to these international agreements, undertake to accede to it.

The areas of cooperation between the member states in the field of protection of intellectual property assets (IPA) also include provision of effective customs protection of intellectual property by keeping a single customs register of intellectual property assets of the member states (SCRIPA). At the same time, no other information about the customs protection of IPA rights is contained in the treaty.

Effective protection of IPA rights as part of international economic integration has much to do with a number of additional complications regarding the conditions of one country [2].

2. The System of the EEU Legislation in the Field of Customs Protection of Intellectual Property Rights

Customs protection of rights to IPA is a constituent element of intellectual property protection provided under the EEU [3]. The customs authorities of the EEU member states have the right to take action against goods containing copyright and associated rights, trademarks, service marks and the names of products places of origin.

The system of the EEU legislation in the field of customs protection of intellectual property rights is complex and multilayered. Despite the fact that the EEU Treaty contains a provision for harmonizing the member states' legislation in intellectual property protection and enforcement, it has not been implemented yet. The only common system is that of principles and international agreements which serve as a basis for further implementation of customs protection of intellectual property rights.

Dramatic contradictions in the provisions of the legislation are best illustrated by its key principle - exhaustion of exclusive rights. The EEU member countries pursue different principles of exhaustion of exclusive rights to intellectual property. Russia and Belarus use the territorial principle which means that the right to import original goods from other countries belongs solely to the holder of the right or his authorized distributor. In this context, we are talking about original goods as opposed to counterfeits, i.e., goods produced by the owner of an intellectual property asset. Kazakhstan and Armenia adhere to the international principle which says that the exclusive right of a holder of the right is considered to be exhausted in respect of a specific product at the time when it is first introduced into circulation in any country. Consequently, commercial movement of goods

Customs Protection of Intellectual Property in the Eurasian Economic Union

between countries is practically unlimited. The EEU member states embrace the regional principle – that of free movement between states.

Let us consider in more detail the hierarchy of the legislation in the field of customs protection of intellectual property rights, which exists in the EEU.

On the first international level are the conventions and treaties, the cornerstone of which is the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter - TRIPS) that organizes and summarizes the provisions contained in the various conventions and agreements on intellectual property rights. The main TRIPS provisions are reflected in a variety of regulatory legal acts of the EEU and its member states.

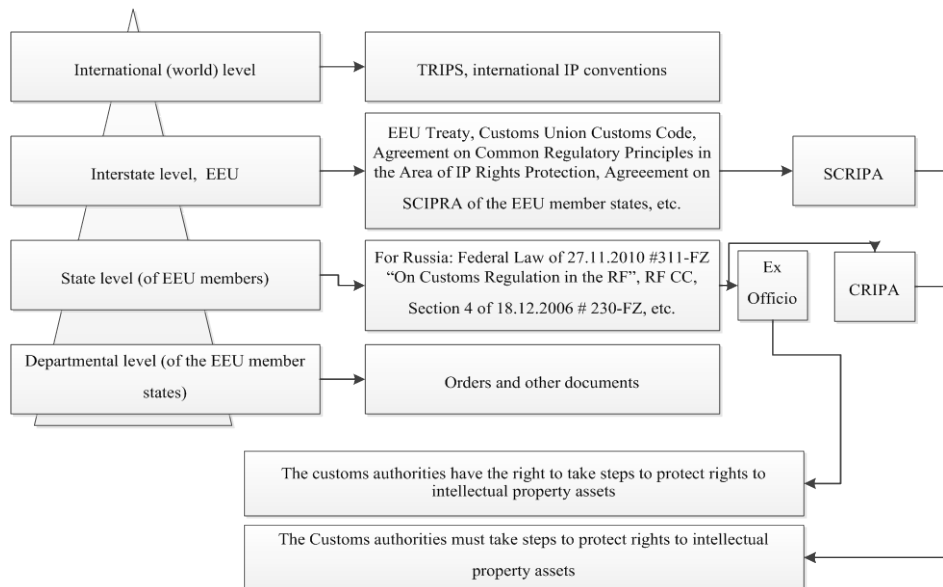


Fig. 1. The system of legislation in the field of customs protection of goods containing intellectual property

In addition to the EEU Agreement as such, there are a number of other key documents including the following.

1. The Agreement on Common Regulatory Principles in the Field of Protection and Enforcement of Intellectual Property Rights (hereinafter, the Agreement). It is directed at unifying regulatory principles in the area of protection and enforcement of intellectual activity and means of individualization of goods, works and services. [4] It is necessary to draw attention to the following important fact: only a minor portion of IPAs provided for by the Civil Code may be subject to customs protection of intellectual property rights (copyrights, associated rights, trademarks, service marks, names of products places of origin of goods).

2. The Customs Code of the Customs Union (CU CC) and to be more specific Chapter 46. The CU CC will remain the main document regulating the procedure of customs protection of intellectual property rights in the EEU until 2016 when the EEU Customs Code is expected to take effect. But it is also limited to general provisions of the

subject matter [5]. The direct procedures for customs authorities and their terms of reference are determined in the lower tier of legislation – on a national level. The CU CC reflects almost all of the TRIPS requirements (See Table. 1)

Table 1. Reflection of the TRIPS requirements in the Customs union customs code.

TRIPS REQUIREMENTS	Reflection of TRIPS Norms in the articles of the Customs Code of the Customs Union
Suspension release of goods into circulation by the customs authorities	Art. 331
Statement	p. 1 Art. 330
Security or an equivalent guarantee	Indirectly p. 3 Art. 330
Notice of suspension	p. 2 Art. 331
Duration of suspension	Art. 331
Compensation of damages to the importer and owner of the goods	It is contained in other legal acts
The right to inspection and information	Art. 333
Ex officio actions	p. 4 Art. 331
Legal remedy	It is contained in other legal acts.
Importation of inconsiderable amount of goods	p. 2. Art. 328

Thus, the general system of the EEU legislature, if not the Customs Code, reflects all of the TRIPS requirements. The presence of the EEU single customs register of intellectual property assets (SCRIPA) is also secured on the inter-state level.

On a national level, each EEU state member has the right to apply its own rules as long as they do not contradict the EEU legislation [4].

3. Process of Customs Protection of Intellectual Property Rights

In terms of methods used in customs protection of intellectual property rights, the process of customs protection of these rights can be divided into several phases and be represented graphically on the basis of a process approach, where each process includes several subprocesses. 2. It may be noted that this scheme employs a process approach with an output, input and a set of processes, actions or operations to convert inputs into outputs. The ISO 9000 quality management standards also suggest a process approach. As seen in Figure 2, the process of customs protection of intellectual property rights is cyclical and terminated only when an IPA is excluded from the CRIPA.

Stage I begins when the right holder decides to resort to customs protection of his intellectual property rights and requests the customs authorities that he be included in the CRIPA. At this stage, the main steps are to file in and process an application and to sign license contracts (or get approvals) for third parties to enable them to use the right holder's intellectual property assets. At this stage, the customs authorities do not have to exercise any real protection of intellectual property rights. [6]

Customs Protection of Intellectual Property in the Eurasian Economic Union

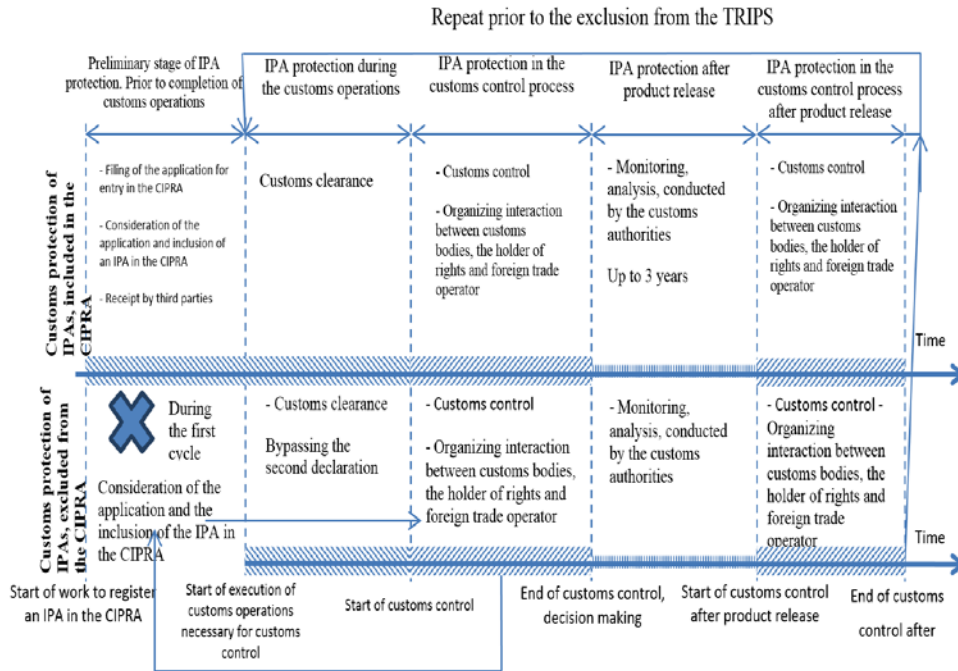


Fig. 2. IP customs protection process

The system of customs registers of IPAs (CRIPA). We can say that structurally it is unique and unparalleled. This is due to the historical process of its formation, which has been going since the inception of the Customs Union. Figure 3 shows the evolutionary development of the EEU SCRIPA system. Initially, there are several independent registers. Each member country of the Eurasian economic Union, formerly the Customs Union, kept its own CRIPA and applied it its section of the customs border. The CCIPA, a single customs register of intellectual property assets, was established to create a unified system of customs protection of intellectual property rights along all the extent of the customs border of the Customs Union (later EEU) and to form a unified list of controlled IPIs.

As an institution, it was, however, a failure. This is proved by the fact that it has not registered a single intellectual property asset in the past five years since it was founded. There are several reasons for this. First, as can be seen in Figure 3, the potential CRIPA volume is extremely small. The single register may include the following IPA types: items of copyright and associated rights, trademarks and service marks. The next condition for including an IPA in the CRIPA is that it should be legally protected in every EEU countries. To be incorporated into the SCRIPA it is necessary to provide an insurance policy to the tune of more than P10 000. It is needed to cover customs applicants' potential costs incurred as a result of copyright holder's actions. However, this policy must be valid in all the EEU countries. Currently, there are simply no companies capable of providing such a policy.

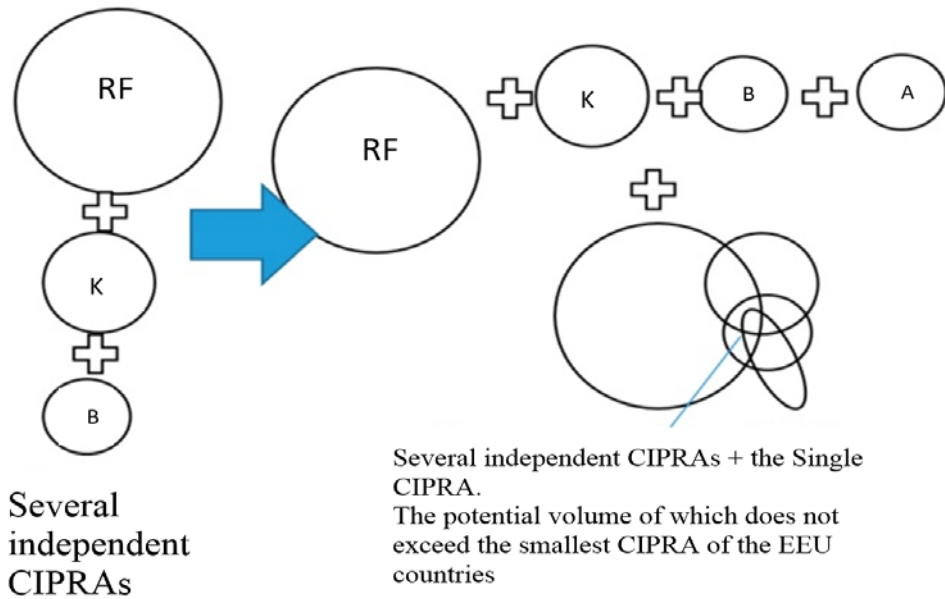


Fig. 3. CRIPA evolution in the CU (EEU) countries

Another impediment to the efficient functioning of the SCRIPA is the decision making process concerning the inclusion of an IPA in the registry. Each right holder's application is checked by the customs authorities of every EEU country on the basis of its national legislation. Moreover, the national laws are not limited exclusively to the customs legislation. Also of great importance are legal acts regulating general issues of intellectual property rights protection. To decide on IPA inclusion in the SCRIPA it is necessary to have a positive decision by the customs authorities of the EEU countries. Thus, the application must simultaneously meet the requirements of all the national legislations. In these circumstances, the logical step would be to form uniform rules and principles for validation of a right holder's application.

In this respect, SCRIPA is a procedure for a compliance checkup in the relevant legislation of the EEU countries rather than a common register. If we are to consider SCRIPA as an IPA registration process instead of a register, SCRIPA alone enables the right holder to apply once for the incorporation and make a commitment of compensation. At the same time, the right holder still must know and comply with all the nuances of the EEU national laws.

The EEU countries' national CRIPAs are very similar in structure. It is important to note that Armenia's CRIPA does not include data on goods, which carry IPA protection. In fact, it is assumed that an IPA entry should be protected in all categories of goods to be moved. While other countries make an IPA eligible for customs protection only if they are used in certain goods specified under the Customs Commodity Code. In respect to other features it may be noted that Kazakhstan's method consists in indicating the name of goods, the class of the Nice Classification of goods and the Customs Commodity Code in one column, while in Russia and Belarus this information is given in different columns. It

Customs Protection of Intellectual Property in the Eurasian Economic Union

should be noted that indicating data of different nature - name and code - in one box makes it difficult to navigate and search the register.

When entering an IPA in all the CRIPAs except for the Armenian one, it is required to provide the right holder's obligation to compensate property damages. The minimum amount is set to be P 300 000 (about €5 500) in Russia [7], whereas Kazakhstan uses a floating base for calculations – 1 000 times the monthly calculation index – 1982 for 2015 [8] which, according to the current exchange rate, equals about €9 800, with the same €10 000 level set for the Belarus CRIPA and the SCRIPA [9, 10].

In Armenia, these commitments are available upon on the basis of tariff protection to the tune of 5% of the customs value of goods suspended. A significant advantage of this approach lies in the fact that the right holder does not deposit any security prior to the actual customs protection of intellectual property rights during the customs control. It should be understood that a bank guarantee, which is the main way of securing the right holder's obligation, is not free of charge. When introducing an IPA in any EEU country's CRIPA, the right holder might not actually receive customs protection even after he has paid money for the bank guarantee. On the other hand, the system used in Armenia requires that a right holder should have extra funds constantly available to be able to resort to customs enforcement of his IP rights.

As of January 1, 2015 the RF CRIPA contains 3 556 registered items, 99% of which are trademarks. There are about 550, 300 and 150 in Kazakhstan, Armenia in Belarus, respectively.

Stage 2 begins with the customs operations required for customs control. The IPA is expected to have been entered in the CRIPA by now. The operations under consideration include, in the first place, customs declaration. These features are defined as rules of filling in the GD boxes and requirements for the documents to be submitted.

Stage 3 is customs control per se. At this stage, a separate element can be singled out which is aimed at organizing and promoting cooperation between the customs authorities, a foreign trade operator and the right holder. This is a very important element because it is the right holder who ultimately decides whether the goods have been counterfeited. This stage helps identify a crime and/or an offense and prevents counterfeit goods from being moved through the customs border.

Since the customs bodies of each EEU member state have their own specific actions in intellectual property protection, it is advisable to consider the system of all the states. The procedural rules for Russia's customs bodies for the protection of IPA rights are contained in the Federal Law 311-FZ "On Customs Regulation in the Russian Federation" dated 27.11.2010.

Conventionally this scheme can be divided into several stages:

1. Determining whether goods show signs of being counterfeit.
2. Checking if they do not belong to the exceptional goods, i.e., in respect of which the customs authorities shall not apply IP protection.
3. Determining if an IPA has been entered in any of CIRPs.
4. Further actions are performed taking into account the fact whether the goods have been included or excluded from the register.

5. Notification of the copyright holder.
6. Further action depends on the actions by the copyright holder.

Similar customs control is conducted in respect to IPAs containing goods entered in the Kazakh, Armenian and Belarusian registers. This is due to the fact that they use a common regulatory framework of the CU customs code, which is a limiter for differences in the EEU member states' laws. There are slight differences in the documents, but the general scheme remains the same.

In case an IPA containing product is found to have signs of being a counterfeit, the release of such goods shall be suspended for a period of not more than 10 days. In some cases, this period may be extended by another 10 days. In case goods showing signs of being counterfeit and excluded from the CRIPA are found in countries that use the ex officio authority, they are also suspended, though the suspension terms vary from one EEU country to another.

In Kazakhstan, the first term for suspending the release of goods, containing an IPA, off the register is 3 days, while in Russia it is 7 days. At the same time, Kazakhstan has a provision that if the customs authorities are unable to locate the copyright owner within 24 hours, the decision to suspend the release of goods is subject to cancellation. The Russian legislation has no such clause. The suspension decision shall be revoked only if the information about the right holder available to the customs authority has not been confirmed. This system reduces the risk of inconveniences to the applicant by shortening the term of release in case the right holder does not wish to resort to his rights protection or ignores requests from the customs authorities.

The ex officio principle does not apply in Belarus. Organization of customs control of goods containing IPAs which are in the register is similar to that in Russia and Kazakhstan.

Armenia does not use the ex officio principle, either. In general, the customs control procedures are similar, however when goods have been suspended it is necessary within three days to provide a security and other guarantee for the customs authorities' costs involved in suspended release of goods, as well as their obligations to indemnify any possible costs and losses of an individual who is moving or transporting the goods in question. The amount of compensation is determined by the customs official who has taken the decision to suspend the release of the goods, and it must be equal to 5% of the customs value of the goods suspended. These methods are based on the fact that during the entry of IPAs in Armenia's CRIPA a right holder does not have to present any obligation of compensation for possible damage, as it happens in other EEU countries. The amount of liability in Armenia turns differentiated by size, and also it is only required in case of actual customs protection of intellectual property rights. On the other hand, this calls for the right holder to have extra funds constantly available.

Upon completing the customs control and passing a decision on the release of the goods there comes a period of up to 3 years, during which the customs authorities have the right to conduct re-customs control after the release of the goods.

Completion of the control after the release of goods ends the process of customs protection of intellectual property rights by customs methods. However, as noted before, protection does not end per se and will continue because the protection process is cyclical.

Customs Protection of Intellectual Property in the Eurasian Economic Union

But there is no need for repeated passage through the preliminary stage as the IPA has already been included in the CRIPA.

There is a similar procedure for customs protection of IPAs, which have been excluded from the register in those countries where the ex officio powers are applied (Russia, Kazakhstan), except that there is no preliminary phase in which an IPA is entered in the register. However, should a right holder decide to resort to customs protection of intellectual property rights, it obliges him to apply for its entry in the CRIPA. Technically speaking, what happens is that things return to the very first stage. Although there is essentially no other action performed except for introduction of an IPA in the CRIPA. Likewise there is no repeat of customs declaration. After completion of all stages of customs protection everything concerning IPAs repeats itself starting from the second stage to the IPA included in the register, and then everything proceeds in line with the process scheme.

4. Conclusion

Thus, the customs protection of rights to IPAs in the EEU is a complex multilayered system. As a successor of the Customs Union, the system involves the use of a general "framework" outline of basic principles and implementation methods at the EEU level, while direct guidelines are formed by member states on their own. Despite the fact that the basic provisions fully reflect those of the TRIPS, the form of international economic integration leads to unique differences, such as, e.g. the hierarchical system of customs registries of intellectual property assets.

References

1. The Treaty on the Eurasian Economic Union (Signed in the city of Astana 05.29.2014).
2. Sorokin A.M. The Concept of Improving the Organization of Customs Control of Goods Containing Intellectual Property within the Framework of the Customs Union / A.M. Sorokin // Economics and Control Systems Management, 2015, №1.1 (15). - pp. 183-189. - ISSN 2223-0432.
3. Agamomedova, S.A. Administrative Mechanisms for Protection of Intellectual Property Rights by the Customs Authorities: a monograph. / S.A. Agamomedova. - Moscow: Publishing House of the Russian Customs Academy, 2012. - 186 p.
4. Agreement on Common Principles of Regulation in the Field of Protection And Enforcement Of Intellectual Property Rights On December 31, 2010
5. Customs Code of the Customs Union (Annex to the Agreement on the Customs Code of the Customs Union, it was decided the EurAsEC Interstate Council at the level of Heads of State of 27.11.2009 № 17).
6. Analysis of the current state of protection of intellectual property rights by customs practices within the Customs Union [Text]: research report / E.V. Yurieva; led by E.V. Yurieva.; under the charge of A.M. Sorokin; FCS PTA. - Lyubertsy, 2014. - 93 p.
7. Federal Law № 311-FZ of 27.11.2010 "On Customs Regulation in the Russian Federation."
8. Code of the Republic of Kazakhstan dated June 30, 2010 № 296-IV.

9. Agreement on the Single Customs Register of Intellectual Property Assets of the Customs Union Member States.
10. On Some Issues Concerning Customs Regulation, On the Implementation of Activities in the Field of Customs and Authorized Economic Operators: Belarusian Presidential Decree dated July 18, 2011 № 319 - Access: [http://www.pravo.by/main.aspx?guid=3871 & p0 = P31100319](http://www.pravo.by/main.aspx?guid=3871&p0=P31100319).

ZAŠTITA INTELEKTUALNE SVOJINE U EVROAZIJSKOJ EKONOMSKOJ UNIJI

Rezime: U radu se razmatra sistem carinske zaštite dobara koja se tiču intelektualne svojine u Evroazijskoj ekonomskoj uniji. Razmatra se hijerarhijski sistem zakonodavstva u Uniji i državama članicama kojim se obezbeđuje zaštita prava na intelektualnu svojinu tokom prekograničnog kretanja robe. Analiziraju se procesi carinske zaštite i otkrivaju njihove osnovne faze.

Ključne reči: Evroazijska ekonomska unija, intelektualna svojina, carinska kontrola, Registar sredstava intelektualne svojine, po službenoj dužnosti.