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## SOME ISSUES OF APPLICATION OF THE METHOD OF RECOGNITION OF RIGHTS IN PROTECTION OF CORPORATE RIGHTS (ON THE EXAMPLE OF A LIMITED LIABILITY COMPANY)

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### ANNOTATION

The article analyzes the legal and practical aspects of applying the method of recognition of rights in the process of protecting corporate rights using the example of a limited liability company. The article considers the importance of the method of recognition of rights in resolving corporate disputes, its effectiveness and the mechanism of application. The article considers the practical importance of the method of recognition of rights using examples of corporate disputes between LLC participants, disputes related to shares in the authorized capital, and disagreements in the activities of management bodies. At the same time, based on judicial practice, the necessary conditions for the correct application of the method of recognition of rights, its legal basis and problematic aspects are considered.

**Keywords:** participant, share, protection of rights, recognition of rights, corporate disagreements

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## КОРПОРАТИВ ҲУҚУҚНИ ҲИМОЯ ҚИЛИШДА ҲУҚУҚНИ ТАН ОЛИШ УСУЛИНИ ҚЎЛЛАШНИНГ АЙРИМ МАСАЛАЛАРИ (МАСЪУЛИЯТИ ЧЕКЛАНГАН ЖАМИЯТ МИСОЛИДА)

### АННОТАЦИЯ

Ушбу мақолада корпоратив ҳуқуқни ҳимоя қилиш жараёнида ҳуқуқни тан олиш усулини қўллашнинг ҳуқуқий ва амалий жиҳатлари масъулияти чекланган жамият мисолида таҳлил қилинади. Корпоратив низоларни ҳал этишда ҳуқуқни тан олиш усулининг аҳамияти, унинг самарадорлиги ва қўлланиш механизм ёритиб берилади. Мақолада МЧЖ иштирокчилари ўртасидаги корпоратив низолар, устав капиталидаги улушлар билан боғлиқ ихтилофлар ва бошқарув органлари фаолиятидаги келишмовчиликларга оид мисоллар асосида ҳуқуқни тан олиш усулининг амалий аҳамияти ёритилган. Шу билан бирга, судлар амалиётидан келиб чиқиб, ҳуқуқни тан олиш усулини тўғри татбиқ этиш учун зарур бўлган шарт-шароитлар, унинг ҳуқуқий асослари ва муаммоли жиҳатлари кўриб чиқилади.

**Калитсўзлар:** иштирокчи, улуш, ҳуқуқни ҳимоя қилиш, ҳуқуқни тан олиш, корпоратив келишмовчиликлар

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## НЕКОТОРЫЕ ВОПРОСЫ ПРИМЕНЕНИЯ СПОСОБА ПРИЗНАНИЯ ПРАВА ПРИ ЗАЩИТЕ КОРПОРАТИВНЫХ ПРАВ (НА ПРИМЕРЕ ОБЩЕСТВА С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ)

### АННОТАЦИЯ

В статье анализируются правовые и практические аспекты применения метода признания прав в процессе защиты корпоративных прав на примере общества с ограниченной ответственностью. Рассматриваются значение метода признания прав при разрешении корпоративных споров, его эффективность и механизм применения. В статье рассматривается практическое значение метода признания прав на примерах корпоративных споров между участниками ООО, споров, связанных с долями в уставном капитале, и разногласий в деятельности органов управления. При этом, на основе судебной практики, рассматриваются необходимые условия правильного применения метода признания прав, его правовые основы и проблемные аспекты.

**Ключевые слова:** участник, доля, защита прав, признание права, корпоративные разногласия

Corporate legal relations represent a specific component of civil legal relations, characterized by their unique features. The peculiarity of such relations lies in the fact that, although they are regulated by institutions of civil law, in certain cases they extend into the domain of administrative and other branches of law. For example, there are a number of legislative requirements—such as the entry into force of a company's charter and its amendments for third parties only after state registration - that are implemented through administrative procedures. At the same time, these procedures are closely connected with corporate legal relations and, in some cases, even arise from them. From this perspective, institutions of civil law do not always comprehensively encompass corporate relations. One such institution is the protection of rights.

Given the predominantly universal nature of civil law remedies, they are widely utilized in the protection of corporate rights as well. V. Vitryanskiy highlights the legal remedy of recognition of rights as one of the universal tools inherent in civil law that can also be applied within the framework of corporate legal relations[1]. Indeed, the recognition of a right, initially designed to safeguard civil rights, proves to be equally relevant and effective in the protection of corporate rights. In contrast, V. Gordon offers a procedural perspective on the remedy of recognition. He argues that claims for recognition should be interpreted as legal demands aimed at obtaining formal confirmation from the court regarding the existence of a legal relationship. According to this view, the primary objective is not the direct protection of a violated or contested right, but rather its formal identification and legal acknowledgment. Thus, the recognition of rights serves not only as a mechanism of protection but also as a means of establishing legal certainty within corporate legal relations[2].

The purpose of the legal remedy of recognition of corporate rights is to confirm that specific corporate rights indeed belong to a person whose rights exist within the framework of corporate legal relations but have not been formally acknowledged. This method of protecting rights is exercised exclusively through judicial procedures. The application to the court is formalized in the form of a claim, and the case is considered by the court as a dispute arising from civil legal relations. In the context of corporate disputes, claims for the recognition of rights often arise when an individual asserts their corporate rights—such as membership in a company—but those rights are not

acknowledged by other participants or the executive body. Typically, the defendants in such claims are the existing members of the company or its executive authorities. A common scenario involves a person acquiring a share in a LLC through purchase, donation, inheritance, or other legally permitted means. If the other members of the company refuse to recognize the new shareholder or deny their entry into the register of participants, the aggrieved individual may file a claim for the recognition of their corporate rights. Such recognition is essential to affirm the claimant's legal status within the company. These disputes also arise when the executive body refuses the shareholder's lawful requests to access information regarding the company's operations, including accounting books or internal documentation. In more severe cases, the individual may be physically denied access to the company's premises. In all such instances, the legal remedy of recognition serves as a mechanism to restore and affirm the individual's rights through judicial intervention.

Importantly, once the court grants such a claim, the resulting decision is binding not only on the named defendants but also on all other participants of the corporate relationship. That is, even if the claim is directed at one or several individuals, a favorable court ruling formally recognizes the claimant's rights vis-à-vis all stakeholders within the company. This ensures that the recognized person's interests are legally protected and must be taken into account in all relevant corporate processes and relationships. Such claims, therefore, are not solely aimed at rectifying the behavior of a particular violator but serve the broader function of safeguarding corporate rights and ensuring legal certainty within corporate structures. Judicial practice in this area illustrates the crucial role of courts in resolving internal corporate conflicts and enforcing the lawful distribution of rights among company members.

The legal remedy of recognition is applicable in situations where a right objectively exists but is not acknowledged by other parties involved in the legal relationship. In the context of corporate law, this remedy becomes relevant when an individual holds corporate rights—such as membership rights or rights to a share in the company—but those rights are not formally or practically recognized by other participants or the governing bodies of the entity. K. Skorobogatova emphasizes that the remedy of legal recognition for the protection of corporate rights can only be applied under two cumulative conditions:

Absence of a dispute over the share (or stock): The ownership of the share must be undisputed among the parties involved.

Lack of other effective remedies: The claimant must not have access to other legal remedies that could provide adequate protection of the right in question [3].

If either of these conditions is not met—particularly if the right itself does not exist—the application of the legal recognition remedy is inadmissible. This principle is firmly established in judicial practice, where courts are required to verify the existence or non-existence of the asserted right before proceeding with the case.

The legal recognition remedy, therefore, does not serve as a means to create or establish new rights. Rather, it functions to affirm and formally acknowledge the existence of a right that is already valid under the law but is being neglected or contested in practice. This doctrinal and practical approach ensures that the recognition of rights is used as a tool for clarification and confirmation within corporate legal relations, especially in cases where procedural uncertainty or refusal to acknowledge lawful entitlements poses a risk to the legal order and corporate governance. For example, in the case initiated by the claim of "IINN" LLC (hereinafter referred to as "the claimant") against STI (hereinafter referred to as "the defendant"), regarding the recognition of the claimant's rights to a 23.99% share in "HLP" LLC with a nominal value of 239.900 UZS owned by the defendant, the aforementioned legal situation can be observed.



It was established that the claimant and the defendant had entered into Loan Agreement No. 1 dated April 6, 2021, under which the claimant agreed to provide a loan in the amount of 1.052.000.000 UZS, and the defendant undertook the obligation to repay the loan together with a margin of 150.000.000 UZS. To secure the timely repayment of the loan, the defendant pledged their 98.99% share in “HLP” LLC, valued at 989,900 UZS. Clause 3.5 of the agreement provided that, in case of non-fulfillment of the obligations by the borrower, the lender would be entitled to register the pledged share in their own name through the Agency for Public Services of the Republic of Uzbekistan in accordance with the procedure established by law.

As the borrower failed to repay the loan and the claimant's attempts to formalize ownership of the share in their name proved unsuccessful, the claimant filed a claim in court seeking recognition of their right to the disputed share. However, the court of first instance dismissed the claim. This decision was subsequently reviewed by the appellate court, which upheld the lower court's ruling without modification[4].

The following is an excerpt from the reasoning part of the appellate court's decision:

“According to Article 11 of the Civil Code, when a right actually exists but cannot be exercised or is restricted, it may be protected by way of legal recognition. Recognition of a right eliminates doubts regarding the existence of that right for the person concerned. As one of the methods of protecting civil rights, legal recognition is applied when a person's subjective right is denied by another, which may lead to a legal dispute. In this case, the judicial panel finds no legal grounds for establishing the claimant's ownership right over the 23.99% share in the charter capital of ‘HLP’ LLC, with a nominal value of 239.900 UZS, which was pledged by T. Sabirov as collateral.”

Some legal scholars argue that, instead of seeking the protection of corporate rights through the legal remedy of recognition, such rights may be restored through mechanisms like the re-establishment of corporate control or the determination of share ownership. Although these remedies may appear similar at first glance, they are in fact distinct legal instruments with differing scopes and applications, and are not interchangeable in practice. In certain instances, a claimant may mistakenly choose one remedy instead of another; however, this may fail to produce the desired legal effect. For example, in a corporate dispute over the ownership of a share, the matter typically involves two or more individuals contesting which of them is the rightful owner of the same share. Such disputes are resolved through a claim for determination of ownership, where the court is asked to decide to whom the disputed share rightfully belongs. By contrast, in a dispute concerning the recognition of rights to a share, there is no disagreement over the share's ownership. Instead, the claimant's rights are being denied—either due to the unlawful transfer of the share to another person or due to internal corporate conflicts that lead to a refusal to acknowledge those rights. For this reason, A. Dobrovolsky emphasizes that in claims for the recognition of rights, the court's sole task is to determine whether the disputed subjective civil right exists or not. It is not within the scope of such claims to establish ownership in cases where there is an active dispute between multiple parties over the same share[5].

Some scholars argue that the legal remedy of recognition may be invoked even in the absence of an actual violation of rights. In particular, A. Kleinman and G. Gurvich maintain that an interested party has the right to file a claim for the recognition of a right even when the right is disputed but has not yet been violated, thereby allowing the party to protect their legal interests in court[6]. Article 256 of the German Code of Civil Procedure similarly permits the court to ascertain the presence or absence of a legal relationship between the parties, provided that the plaintiff has a legitimate legal interest in obtaining such a determination [7]. However, our position differs from the view expressed by the aforementioned authors. In our opinion, a prerequisite for applying the remedy

of recognition is the violation of a right. The mere possibility of a future violation cannot serve as a sufficient basis for invoking this legal remedy. Before filing a claim for recognition, the claimant must have a substantive legal claim against a participant in a disputed legal relationship, aimed at clarifying the existence or non-existence of a right [8]. Moreover, when such a claim is brought before the court, the identity of the defendant and the presence or absence of an actual dispute must be established as preliminary issues. These foundational elements determine the admissibility and procedural validity of the claim.

An examination of judicial practice concerning corporate disputes reveals that disputes related to recognition of rights are not categorized as a distinct group. Consequently, it is not possible to analyze court statistics specifically for this category of disputes, including their proportion among all corporate disputes, outcomes, and other related indicators. However, an analysis of cases involving recognition of rights demonstrates that courts apply legal norms with varying approaches, reflecting inconsistency in judicial interpretation and application.

For example, NI (hereinafter referred to as the plaintiff) filed a claim against SA (hereinafter referred to as the defendant), requesting the court to recognize the plaintiff's right to a 6.125% share in the limited liability company "NA" and to establish ownership of the share. It was established that the charter capital of "NA" LLC amounted to 66.164.131 sums, of which NI's share was 40.470.945 sums (61.17%), SA's share was 21.640.633 sums (32.71%), and LR's share was 4.052.553 sums (6.125%). According to a notarized share purchase agreement, the founder LR sold the 6.125% share he owned to the plaintiff. Accordingly, an extraordinary general meeting of the founders was held on December 1, 2023, to amend the founding documents the plaintiff presented the share purchase agreement dated June 21, 2023, to the defendant and proposed to amend the founding documents to reflect the increase of the defendant's shares by 6.125% due to the purchased share. However, the defendant opposed the transfer of the share to the plaintiff, asserting it was unlawful, and voted against the proposal. Consequently, the plaintiff filed a claim with the court seeking recognition of their rights.

The court of first instance satisfied the plaintiff's claim. The appellate court upheld this decision without changes. However, the recourse instance of the court annulled the lower court rulings and dismissed the plaintiff's claim [9]. The reasoning of the cassation court stated that the plaintiff's right to the share arose only upon the purchase of the share (i.e., from the date of the share purchase agreement), and that the agreement itself was considered the primary legal basis granting this right. Thus, the court concluded that the claim for recognition of rights should be dismissed due to the existence of the contract. In our opinion, in this case, the mere existence of the contract, although not recognized by other participants, justifies the plaintiff's claim for recognition of rights. Therefore, we believe that the courts of first and appellate instance were justified in satisfying this part of the claim. However, we consider that the courts failed to adequately substantiate the differentiation between the claims for determining ownership of the share and those for recognition of rights concerning the share, as these claims were treated as a single demand without proper reasoning.

In another case, the court examined the claim filed by BAV (hereinafter referred to as the plaintiff) requesting recognition of themselves as a participant holding a 35.546% share in the charter capital of "S" LLC, as well as the annulment of the decision of the general meeting of participants of "S" LLC dated December 4, 2018, on the grounds of invalidity. The court concluded that the plaintiff's claim to be recognized as a participant holding a 35.546% share in "S" LLC was not within the jurisdiction of the economic court and decided to terminate the proceedings [10].

It was established that BAV's claim was based on a will issued by their mother, recognizing the share in "S" LLC and accepting BAV as a participant. However, this claim was reviewed and rejected

by other participants of the company at the general meeting. Consequently, the plaintiff brought the matter before the court. In our opinion, this claim should be substantively examined and resolved by the economic court as a corporate dispute. This is supported by the second part of Article 30 of the Economic Procedural Code, which states that, in addition to the corporate disputes enumerated therein, other disputes may also be included.

Furthermore, point 22 of the Resolution of the Plenum of the Supreme Court of the Republic of Uzbekistan “On Certain Issues of Application of Economic Procedural Law by Courts of First Instance” clarifies that if a matter falls under the authority of other bodies (such as local administrations, notaries, etc.) rather than the courts, or if the claim is not aimed at protecting a legal right, the economic court shall terminate the proceedings.

In conclusion, it is important to emphasize that the method of recognition of rights plays a crucial role in corporate legal protection as a means of eliminating ambiguities in legal relationships, resolving disputes between parties, and ensuring stability in corporate relations. The application of this method, especially in the context of LLCs, is particularly significant in recognizing rights related to shares and in exercising and protecting the rights arising from them.

An analysis of judicial practice reveals certain complexities in the application of the recognition of rights method and demonstrates the existence of diverse approaches in the interpretation and application of the law. Consequently, this necessitates relevant clarifications by the Plenum of the Supreme Economic Court of the Republic of Uzbekistan regarding its decision on “Certain Issues of Resolving Corporate Disputes by Economic Courts.” Indeed, the correct application of the recognition of rights method in corporate legal protection not only ensures legal stability in corporate relations but also contributes to making the business environment more transparent and reliable.

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