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Intellectual Property in "KAZAKHSTAN +"



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Kazakhstan, bordering with China on the South and with Russia on the North and being the Central Asian leader in natural resources and industry, for many companies is a gateway for business in other Central Asian Republics, such as Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Kazakhstan roughly equal in size to five states of France is a valuable potential key player in world oil and gas markets, it is a major world source of coal, copper, iron ore, chromium, magnesium, lead, zinc, silver, and uranium and has notable reserves of gold, molybdenum, titanium, and others.

In various cases intellectual property ("IP") is one of the most important areas for initial entering the market of the region, and registration of trademarks and patents and other IP rights is a big step towards the market and wise care of company' assets even without a physical presence of the company.

Furthermore, registration of trademarks and patents is a must in these countries if your company cares about its trade name, image and IP value of its assets, as without such a registration no protection can be gained or IP rights enforced, which is often necessary in this region.

Kazakhstan is a member of Paris Convention, Madrid Agreement, PCT, and others. It has developed a system of IP rights protection, including the Patent Law, Law on Trademarks; Administrative Code and Criminal Code provide administrative and criminal liability for infringement of the IP rights. It is currently facing its domestic market abound with counterfeit

goods, thus intellectual property rights require effective protection. Law enforcement bodies frequently encounter relatively good copies of the goods containing IP belonging to others, however rough fakes also exist. In this case not only IP are violated, but also the rights of consumers who purchased goods of poor quality, which may endanger their health or even life. Other frequent violations in Kazakhstan are piracy of trademarks and copyrights. While Kazakhstan legislation provides broad protection to IP, particular areas remain underdeveloped and enforcement generally remains a problem.

IP under Kazakhstani legislation, is (1) an exclusive right of an individual/company to results of intellectual creative activities and (2) means of individualization of a company, production of an individual/company, works performed or services rendered thereby (trade name, trademark, service mark, and appellation of goods origin).

An exclusive right to the result of intellectual property activity or means of individualization is a property right of its owner to use the IP object by all means and at his/her discretion. Other persons would be allowed to use exclusive rights objects only subject to the owner's consent.

Our practice in Kazakhstan and other CIS countries has shown that western companies pay very little attention to the preventive protection of their rights on the new markets, ignoring to register inventions, and more often trademarks, well in advance.

In order to protect a trademark or patent from the infringements, first of all the owner of such IP objects needs to ensure their appropriate registration. Absence of the registration can easily permit violation of the IP right. Foreign individuals or companies may apply for registration of IP objects only through a registered patent attorney (patent agent).

Owner's consent is granted by way of either a license agreement or an assignment agreement.

Pursuant to a license agreement an owner of an exclusive right to results of intellectual creative activity or means of individualization (licensor) grants to the other party (licensee) a right to temporarily use the relevant object of intellectual property.

The Intellectual Property Rights Committee of the Ministry of Justice of the Republic of Kazakhstan (the "IPR Committee" or "Kazpatent") is an authorized state agency for intellectual property matters. The IPR Committee is responsible for registration of IP objects and implementation

of the state policy in relation to protection of copyrights, inventions, utility models, industrial designs and other intellectual property items; issuing copyright, patent and trademarks certificates, and recognition of marks as well-known.

National Institute of Intellectual Property ("NIIP") accepts applications for issue of patents for inventions, utility models, industrial designs, as well as for registration of trademarks and carries out their expertise, maintains State IP Registers and arranges official publications.

In Kazakhstan and some other CIS countries IP rights also enjoy protection of customs authorities, which maintain a register of goods containing IP objects. Such goods are included into such register upon applications of IP owners. Given that the customs authorities may only suspend the release of goods contained in the register and that the procedure of inclusion of the goods into the register is complicated, we note that protection of IP rights by the customs authorities is considered somewhat ineffective. However, in several cases we managed to prevent importation of counterfeit products in Kazakhstan.

The term "violation of intellectual property rights" was clarified and is now defined as illegal use of copyrights, inventions, utility models, industrial designs, trademarks or appellations of origin, appropriation of copyright, etc.

Violators of IP rights are subject to civil, administrative or criminal liability, depending on gravity and consequences of violation. Particularly, criminal liability is incurred for illegal use of trademark with the severest sanction being correctional labor for up to two years. Further, illegal use of inventions, utility models, industrial designs, selection achievements or topologies of integrated circuits may incur punishment with up to five-year imprisonment with confiscation of property. Similar legislation have other Central Asian Republics of the CIS.

Trademarks

When entering the CIS market and registering trademarks the companies need to take into account the following peculiarities. All of the CIS countries are rather "first to file", than "first to use" countries. It means that even in the case of a widely known but unregistered mark, the mark (1) may be used by any person, and, what's more, (2) be registered by any person in his name. "Unregistered" means "unprotected".

We strongly recommend registering marks in advance in any CIS country where the said marks are expected to be used or where there is a

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possibility of using it by any third person. It should be kept in mind that sometimes the registration procedure may last as long as two years.

It should be noted that unlike in the USA and some other countries, which are a party to the Madrid Protocol, Kazakhstan and Tajikistan are parties only to the Madrid Agreement, and accordingly, American companies may only directly apply for registration of their trademarks in Kazakhstan's and Tajikistan's Patent Offices and only through the Kazakh and Tajik patent attorneys. Normally such registration of trademarks takes about 18 months.

Once registered the trademark needs to be used primarily on goods and in rendering services. If a registered trademark remains unused for more than three years its registration can be cancelled, while the trademark can be taken by any interested person.

Well-Known Marks

The other way of protecting marks in the CIS is to have them recognized as famous and well-known. This strengthens protection and increases the value of marks, requires no prior registration, as trademarks but is more time consuming and costly.

List of well-known trademarks in Kazakhstan includes such trademarks as Coca-Cola, Fanta, Sprite and Contour Bottle belonging to the Coca-Cola Company, and several other brands of non-US companies.

Trademark's recognition as well-known in Kazakhstan grants the following advantages:

1. well-known mark has the same level of protection as a regular registered trademark, but for the full range of goods and services, irrespective of its initial registration or use,
2. it is unnecessary to register a trademark before its recognition as well-known,
3. it is possible to prevent or terminate registration of a trademark that is identical or confusingly similar to a well-known mark with respect to any goods or services within five years of its registration,
4. the owner of a well-known mark has the right to take actions against infringers, including Internet infringers, with regard to any goods and services, and
5. in case of accounting trademarks in the balance sheet or its contribution into the charter capital, a well-known mark has significantly bigger value, which also allows its higher depreciation rate.

Well-known and famous U.S. trademarks are not automatically recognized

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as such in Kazakhstan and other CIS Republics and formal recognition is required.

As a rule the procedure of mark's recognition as well-known takes from nine to twelve months. In order to recognize a mark as well-known in Kazakhstan it is necessary to file an application with the IPR Committee. Actual information confirming that the mark is well-known must contain consumer poll results, which should be conducted at least in six cities of Kazakhstan and contain responses of not less than 3,000 people. Additional information confirming the mark's intensive use, volumes of sales of goods bearing the mark and other details may also serve as a confirmation of the fact that the mark is well-known.

The rights to a trademark or a well-known mark may be transferred to any person under an assignment deed or license both to be mandatory registered with the Patent Office.

Patents

According to the Kazakhstani legislation, two types of patents for invention are available:

1. so-called "innovative" patent which is issued for the maximal five years term from the application date and issued after formal examination of the application materials and examination of the invention for its local (Kazakhstan) novelty, and
2. patent valid for 20 years from the date of application for the patent (here - "Full Patent").

A patent application undergoes a two-stage examination. The formal examination shall commence in two months of the application date. If as a result of the formal examination it is established that the application refers to items protectable as invention, and documents comply with the established requirements, the positive decision of the formal examination shall be adopted. The formal examination normally takes four to five months (provided there are no requests from the examiner to the applicant).

Upon request of the applicant which is submitted after issue of the positive decision after formal examination, but not later than three months from the date of issue of the positive decision, Kazpatent shall conduct a substantive examination of the application. If the applicant fails to present this request within this period without a good reason, the patent application will be cancelled.

As a rule, at each examination phase (formal examination and substantive examination) the applicant may receive one or two requests, and it is a rare case when a third or fourth request is sent to the applicant.

In the event of a positive decision, a decision to grant a Full Patent is issued. Within six months of adoption of this decision, provided that the state duty is paid for issuance of the Full Patent, Kazpatent publishes an announcement of the issuance of the Full Patent.

The 20 years term of some Full Patents, subject to the permission of an authorized body (e.g. pharmaceutical patent), may be extended by Kazpatent on the request of the owner of the said Full Patent, for a period not exceeding five years.

The same procedure is applied for industrial designs, which are patented for 10 years with a possibility to extend the term for another five years.

Copyright

In most countries, lawmakers' approach to creating copyright and the exclusive right to related rights objects is the same. In Kazakhstan as well, copyright and related rights arise from the moment of their creation. Thus, copyright and related rights need no registration.

It is a common opinion that the only purpose of having copyright and related rights be registered is to confirm that, at the time of registration, the object in question has been in existence - this may be used as a proof, if and when a dispute arises.

In most countries, based on the above principle, such objects are not registered with state agencies. Instead, copyright and related rights are registered with institutions for collective management of property rights of authors and related rights holders, as is the case, for example, in Russia.

In Kazakhstan the IPR Committee registers the copyright and related rights, and issues a certificate of registration and record the object in the State Register of works protected by the copyright and related rights legislation. Normally, registration takes a month. The IPR Committee neither examines the materials filed by an applicant nor verifies the information stated in the application. Accordingly, data stated in the certificate are based on information supplied by the applicant, who shall be liable for the compliance with the rights of third parties.

Concurrently, the certificate of registration of a copyright or related rights object confirms that:

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- The registered and deposited object is indeed a copyright or related rights object.
- The IPR Committee has received it on the date shown in the certificate (an authorized state agency establishes a kind of priority that is a date no later than which the object was created).
- The object stated in the certificate is stored at the IPR Committee and can be compared with an opposed object.
- The individuals stated in the certificate have claimed a right to the registered and deposited copyright or related rights object.

Unless the contrary is proven, the certificate helps one fight pirates because the certificate serves as proof of existence of the said right and could be submitted to state agencies or court.

Also,

- Copyright or related rights objects can be used as collateral for the initial and subsequent public offering of securities.
- Property rights to copyright or related rights objects can be used as contribution to the charter capital of a company as intangible assets that make it possible to considerably increase the size of the charter capital. Also, copyright or related rights objects can be put in the books of a company with subsequent depreciation.
- Intellectual property objects, including copyright or related rights objects, can be used as pledge for loans.

When IP is used as collateral, contribution to the charter capital of a company, for accounting it in the books of a company, or as pledge, the IP objects should be assessed. Registration of copyright or related rights objects is important for their assessment, as it makes it possible to individualize the object assessed and establish its completeness.

Selection Achievements (Breeders' Rights)

Since the Kazakhstan law "On Protection of Selective Breeding Achievements" of 1999, the system of protection of such achievements, + including plant varieties, has not been noticeably amended.

We can say that now new plant varieties are adequately protected in Kazakhstan. The scope of a patent holder's rights corresponds to that provided for by the International Convention on the Protection of New Varieties of Plants (the "Convention") for the breeder. Given that the breeder and patent holder may be different, the selective breeding law provides a right for the plant variety breeder to be called as such arising out of his inalienable personal non-property right. The breeder is entitled

to compensation from the patent holder for use of his selective breeding products throughout the life of the patent. The selective breeding law provides for the minimum size of such compensation.

The Kazakhstan legislation and the Convention provide for the temporary legal protection of a new plant variety. The duration of protection complies with the Convention's provisions, and a patent's validity can be extended at the patent holder's request. Foreign entities and individuals currently enjoy the same rights as Kazakhstan legal entities and individuals.

In Kazakhstan, the IPR Committee and the State Commission for Testing of New Varieties of Agricultural Plants "Commission" are in charge of plant variety protection. The Commission examines new plant varieties as to substance, and based on its opinion, the IPR Committee grants a patent. The priority of application filed with the NIIP under the IPR Committee can be established as the date of filing the original application in a country member of the Convention.

[Yuri Bolotov -The Russia/Eurasia Executive Guide, July 2008](#)