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Enforcement of Trademark Rights in Kazakhstan



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Legal framework

Kazakhstan is the ninth largest country in the world, with a territory of almost 2.725 million square kilometers (km). It shares borders with Russia, China, Turkmenistan, Uzbekistan and Kyrgyzstan, and shares access to the Caspian Sea with Iran and Azerbaijan. Its borders are almost 12,200 km long, including 600 km along the Caspian Sea. Developed as a mining region during the Soviet era, Kazakhstan is now seeking to become a producer of finished products and to use modern technologies in all branches of industry. Its reserves of natural resources provide a sufficient income to implement the required developments. Kazakhstan is:

- the largest manufacturer of tungsten in the world;
- the second-largest manufacturer of chrome and phosphoric ores;
- the fourth largest manufacturer of lead and molybdenum;
- the sixth-largest owner of gold reserves; and
- the eighth-largest manufacturer of iron.

In addition, one-third of the world's uranium reserves are situated in Kazakhstan, and Kazakhstan is among the top 10 countries in the world for the production of hydrocarbons. Kazakhstan is often used as a gateway to other Central Asian republics and many Western companies have started operations in the country. Often, the registration of IP rights is one of the



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first steps in establishing a presence.

In Kazakhstan, trademarks are protected under the following laws:

- the Civil Code of the Republic of Kazakhstan (General Part of December 27 1994 and Special Part of July 1 1999);
- Code 155 of January 30 2001 of the Republic of Kazakhstan on administrative violations;
- the Criminal Code of the Republic of Kazakhstan of July 16 1997; and
- Law 456 of July 26 1999 of the Republic of Kazakhstan on trademarks, service marks and appellations of origin

Moreover, Kazakhstan is a member of the following international agreements:

- the Paris Convention for the Protection of Industrial Property;
- the Madrid Agreement concerning the international registration of marks; and
- the Trademark Law Treaty 1994

Border measures

In Kazakhstan, customs protection of IP rights is provided by the Customs Code. IP rights will be protected only once they have been registered in the Customs Register. Under the Customs Code, 'counterfeit goods' are defined as goods containing intellectual property which are manufactured and/or conveyed across the border of Kazakhstan in breach of the IP owner's rights. Such rights must be protected in compliance with local legislation.

Accordingly, both pirated and original goods conveyed across the border without the owner's consent (parallel imports) are considered as infringing. Under the Customs Code, if Customs discovers any signs that the goods are counterfeit, it may suspend the release of the goods for 10 days. That term may be extended by an additional 10-day period at the request of the IP rights owner. Customs must notify the rights holder of a decision to suspend the release of the goods. In the case of parallel imports, Customs will consider the fact that goods are imported by an entity other than the licensee or distributor as a sign that the goods are counterfeit, provided that there is an exclusive license for the use of the trademark or an exclusive distribution agreement.

Trademark licensing agreements must be registered. The trademark owner

must file suit against the importer of the goods while the decision to suspend the release of the goods is still valid. If the trademark owner fails to do so, the goods will be released.

After the new Customs Code came into force, it took over a year to ascertain that trademark owners could defend their rights by using customs actions. The first case of this kind involved approximately 1,400 smoke-damaged Hyundai cars, which were imported into Kazakhstan in breach of Hyundai Motor Company's contractual rights. Hyundai stopped the import of the cars by registering its IP rights in the Customs Register.

The supplier of the damaged cars, Almaty Taxi LLP, contested the validity of the customs action and later challenged a decision of the Almaty City Court in which the latter had found that the decision to detain the cars at the border was lawful. After lengthy hearings, the Supreme Court affirmed the ruling of the first instance court. The decision of the Supreme Court provided customs officers with valuable support in their fight against counterfeiting, as well as clear guidance for future operations.

To date, more than 400 goods containing intellectual property have been registered in the Customs Register (in particular, tobacco products, pharmaceuticals, toothpaste, alcoholic drinks and cars).

Criminal prosecution

The grounds for initiating a criminal action include:

- the unauthorized use of a registered trademark or confusingly similar mark;
- the repeated use of a registered trademark or confusingly similar mark; and
- heavy damage suffered by the trademark owner due to the unauthorized use of its registered trademark.

'Heavy damage' is defined as damage worth a minimum of \$5,000. It is difficult to determine the damage suffered by mark owners as a result of counterfeiting. Therefore, when initiating a criminal action for trademark infringement, mark owners generally rely on a provision of the law which establishes criminal liability for consumer fraud, but does not require proof of heavy damage.

Trademark owners may initiate a criminal action by filing an application

with the Financial Police or with internal affairs agencies. Under Article 199 of the Criminal Code, the unauthorized use of another party's trademark or of a confusingly similar mark for similar goods and/or services is subject to a prison term of up to six months or a correctional labour sentence of up to two years, provided that the offence was committed repeatedly and/or caused heavy damage.

In this respect, The Coca-Cola Company has initiated a number of criminal actions for infringement of its well-known marks. In particular, Coca-Cola filed applications with the Financial Police against companies that sold soft drinks bearing the trademarks COCA-COLA, FANTA and SPRITE. As a result, criminal actions were instituted and the infringers were detained in custody. In one case, the court sentenced the infringer to six months' imprisonment. The other infringers were fined.

In certain cases, the infringement was stopped and the goods were destroyed before a criminal action was initiated. For example, in 2005 several local distilleries produced vodka bearing the MOSKOVSKAYA and STOLICHNAYA marks in breach of the rights of the trademark holder, SPI Group.

In 2005 and 2006 SPI Group filed approximately 10 applications with the Financial Police against the distilleries. Most of the distilleries stopped producing vodka bearing the trademarks while the applications were being reviewed by the Financial Police. SPI Group filed administrative actions against the remaining distilleries. As a result, the latter agreed to stop infringing SPI Group's rights in the MOSKOVSKAYA and STOLICHNAYA marks. Consequently, counterfeit vodka bearing the marks can no longer be found on the market. This case proves the effectiveness of trademark protection through the Financial Police.

Civil enforcement

According to the Civil Code, a trademark may be used only with the consent of its owner. Unauthorized use of a registered mark or of a confusingly similar sign for similar goods will be considered as trademark infringement. Disputes over IP rights are heard by specialized inter-district economic courts, whose decisions may be contested before the regional courts or courts of equivalent jurisdiction. If a court decision is not appealed, it will come into force after 15 days. If the decision is appealed

and upheld, it will come into force on the day on which the decision of the board of appeals is issued. A supervisory appeal may be filed with the Supreme Court within one year of the appellate decision. The appeal process may take from six months to two years.

Where it is established that trademark infringement has occurred, the court will order that:

- the defendant stop the infringement;
- the trademark owner be compensated for the damage suffered;
- the trademark or confusingly similar sign be removed from the infringing goods and/or packaging (where this proves impossible, the goods will be destroyed); and
- the decision (including the name of the trademark owner) be published.

In 2006 and 2007 SPI Group initiated a number of civil actions for infringement of its rights in the trademarks MOSKOVSKAYA, STOLICHNAYA and KREMLEVSKAYA. For example, Maximus LLP, a Kazakh distillery, produced vodka bearing the MOSKOVSKAYA and STOLICHNAYA marks. SPI Group filed an application with the Financial Police, to no avail. SPI Group subsequently filed a civil action against Maximus and a first instance court ordered that Maximus cease using the marks. The ruling was upheld on appeal and the counterfeit bottles and labels were destroyed. The procedure took about four months, while the pre-trial discussions lasted for one year.

Disputes over trademark rights can also be settled by sending a cease and desist letter to the infringer and engaging in negotiations.

In certain cases, the infringer is not aware that the trademark is registered by another entity or that use of a similar sign constitutes trademark infringement. In such cases, a cease and desist letter constitutes an efficient tool and the infringement usually comes to an end. Practice has shown that dispute settlement represents an effective way of fighting trademark infringement.

Anti-counterfeiting online

Under the Trademark Law, the unauthorized use of a trademark on the Internet or other networks accessible to the general public is considered as a breach of the trademark holder's exclusive rights. However, the

legislation in this field is incomplete and trademark owners have faced difficulties in enforcing their trademark rights online.

The Domain Name Dispute Resolution Policy, which was established by Kazakhstan's domain name registry, KazNIC, on January 1 2000, includes an administrative procedure for the resolution of disputes between domain name registrants and trademark owners. Under Article 8 of the policy, although KazNIC is not authorized to act as an arbitrator to resolve disputes arising out of the registration and use of a domain name, it may be notified that a domain name is infringing trademark rights.

In order to file a written complaint with KazNIC, the trademark owner must submit the following documents:

- an original and certified copy of the trademark registration. The registration must be in full force and effect, and the trademark must be identical to a second-level domain name registered on the principal or equivalent register of any country. Registrations for figurative trademarks will not be taken into account; and
- a copy of the written notice sent by the trademark owner to the domain name registrant and proof that the registrant has received the notice.

If the registration date of the domain name pre-dates the effective date of the certified trademark registration, KazNIC will undertake no action. However, if the registration date of the domain name follows the effective date of the trademark registration, KazNIC will request that the registrant provide evidence of ownership of the trademark or service mark. If the registrant fails to do so within 30 calendar days of receiving KazNIC's notice, KazNIC will put the domain name on hold until the dispute between the registrant and the trademark owner is resolved in court. While the domain name is on hold, it is not available for use by any party.

Preventive measures/strategies

With the advent of Kazakhstan's market economy, trademark infringement has become increasingly widespread and sophisticated. In Kazakhstan, counterfeit goods are mainly consumer goods, such as alcoholic and soft drinks, drugs, clothing, household appliances, detergents and cosmetics. The most counterfeited trademarks include the well-known COCA-COLA, FANTA, SPRITE and MCDONALD'S marks. As unregistered marks are not

protected, trademark owners are advised to register their marks in Kazakhstan. Trademark owners should also ensure that their marks are used for the goods and/or services covered by the registration in order to avoid an action for cancellation on the grounds of non-use. A trademark may be cancelled if it has not been used for three consecutive years, or during the three years preceding the filing of the action for cancellation. A trademark will be deemed to be in use if used by the trademark owner or the trademark licensee for the relevant goods and/or services. Licensing agreements must be registered with the IP Rights Committee - an authorized state agency handling IP matters. Usually, trademark owners take immediate steps upon discovering that their rights are being infringed.

However, the fight against counterfeiting is a right, not an obligation imposed on trademark owners. In certain cases, trademark owners take no action to stop the infringement, as they fear that the infringer will respond by filing an action for cancellation on the grounds of non-use.

However, if trademark owners fail to take appropriate steps against infringers in a timely fashion, counterfeit goods will flood the market. State agencies rarely take the initiative in the fight against counterfeit goods, but their role has become more prominent.

In addition, they are likely to become more active when Kazakhstan accedes to the World Trade Organization, in particular with regard to fake drugs, foodstuffs and other goods that may endanger the life and health of consumers.

In conclusion, trademark owners seeking to enforce their rights in Kazakhstan should take the following factors into account:

- Only registered IP rights are protected.
- Kazakhstan applies the first to file system (rather than first to use). Therefore, the sooner a trademark is registered, the lower the risk that a third party will use the mark without permission.
- Licenses, pledges and assignments, among other transactions, must be registered.
- A trademark must be used for the goods and/or services for which it is registered in order to avoid an action for cancellation on the grounds of non-use.

[Yuri Bolotov, Saule Kulzhambekova - "World Trademark Review \(Anti-](#)

counterfeiting 2009)"May 2009