

## LEGAL ALERT

Contact us:

■ **Bolotov & Partners LLP**  
**Almaty Residence BC, 6 floor**  
**60 Auezov St., Almaty 050008**  
**Republic of Kazakhstan**  
+7 (727) 357 23 80  
info@BolotovIP.com  
www.BolotovIP.com

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### **Recent changes in IP legislation in Kazakhstan**



Yuri Bolotov

Managing  
Partner  
Trademark &  
Patent Attorney  
Member of the  
Chamber of legal  
advisers

Legislation in the field of intellectual property has changed. For this time significantly.

As of July 3, 2018 the Law on amendments into some legislative acts of the Republic of Kazakhstan related to IP legislation development entered into force in Kazakhstan. The Law provides for the amendments into the Civil Code, Code on administrative offences, Tax Code, Copyright Law, Selective Achievements Law, Patent Law, Trademarks Law, The Law on integral circuit topologies, and some others.

Earlier, from January 1, 2018, the new Tax Code came into force, which also touched upon some issues of intellectual property ("IP").

We will focus on the most significant changes in legislation and only in the field of protection of trademarks ("TM"); novels associated with well-known TM's are described in a separate message, please inform if you want to receive it. In general, they are positive, but some aspects of the protection of rights, in our opinion, are very controversial and require further development.

- The system of registration of a trademark has changed from a two-level (earlier, the examination was carried out by NIIP, and the approval of the decision and registration of the mark was carried out by the Department of Intellectual Property of the Ministry of Justice of the Republic of Kazakhstan) to a single-level and now the entire procedure for TM registering from filing to registration will

be carried out only by RSE "NIIP".

- The terms of the examination of the application for the TM have been shortened: preliminary examination must be carried out in 10 working days, instead of 1 month and full examination - 7 months, instead of 9 months. We believe that with the reduction of the terms of examination, the general terms of registration of TM will also be reduced from 12 months to 9 months.
- Information about applications submitted will now be published.

This seems extremely important to us, since this innovation will allow TM owners to monitor themselves which applications are filed and, for example, to solicit themselves in a timely manner to prevent the registration of similar marks, and will allow applicants to inform, with reference to official publications, on the priority of submitted applications for exclusion of use of identical or similar designations by third parties.

- The terms for registration of transfer of rights (assignment, granting of a license), and the pledge of rights are reduced to 10 working days instead of 2 months.

The validity period of the license has been determined, and if it is not specified in the contract, then by default it is set equal to 5 years, and the term can not exceed the period of validity of the trademark.

The period for considering the application for termination or annulment of the contract on the basis of a court decision has been determined lawfully and now it occurs within one day.

- An amendment was made to annul the mark in connection with non-use. If earlier the possibility of cancellation of the mark in connection with non-use for three years from the date of registration or from the date preceding filing of an objection was foreseen, then the interested person can now challenge the registration because of the non-use of the mark only within three years preceding the date of submission of the objection.

In this case, disputes over the non-use of the TM are subject to consideration in court, and earlier they were considered in the Board of Appeals of the Ministry of Justice of the Republic of Kazakhstan.

- The grounds to recognize TM registration as invalid are widened,

namely:

(1) If the registration is made in the name of a representative of the owner of identical or confusingly similar trademark in one of the country-member to the Paris Convention on protection of industrial property without the permission of the latter.

(2) If a TM is identical or confusingly similar in respect of homogenous goods or services with the trade name of another company, the exclusive right to which arose earlier in Kazakhstan than the priority date of trademark.

Such disputes are subject to compulsory preliminary consideration in the pre-trial order in the Board of Appeals.

- The conclusion and registration of a license / sub-license agreement allows you to deduct some expenses related to the promotion of the product.

A taxpayer who has the right to manufacture and (or) sell a product containing a TM used on the basis of a registered license or sub-license agreement, deducts expenses for activities aimed at maintaining and (or) increasing the sales volumes of such goods regardless of the ownership on it.

This means that costs, for example, on the marketing and advertising activities of goods containing TM's used under a license agreement, can be charged to deductions in determining taxable income, if such activities were carried out in connection with the sale of such goods.

As we understand, the licensee, for example, who has not yet bought, but only intending to buy the goods can already plan the attribution of expenses for deductions, and also after selling these goods to their distributors, carry expenses with continued advertising of these goods to deductions.

- The concept "Counterfeited product and its packaging" is defined.

The goods or their packaging, on which the trademark or a confusingly similar mark is placed without TM owner's consent shall be deemed counterfeit.

Counterfeit goods and their packaging, as well as all facilities and

materials used for production of counterfeit goods shall be extracted from the market and destroyed at infringer's expense basing on the court decision.

In this case, an exception is provided: if the introduction of counterfeit goods is necessary in the public interest and does not violate the requirements of the legislation of the Republic of Kazakhstan on the protection of consumers' rights, provided that an illegally used trademark or a confusingly similar designation is removed from the goods and their packaging.

- Compensation is introduced as another measure of compensation for losses of the TM owner

The TM owner has the right to demand compensation from the violator instead of compensation for damages. The amount of compensation is not determined and is to be determined by the court, based on the nature of the violation, the market value of homogeneous (original) goods, on which a trademark or designation similar to it to the degree of confusion is placed with the consent of the owner.

The absence of a framework that determine the minimum and maximum amount of compensation allows the court to more flexibly determine the amount of compensation, but at the same time brings the notion of compensation back to compensation for damages, since the TM owner, apparently, will have to justify the amount of compensation, give calculations as in case of loss calculation.

- Administrative liability for parallel import and sales of parallel imported goods removed.

If the customs authorities suspend parallel imports, the right owner should apply for the protection of rights to the court in a civil procedure, and not to the customs authority to initiate a case of an administrative offense, as it was previously.

Disputes related to the sale of parallel imported goods already on the domestic market will also be considered only in civil procedure. In this regard, we believe, the burden on civil courts will increase, and the process of considering such disputes will require large expenditures of money and time.

- Disputable jurisdiction

Despite the fact that the law provides for both administrative and criminal liability for the illegal use of a trademark, the Civil Code and the Trademarks Act establish that disputes related to the determination of the appropriateness of using a trademark or designation similar to it to a degree of confusion or a well-known trademark, are subject to consideration only in the civil process.

In addition to the above main changes, a number of changes have also been introduced, which, although we think they are less significant, but play an important role. Thus, the period from which the exclusive right to a trademark arises is legislatively fixed, the requirements to the documents submitted when applying for registration of a trademark are simplified, the procedure for pre-trial consideration of cases in the Board of Appeals of the authorized body is detailed.

We are ready to give more detailed explanations and analyzes, to discuss the features of work in this essentially new legal field. Questions about additions and changes to the legislative acts in the field of intellectual property can be sent to the following e-mail address: [info@bolotovIP.com](mailto:info@bolotovIP.com)