

## ARTICLE

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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### Protection of trademarks using customs measures



Zhanat  
Nurmagambetov  
Senior Associate

The issue of whether the actions taken by Toyota Motor Corporation ("TMC") to protect its trademarks, which are placed on car spare parts, in Kazakhstan were lawful or not has been repeatedly raised recently in print media, on TV and Internet. There are talks that prices of spare parts will go up increasing the time of their delivery and decreasing the popularity of Toyota cars. So what's going on?

TMC had included its trademarks into the customs register of intellectual property items (the "Register"?), which resulted in that the goods containing TMC's trademarks are being seized at the border. Such step was taken by TMC to protect its reputation, which may be damaged due to import and use of poor quality counterfeit goods, and its commercial interests by granting the right to import spare parts into Kazakhstan to only one company "Toyota Motor Kazakhstan LLP". Why now?



Yuri Bolotov  
Managing  
Partner

According to the current legislation of the Republic of Kazakhstan, a trademark means the registered indication that serves to distinguish goods or services of one entity from similar goods or services of another entity. Such indication may take a form of a word or phrase, image, their combination or a melody. In order to obtain legal protection, an indication should be registered as a trademark, following which the right holder will enjoy an exclusive right thereto "the proprietary right to use the trademark" by any means and at its discretion. It may allow or prohibit the use, or to take no measures in order to protect thereof.

Regarding the definition of "use of a trademark"?, it is understood to

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Trademark &  
Patent Attorney  
Member of the  
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advisers

include a fairly wide set of actions with the trademark that no one is allowed to take, unless the right holder consents. The use of a trademark means, first of all, the application of such trademark on goods and in the provision of services, the application of the trademark on the goods package. Manufacturing, importation, storage, offering for sale, sale of a product marked with a trademark - all these mean the use of the trademark. The above list of actions is completed with such actions as the use of the trademark in signboards, advertising, printed materials or any other business documentation, Internet, the transfer of the trademark right and its any other introduction into civil circulation.

The trademark can only be registered with respect to certain types of goods specified in the application for registration, and the right holder may prohibit the use of the trademark only with respect to such goods. Any unauthorized use of a trademark or an indication similar to it by somebody else constitutes unfair competition, which is subject to the civil, administrative or criminal liability.

It should be noted that the very fact of registration of an indication as a trademark does not mean that the goods infringing exclusive rights of a right holder would no longer appear at the relevant markets, although such registration creates the basis for the protection of the rights. However, right holders rely on such registration to fight against infringement, and today, the legislation provides them with various means of such protection, e.g. the use of border measures.

The border measures of protection, also known as customs measures, involve the seizure by the customs authorities of goods that infringe exclusive rights to a trademark. Such seizure may be made after a trademark is recorded with the Register or if the customs authority resorts to the so-called suspension *ex officio* (i.e., by virtue of statutory powers) without the trademark being included in the Register, e.g. when the customs authority is in doubt whether the imported goods infringe somebody's exclusive rights or not. The goods having signs of infringed rights to the trademark included into the Register are suspended for 10 business days. If the trademark is not included into the Register, such goods can be suspended for 3 business days. In both cases the duration of suspension may be extended for further 10 business days.

The suspension of goods of itself with infringed intellectual property rights does not entail the destruction of goods or their packages. However, practically speaking, the importer is obligated to pay for the storage of suspended goods at the temporary storage warehouse during 10 business days (if one takes into account weekends and public holidays, such period

would, in fact, be 14 and more calendar days), and if the suspension period is extended, such period will double up. Hence, the importer is forced to include the cost of storage in the cost of imported goods, which fact helps to make sure that the importer might refuse from importing goods with somebody's trademarks in future.

If the right holder confirms that the suspended goods infringe its exclusive right, it may apply to administrative, law enforcement or court authorities that will decide the future fate of such goods.

Accordingly, the owner of the registered trademark may protect the market from any goods, the import of which infringes its exclusive rights. One should note that the market is protected not only from the goods made of materials of questionable quality, so-called counterfeited goods, but also from the goods which were acquired by importers from the manufacturing plant of the right holder itself or from its distributors, however where the right holder did not authorize the import of such goods into Kazakhstan. In other words, the right holder protects the market from the parallel import, which is also known as "grey"? import. What does "parallel"? or "grey"? import mean? To determine what such terms mean, one has to consider where the owner's rights to its trademark end.

While a trademark is registered in each country in accordance with the national legislation of such country, which may or may not significantly differ from the registration process of other countries, each country has its own range of intellectual property rights. One and the same indication registered in various countries does not, from the legal point of view, represent one and the same trademark, but rather a multitude of trademarks, multitude of proprietary rights, each of which is peculiar for each country. The trademark in different countries may be registered in the names of different legal entities, which is happened with the cigarette trademarks "Prima"?, "Polyot"?, "Belomorkanal"?, vodka trademarks "Stolichnaya"?, "Russkaya"?, "Moskovskaya"?, and many others. The trademark may appear to be not registered in one or several countries, and therefore, such indication does not have the package of intellectual property rights, and the manufacturer placing such indication on its goods with such indication is not protected from counterfeited goods or from the use of such mark by other manufacturers. What does it mean? It means that goods legally manufactured and introduced into civil circulation in one country may become infringing goods when crossing the border with another country.

What is more, goods may be legally introduced into civil circulation in one country but illegally imported to another country, by which they become

immediately classified as infringing goods. The legality of import of such goods is determined exclusively by the will of the owner of such trademark registered in a country of import. Even if permits for the use of such goods are obtained from the Ministry of Healthcare, by the certification or licensing bodies, initially such goods may be introduced into civil circulation in a particular country only with the consent of the right holder, to the extent a trademark is applied on such goods. All further resale may freely be carried out and without any royalty, as the rights of the titleholder to prohibit the use of the trademark are exhausted. Such situation is called the exhaustion of rights, for which various regimes are available.

National regime means that trademarked goods may be imported into a country only with consent of the owner of such trademark in the country of import. This regime is used, for instance, in the USA and China.

International regime has been adopted, for instance, in Japan and some other countries. Such regime provides that regardless of where the goods were produced or legally introduced into civil circulation, such goods may be freely imported if such import does not infringe the rights of owners of other trademarks registered in such country.

Regional regime means that the importation of trademarked goods into the territory of any region (e.g. Customs Union) must be made only with the consent of the owner of such trademark in such region. If such condition is not applicable (e.g. trademark is owned by different owners in the countries of the region), the regime applicable in each particular country must apply.

The customs legislation of Kazakhstan has experienced a number of modifications. The first Decree of the President of Kazakhstan "On Customs in the Republic of Kazakhstan" adopted on 20 June 1995, contained no provision with regard to the protection of intellectual property. Later, on 16 July 1999, it was amended so that a trademark owner could include its trademarks into the Register.

Subsequently, the Customs Code of Kazakhstan dated 5 April 2003 defined counterfeit goods as goods incorporating intellectual property which were created and/or moved across the customs border of Kazakhstan in contravention of the rights of a right holder, and determined the procedure for the suspension of goods which met the criteria for being counterfeit as well as the dispute resolution procedure. Customs measures became available as soon as goods have been included into the Customs Register of Goods Containing Intellectual Property?. At the same time, the list of intellectual property items was not limited and could include trade names,

patents for invention and selection inventions. The above definition of the counterfeit goods expressly specified that the goods might be counterfeit even if they were legally produced but they became counterfeit upon crossing the border of Kazakhstan.

In 2010, the definition of the counterfeited goods was excluded due to the adoption of a new Code "On Customs Affairs in the Republic of Kazakhstan", and, despite the provisions of the Law on Trademarks which provide for the requirement to obtain a consent of the trademark owner to use trademarked goods, it became impossible to take any customs measures against the parallel import.

After a considerable gap, only from 1 January of the current year it became possible again to take customs measures to protect trademarks and copyrights against parallel import into Kazakhstan. Such possibility is contemplated by Article 19 of the Agreement on Unified Principles of Governance of Preservation and Protection of Intellectual Property Rights, which was signed as part of legislation of the Customs Union. So, TMC, as well as a number of other companies, took advantage of such opportunity. As soon as TMC declared that it had granted to Toyota Motor Kazakhstan LLP the exclusive right to import spare parts, rumours emerged that some companies found a legal way to import spare parts without obtaining consent from TMC. We believe that there is a possibility to complete customs clearance of goods in Russia or Belarus and thereafter to import such goods out-of-control into Kazakhstan. Yes, such possibility exists, but under the condition of the legal import of spare parts in Russia or Belarus. Such legality should be confirmed by the right holder, i.e. by TMC, rather than by the absence or non-application of the customs measures upon crossing the borders of those countries. Even if such measures of suspension of goods are not applied, there are also other methods to fight against infringement of rights, such as application to the court, financial police authorities, the Ministry of Justice of Kazakhstan. Undoubtedly, such measures do not have the same effect as the suspension of goods at the border before their distribution to various cities and shops, and are more costly, but such measures are available and, we believe, will be applied.

In our experience, and according to TMC, as well as its exclusive distributor in Kazakhstan "Toyota Motor Kazakhstan LLP" the application of customs measures of trademarks protection is one of the most effective measures in combating the illegal use of trademarks.

Following several years of tough fighting against the infringement Toyota and Lexus trademarks, TMC became the first who understood the importance of relying on the customs measures to protect trademarks.

Auto spare parts imported in Kazakhstan by unauthorized importers and without consent of TMC will not be allowed in the local market, where, first, it would be difficult to track their distribution, and second, to prove their illegal import. The future of spare parts suspended at the border of Kazakhstan will be decided by court, and either they will be ordered to be destructed or the importer will have to revoke its application for customs clearance and export them from Kazakhstan.

Nonetheless, taking into account that some delivery orders were made prior to the inclusion of TMC's trademarks into the Register, i.e. prior to 8 February 2012, Toyota Motor Kazakhstan announced, on behalf of TMC, that it would not seek protection of its rights through administrative, law enforcement or court authorities up until 1 September 2012. However, such temporary easing only applied to the genuine spare parts and accessories made and marked by the factories of origin of TMC or with its consent.

TMC and Toyota Motor Kazakhstan expect that grey import will cease and the delivery volume through the official importer, Toyota Motor Kazakhstan, will increase, that would allow the latter to reduce prices of spare parts. The dealer network is also expected to expand by regions to make it more comfortable for consumers.

Such TMC's policy will, first of all, allow to protect consumers from poor-quality products, by acquiring which any vehicle owner becomes exposed to the risk of damage to his/her health and health of his/her passengers, not to mention the car itself. Moreover, the TMC's policy helps more and more grey importers to make their business legal.

The fact that right holders have a real opportunity to protect their intellectual property in Kazakhstan suggests that the investment climate in the country has improved which will make Kazakhstan more attractive for a serious business.

We would like to stress again that TMC is one of many that has included its trademarks into the Register. We expect that other trademark owners will also take advantage of such opportunity in protecting their rights and commercial interests, as well as the lawful interests of their Kazakhstani partners.

[Yuri Bolotov, Zhanat Nurmagambetov, Marcel Rudic - "Intellectual Property of Kazakhstan" August 2012](#)