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Foreign companies left Russia, however their branded goods are still offered at the market



Photo: Ilya Kim

Cursiv (a business media, read more at <https://kz.kursiv.media/editorial-office>) highlights why businesses are not afraid to use the parallel imports, while brands look through this fact.

(Cursiv is a business media with strong expertise in economic agenda, market and business review and analysis with a focus on in-depth analysis in Central Asia, Russia and China).

Banned but still available

Coca-Cola on the shelf of the SPAR supermarket in Moscow is promising residents of the Russian capital “kyn sayyn zheniske zhetu mumkindigi” (“a chance to win every day” translated from Kazakh). Among the prizes was a voucher for one million KZT at Forte Market.

The Central Asian office of the Coca-Cola Company has no idea how the drink, clearly of Kazakh production got to the Russian Federation. They commented: “We do not send our products to Russia. The beverages produced in Kazakhstan are intended for the Kazakhstan market. We warned our distributors that they cannot be sold (to Russia added by Cursiv). Someone comes and buys it here”.

Coca-Cola stopped the production of the drink of the same name in Russia last summer. And after selling the rest of the products it should have finally left the market, but this it was replaced by Coca-Cola from other countries, including Georgia and Kazakhstan.

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Russian chain electronics stores still sell iPhone, Samsung and other branded goods, the manufacturers of which have officially left the Russian market. Samsung Electronics Central Eurasia LLP told *Cursiv* that they also do not sell their products to Russia. However the representatives of the company underlined they cannot control and trace smartphones after they are sold in Kazakhstan. “We sell products to Kazakh distributors. After the sale, according to the legislation of the Republic of Kazakhstan, we do not have the right and opportunity to control the further path of the sold products. If the products reach third countries, we cannot influence this” the company commented.

Almost all Kazakhstani distributors of household appliances and electronics ignored *Cursiv's* requests. The only company that agreed to comment was the Belaya Tehnika wholesale and retail store. “We constantly receive requests from Russian and local companies for wholesale deliveries of a large number of LG or Samsung branded equipment. It immediately becomes clear why they are asking for this” Belaya Tehnika reported. At the same time, they noted that they do not agree to such proposals and, in general, do not work with these brands in large volumes.

Most of the goods easily exported and imported

Kazakhstan ends 2022 with unprecedented exports to Russia. If we compare the figures for the 10 months of 2022 and 2021, we can find a ten- or even a hundred-fold increase in exports in quantitative terms for some items. Beverages, wine, textiles, electronics, repair goods, spare parts and automotive equipment exported from Kazakhstan to Russia.

Imports to Kazakhstan from Asia and Europe increased compared to 2021. For example, over the 10 months of 2022, the number of phones imported from South Korea to Kazakhstan increased by 23 times compared to the same period last year. Imports of machine tools from Germany alone increased 6.5 times. And Kazakhstan exported them to Russia 16 times more than last year that is in 2021. Imports of radar, radio navigation equipment from China increased 35 times, from Lithuania a little less, but also significantly - 25 times. At the same time, the supply of such products from the Republic of Kazakhstan to the Russian Federation increased by 23 times compared to the same period last year.

In the export statistics, we can now find goods that were not previously supplied to Russia at all. For example, mechanisms for watches. According to the results of 10 months of 2022, 3,179 pieces were exported to Russia from Kazakhstan. During the same period, 3,960 such mechanisms were imported to Kazakhstan, which is 3,744 more than a year earlier. Their import to our country increased by 107 times from Thailand, 35 times from Japan and 11 times from Switzerland.

Laws of the parallel universe

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In parallel imports, goods are brought into a country and sold there without the permission of a right owner (that is, those companies that have ceased operations in a neighboring country). In addition, we are not talking about any goods, but about those that are under the protection of a trademark registered in Russia.

There are two main types of trademark (TM) registration procedures: international and national, explained Zhanat Nurmagambetov, a Partner at Bolotov & Partners law firm. In the case of an international trademark, the goods can be distributed in all EAEU countries, and further resale of such goods from Kazakhstan on the territory of the union, including to Russia is not a violation. However if a national trademark is applied to a product (that is, a trademark is registered in the Republic of Kazakhstan), then it can be sold and resold only on the territory of Kazakhstan.

Practice shows that even if a trademark is national, the goods can still be exported without problems for sale in a third country. “The fact is that customs control is not carried out between the member countries of the EAEU on the issue of the legality of the use of trademarks. That is, customs officers, in principle, do not check goods for violations of intellectual property rights,” Mr. Nurmagambetov added.

Only the right owners can declare a ban on the use of such goods in Russia. However, major brands are not in a hurry to do so. “It is always possible to find and punish the reseller, because each product has a unique barcode, which can be used to trace where the product came from and to whom it was initially sold. However large brands, such as Samsung or LG will not benefit at all from identifying their own goods, which were imported with trademark violations, because due to sanctions, these companies have lost insignificant market that is Russia. Parallel imports help to restore this volume of sales” one of the wholesalers of equipment in Kazakhstan told the Cursive on condition of anonymity.

Zhanat Nurmagambetov underlined that despite the violation of intellectual property rights, serious penalties do not threaten either Kazakh or Russian businessmen involved in parallel imports. The explanation is that Russia has allowed parallel imports at the state level, and the Ministry of Industry and Trade of this country has approved a list of goods that are allowed for parallel imports. “Importing these goods into the territory of the Russian Federation now, although it is a violation of trademark right still will not entail liability. Most likely, in practice, the courts will pay attention to this order” Mr. Nurmagambetov believes.

In the Russian list of goods, which are allowed for parallel imports, there are products under Apple and Samsung brands. Coca-Cola is not included in this list.

Source: <https://kz.kursiv.media/2022-12-29/zarubezhnye-kompanii-ushli-iz-rossii-a-tovary-pod-ih-brendami-ostalis/>