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Trademark Rights Infringement in Kazakhstan



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After disintegration of the USSR, Western business is rapidly developing in the CIS - one key country being Kazakhstan, where McGuireWoods established its Central Asian office in 1994. For many U.S. and European companies, Kazakhstan, as the Central Asian leader in natural resources and industry, is a gateway for business in other Central Asian Republics including Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Roughly equal to the size of Texas four times over, Kazakhstan is a valuable potential key player in world oil and gas markets; a major world source of coal, copper, iron ore, chromium, magnesium, lead, zinc, silver and uranium; and it has notable reserves of gold, molybdenum, titanium, and more.

American companies active in Kazakhstan include Chevron, Mobil, Caterpillar, AT&T, Coca-Cola, GE International Operations, Citibank, Motorola, RJR Nabisco, Phillip Morris, Upjohn Company, PriceWaterhouseCoopers, DHL and others.

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

Trademark and patent registration is a must in these countries, if a company cares about its trade name, image and the IP value of its assets. Without registration, protection can't be gained and IP rights can't be

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enforced, which is often necessary in this region.

Kazakhstan is a member of Paris Convention, Madrid Agreement, and others. It has developed a system of IP rights protection, including the Patent Law, Law on Trademarks, Administrative Code and Criminal Code to provide administrative and criminal liability for IP rights infringement. Simultaneously, counterfeit products, as well as the illegal use of third-party trademarks is often the case. Such goods are produced in Kazakhstan or supplied from other countries such as Russia and China.

The large quantity of counterfeited industrial goods is usually produced and imported from China, with use of well-known brands like Rolex, Christian Dior, Adidas, and others. In March 2003, a criminal case was initiated against a citizen of China, pursuant to Article 199.1 of the Criminal Code of the Republic of Kazakhstan (illegal use of a trademark). This citizen was engaged in the sale of counterfeited goods, using Procter & Gamble trademarks, amounting to KZT 460 K [2] (~US \$3,700).

Trademark right infringement can be the use of someone's trademark; the use of a sign similar to the extent of confusion with the registered trademark; the use of a sign similar but not to the extent of confusion with the registered trademark; or the use of packing (copying packing, goods design, or using secondhand packing) with someone's trademark for its own goods.

Pursuant to the Law of the Republic of Kazakhstan on Administrative Violations (Administrative Code), and the Criminal Code of the Republic of Kazakhstan, the responsibility arises when someone's trademark or mark, similar to the extent of confusion with a trademark for homogeneous goods and services, is used. In contrast to the norms of civil law, Administrative Code and the Criminal Code provide sufficiency of similarity (not to the extent of confusion) of the used mark with someone's trademark, in order to recognize/accept the availability of the trademark rights infringement.

Therefore, in the first two cases, an infringement comes within the norms of the Civil Code of the Republic of Kazakhstan (RK CC) and the Law of the Republic of Kazakhstan dated July 26, 1999, on trademarks, service marks and appellations of origin of goods (law on trademarks). These infringements can be considered in the administrative procedure or within the criminal proceeding. In the case stated in clause 3, the infringement of a trademark can be considered in the framework of administrative and criminal laws, but not under civil laws.

Besides, it can be considered as an infringement of antimonopoly

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legislation, in particular as an action of unfair competition. Use of design and packing of goods (copying packing, goods design, or using secondhand packing) with someone's trademark for its own goods (clause 4), is the most harmful infringement since not only the trademark owner's rights and reputation are violated, but also consumers' rights.

Generally within such infringements, goods of low quality are used, and sometimes even goods containing harmful and/or dangerous substances. Therefore, such infringement causes harm not only to the trademark owner's business reputation, but also to consumers' health. The revelation of trademark rights infringement is generally established by the trademark owner, legal users of a trademark directly, or through their representatives. The law enforcement bodies authorized to cease violations in the sphere of IP rights, are bodies of financial police (Agency for Struggle with Economic and Corruption Crimes), justice bodies, internal affairs bodies, customs authorities, and antimonopoly bodies. Bodies of financial police and justice conduct scheduled examinations to determine violations on the grounds of the individuals' applications whose rights were violated.

Disputes over trademark rights infringement can be settled through out-of-court settlement; civil protection; administrative protection tools; civil procedure; or customs measures.

Out-of-Court Settlement

In some cases, the dispute of trademark rights violation can be regulated by out-of-court procedure by forwarding a letter on infringement of rights, negotiations and others. Sometimes the infringer uses someone's trademark or a mark similar to it without knowledge of the availability of registered rights of another person to this trademark. Generally in cases when the trademark owner forwards a letter of infringement of his rights to a trademark, the letter is accepted positively by the infringer and the violation is stopped.

Practice shows that about 50 percent of disputes are settled out of court. If a person intentionally violates someone's trademark rights or rights to a similar mark, and namely copies and uses it intending to use someone's reputation on a trademark, out-of-court settlement is not always successfully reached through forwarding letters and negotiations.

In this case, the trademark owner has a right to file a claim with law enforcement bodies with a request to cease violation of his rights. Out-of-court settlement is not a compulsory procedure, and the trademark owner can immediately initiate an action or file an application with law enforcement agencies without taking measures on out- of-court procedure.

Civil Protection

The Civil Code of the Republic of Kazakhstan provides that a person who illegally uses a trademark or a similar mark to the extent of confusion, is obliged to cease violation and repay damages incurred by the trademark owner; and destroy produced depictions of a trademark, and remove an illegally used trademark, or depiction similar to the extent of confusion, from the goods or packing. If impossible to fulfill the above requirements, relevant goods are subject to elimination. Civil rights protection is ensured by the courts or by court of arbitration.

The civil proceeding can be initiated on the grounds of the trademark owner's statement of claim or other person acting pursuant to the power of attorney. Pursuant to the legislation of the Republic of Kazakhstan, the consideration of the cases in trial courts is effected within a two-month period. If the court decision is appealed by one of the parties, the final decision is given by the Supreme Court.

Administrative Protection Tools

Under Article 145 of the Administrative Code, illegal use of someone's trademark, service trademark, business name, name of goods' origin, or similar to it marks for homo generous goods and services - if such actions did not cause a considerable loss - the penalty imposed is up to 50 (~US \$440) to individuals, up to 100 (~US \$881) to employees, and up to 200 monthly calculation ratio (~US \$1,761) to legal entities.

The bodies of financial police and justice authorities in the framework of their competence, work on revelation and consideration of applications on administrative violations in regard to trademarks. In the framework of administrative proceeding, the violation of the right to a trademark can be considered an infringement of antimonopoly legislation or actions directed at unfair competition.

In case of infringement of antimonopoly legislation, an infringer pursuant to the orders of the authorized authority is obliged to cease violation on the grounds of unfair competition, and obliged to pay losses/damage, resulting from unfair competition.

Generally, the fact of violation of the right to a trademark is determined on the grounds of the materials submitted by the trademark owner, on the results of examination, and other materials and information legally obtained. If after the checking conducted by the state bodies, illegal use of a trademark or similar to it mark in violation of the trademark owners rights shall be revealed, the protocol on initiation of an administrative proceeding is recorded.

Following the preliminary investigation, the case is forwarded to the court. For example, in June 2007, North Kazakhstan region justice authorities, only for 10 days of checking, initiated 15 administrative proceedings on the fact of violation of rights to the NOKIA trademark, pursuant to Article 145 of the Administrative Code. Under the Administrative Code, cases on administrative violations are considered within 15 days term from the date of receipt by the judge of the protocol on administrative violation and other materials. When there are characters of an official crime, the case is forwarded to an investigations body for further investigation and criminal case initiation.

Criminal Procedures

Under Article 199 of the Criminal Code of the Republic of Kazakhstan, illegal use of someone's trademark, service trademark, business name, name of goods' origin, or similar to it marks for homogeneous goods and services - if such action is done repeatedly or caused a considerable loss - the penalty imposed is up to 500 monthly calculation ratio (~US \$4,403) or in amount of a salary or other income of the convicted for the period up to five months, the convicted could be called to public works or arrested to a term up to 240 hours or up to 6 months, or could be convicted to correctional works for a term up to two years.

To initiate a criminal procedure the following grounds are required: (1) illegal use of a trademark or similar to it mark; and (2) repeated illegal use; or (3) considerable loss caused to the trademark owner resulting from its illegal use. The considerable loss is a loss exceeding to 500 folds the monthly calculation ratio (~US \$4,403). Pursuant to 2006 statistics, the number of criminal actions in Kazakhstan (291 criminal cases), initiated by the Department of Financial Police on the grounds of IP rights violation, increased almost five times compared to 2005.

Customs Measures

Customs authorities have the right to suspend the goods at the customs border, in case they discover the counterfeited goods that violate owners' trademark rights, included into the Customs Registry, containing the items of IP rights. Such procedure is possible only when the goods are registered with the Customs Registry of Goods, containing the items of IP rights.

The application to register such goods is filed with the Customs Committee in accordance with legislation of the Republic of Kazakhstan. Current customs legislation of the Republic of Kazakhstan permits to suspend parallel import of goods, containing the items of IP rights. So in 2005, it was managed to suspend illegal import of fire-damaged Hyundai cars bought at

the price of scrap metal and delivered to Kazakhstan in violation of contract rights. The illegal supplies were ceased by including Hyundai Motor Company's cars into the Customs Registry of Goods, containing the items of IP rights.

General Provisions

In order to protect a trademark from infringements, the trademark owner needs to ensure appropriate registration in Kazakhstan. Absence of registration can easily permit violation of the right to such trademark.

For example, McDonald's slogan "I'm loving it" was selected by the Kazakh restaurant Tau - Dastarkhan as a slogan for its goods and services. If a trademark is sufficiently well-known in a given territory, it is advisable to apply for its recognition as a well-known trademark. It should be noted that simple recognizability of a trademark does not automatically give it well-known status.

Article 6^{bis} of the Paris Convention says that the determination of the competent authority of the country of registration or use is required to recognize a trademark to be well-known in that country. For these purposes, Kazakhstan has worked out rules and determined a body authorized to recognize a trademark as well-known.

Six trademarks are currently recognized as well-known including Coca-Cola, Fanta and Sprite, and several others are pending consideration in the Committee for Intellectual Property Rights. Recognition of a trademark as well-known gives it broader protection than does simple registration, as it permits to the trademark owner, bar illegal use of a trademark of a mark confusingly similar to a trademark in regard to any goods and services.

For example, timely recognition of the Parliament trademark as well-known would let the trademark owner avoid the following situation. In Kazakhstan, one of the companies/producers of alcoholic beverages registered the Parliament trademark in its name in regard to goods Class 33, which is similar to the trademark of Phillip Morris' well-known tobacco brand Parliament.

Such registration is an action directed at unfair competition with the aim to use reputation and image of the well-known trademark to promote another's goods. However, there were no grounds to refuse such registration, because goods of Class 33 (alcoholic beverages) and goods of Class 34 (tobacco products, cigarettes) were determined to be dissimilar by analysis of the patent body. Requirements for Full Trademark Rights Protection:

1. Appropriate trademark registration. In a timely fashion, the trademark owner should ensure avoidance of further trademark cancellation on various grounds, including non-use for a subsequent 5-year period.
2. If a trademark or sign used as a trademark is known in Kazakhstan, the application for its official registration as a well-known trademark should be filed in Kazakhstan. At that, it is not required to register it as a trademark.
3. Registration of goods containing trademarks in the Customs Registry to avoid import/export of counterfeited goods. At that, it is possible to determine the country of possible/supposed import of the counterfeited goods.
4. Periodical study of the market of goods to determine possible trademark rights violations.
5. Timely response to rights violation through out-of-court settlement or application to law enforcement bodies, or to the court with the aim of ceasing of violation of rights.

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