

## ARTICLE

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### WHAT IS PARALLEL IMPORT AND GREY IMPORT?



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In other words grey import means illegal import of original goods. Such import may be illegal if goods bearing a trademark registered in Kazakhstan are imported against the will of a trademark owner.

Currently, there are many companies in Kazakhstan that regularly import goods with well-known (or even little-known, but promising) brands into Kazakhstan, such deliveries are carried out under long-term agreements. The same product is imported either by one or more companies with the consent of a trademark owner ("TM"), however at the same time, the same goods are offered at the market imported by the third parties, usually from China or Turkey, from the United Arab Emirates or from Russia.

If these goods are counterfeits - they can and should be fought - they not only cause damage to honest importers, but also undermine the image of the original product.

If the goods are original, but bought in other countries cheaper than they are sold in Kazakhstan, then such import is a parallel import, and their sales take away part of the market from lawful importers.

Such imports cannot be fought if these goods are produced in Belarus or Russia, or are legally imported into these countries and then transported to Kazakhstan.

However, if the import comes from outside the Customs Union, then the most effective way to fight it through the customs measures: a trademark can be included in the customs register of intellectual property objects and stop at the border on the grounds that it is counterfeited. In this case, the fact that it is not imported by a legal importer but by any third company or individual entrepreneur can be a feature that it is counterfeited.

In order to prevent parallel import, a trademark owner should (i) register a trademark, (ii) include it in the customs register, and the Kazakh partners of this owner should conclude with him, at least, a direct agreement authorizing the import of this product into Kazakhstan, or, which is very recommended by our firm to enter into the licensing agreement to use a trademark in Kazakhstan.

**Our company wants to start importing new products to Kazakhstan, however we have heard about stopping goods at customs because of “grey imports”. How can we avoid this?**

If you buy products in Russia or Belarus, there shall be no problems with the customs authorities and the products can be freely imported into Kazakhstan. However, this does not mean that the import of the goods does not violate the third party’s rights to a trademark in Kazakhstan.

This may be due to the fact that in Russia, Belarus and Kazakhstan, TM applied to products imported into Kazakhstan can be registered in the name of different entities and the goods shall become counterfeit as soon as they cross the border of Kazakhstan. Its owner shall be entitled to challenge it with the departments of justice, the financial police, the court and demand the termination of the sale and advertising of these goods, the removal of TM from the goods and their packaging, and if this is not possible, the destruction of the goods.

If you import goods from outside the Customs Union, then customs measures can be applied against the illegal import of goods - the goods shall be suspended at the customs border and their import into Kazakhstan will be prohibited.

Consequently, it is necessary to check whether the TM is registered in Kazakhstan. If not, then import, but recommend that the producers of the goods register it, and request them to give you an exclusive license to use this TM and then include it in the customs register. Such inclusion shall give you a monopoly on trade in goods bearing this TM in Kazakhstan.

If you purchase this product from resellers, try to do the same through them.

If these resellers have no connection with the producer of a trademark owner, but according to them, the sale of goods to Kazakhstan is lawful, try to figure out if it is in fact proper cooperation. To do this, it is necessary, again, to check whether a trademark is registered in Kazakhstan.

If a trademark is registered, then you need permission. How to find a trademark owner? If a trademark is included in the Customs Register, then there you will also find information about a trademark owner. If not, then you need to search for the company names of legal entities registered in Kazakhstan, search on the Internet, in international databases, including the database of international registrations of trademarks. This path may not lead to the desired result - you either will not find the address of a trademark owner or he will not answer you. In this case, you should understand that your import of goods into Kazakhstan may not coincide with the plans of a trademark owner and one day he may demand that such import be stopped. Of course, it is possible that trademark owner will be interested in the development of trade of goods in Kazakhstan, he will not take any action against you, or you will be able to achieve agreement with him on the development of mutually beneficial trade and there will be no related issues.

If a trademark is not registered, then the goods can be imported without permission, but one day the producer may register it, and your trade might be interrupted.

This means that you need to address the producer and advise him to register a trademark. If it is not possible to do this directly, try doing it through your suppliers.

Most importantly, remember that if the cooperation described above is not structured, sooner or later this can lead to losses.

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