

Some Upcoming Changes in IP Legislation

Kazakhstan's accession to the World Trade Organisation, membership in the Eurasian Economic Union requires the improvement of national legislation in the area of intellectual property, elimination of contradictions and gaps, both within the provisions of national legislation and between national law and provisions of international agreements, to which Kazakhstan is a party.

The draft Law of the Republic of Kazakhstan 'On the Introduction of Amendments to Some Legislative Acts of the Republic of Kazakhstan on Improving Legislation in the Area of Intellectual Property' has been under discussion for over a year (*hereinafter – the 'Draft Law'*).

Below we are trying to outline the key significant changes envisaged by the Draft Law.

1. Single-Level System for Registration of Intellectual Property Objects

In most countries of the Organisation for Economic Cooperation and Development (*hereinafter – the 'OECD'*) the procedure for the examination and registration of intellectual property is performed in a single department on the 'one window' principle, while in Kazakhstan, applications and registration of IP rights is made with two authorities - National Institute of Intellectual Property and Department of Intellectual Property Rights of the Ministry of Justice of the Republic of Kazakhstan. Consideration of applications by the two authorities slows down the process of obtaining protection documents.

The introduction of a single-level system, which provides that the entire procedure for registering IP rights from the filing an application to obtaining a protection document shall be performed with a single expert organisation, will further reduce timing for registration of rights to intellectual property.

2. Possibility of Using a Mark in a Form That May Differ from a Registered Trademark

The Draft Law provides for the provisions on the possibility of using a trademark in a form that differs from the registered one in certain elements that do not change the distinctive nature of the trademark, as well as provisions that such a use cannot be prohibited or restricted by the legislation of Kazakhstan, if it can result in damage the feature of the trademark to distinguish goods (services) of individuals from homogeneous goods (services) of other entities, or damage the reputation of the trademark or owner thereof.

Besides, the use of a trademark in a form that differs from the registered one in certain elements that do not change the distinctive nature of the trademark shall not be a ground for terminating the registration of the trademark in connection with its non-use.

These provisions are brought in line with the Paris Convention for the Protection of Industrial Property (Clause 5C (2)) and Agreement on Trade-Related Aspects of Intellectual Property Rights (Clause 20).

Thus, the amendment proposes to harmonise the Law on Trademarks with provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights in order to provide the necessary protection of trademarks against possible restrictions, to attract the greatest investments for the country development, since this provision is interesting mainly for businessmen and trademark owners. This is supported by the opinion of international associations such as INTA, MARQUES, AIPPI, which include almost all well-known companies and corporations that are manufacturers and trademark owners.

3. Access for Interested Persons to the Database/Details of Applications Submitted

The Draft Law proposes to publish applications for trademarks since their receipt by the competent authorities on the official website of the expert organisation within five business days after the preliminary examination. The following information is supposed to be published:

- 1) image of the filed designation;
- 2) information on the applicant, including address of the applicant and(or) representative thereof;
- 3) list of goods (services), for which the registration is filed;
- 4) number and date of the application filed with the expert organisation;
- 5) country, number and date of the first application, the convention priority is provided;
- 6) reference to a collective trademark.

As a result, the rights holders of trademarks will have the opportunity to review applications for trademarks after their receipt by the expert organisation and promptly apply for the prevention of registration of identical or similar trademarks before they are registered. On the other hand, applicants will be able to inform about the priority of their applications to prevent from the further use of identical or similar designations by third parties.

Currently, applications are published after the trademark registration, which causes further disputes.

Please note that the procedure for publishing applications and filing objections is provided for in many countries (for example, in the UK, France, Japan, Finland, the United States and others).

Thus, information on trademarks, like in OECD countries, will be published in respect of both applications filed and already registered trademarks.

4. Simplification of Procedure for Registration of the Transfer and Granting of Rights to Use Industrial Property

In order to bring national legislation in line with the provisions of the Patent Law Treaty and Singapore Treaty on Trademark Laws ratified by the Republic of Kazakhstan, the Draft Law simplifies the system of registration of license (sub-license) agreements, agreements for complex business license (sub-license), supplements thereto, pledge agreements, and agreements on the transfer of rights to industrial property. In this respect, the provisions on *registration of the contracts* provided for by the Trademarks Law, Law on Selection Inventions, and Patent Law will be abolished. In other words, it is the fact of the transfer/granting of the right itself will be subject to registration, rather than a contract.

Currently, the expert organisation examines the contracts themselves, which slows down the process of registration of the transfer of rights under the contract and granting of rights to use IP objects. For instance, since the end of 2015, the law introduced the option of registering licensing agreements for trademarks under the Singapore Treaty on the Trademarks Laws ratified by Kazakhstan. When registering the rights transfer under a license, the expert organisation requires applicants to provide the licensed agreements for examination, which is contrary to the provisions of the Singapore Treaty. During the preliminary and full examination taking about 2 months, the expert organisation examines provisions of the license agreement for compliance with the current legislation of the Republic of Kazakhstan, regardless of the applicable law under the agreement, with an intention to keep confidentiality of the commercial terms of the parties to the agreements. In our opinion, submission of license agreements to the expert organisation is an interference in the contractual and business relationships of the parties. Besides, such interference affects the business of the parties to the agreement: production and sale of goods under license is suspended in Kazakhstan, financial transactions between the parties, payroll payments with the licensee's staff and taxes with the state budget are delayed.

The Draft Law introduced amendments under which registration of agreements will be replaced with registration of the legal fact of transfer and granting of rights to use intellectual property

under the agreement. In other words, the agreement itself will not be subject to registration, while it would be enough to send a notice to the expert organisation about the transfer or granting the right to use the object of intellectual property under the agreement. The expert organisation is expected to verify the legality and admissibility of the very fact of granting the right to use the intellectual property objects. This novelty will simplify and reduce the procedure for registration of the transfer and granting of rights under the agreement down to 30 business days.

5. Amendments to the Current Version of the Law That Determine the Future Fate of the Original Goods

Pursuant to the current legislation, a person, who improperly uses a trademark or confusingly similar designation, shall destroy the goods and packaging, which bear the illegally used trademark or confusingly similar designation, except for the original goods bearing the trademark placed thereon by the right holder. In accordance with the legislation, all goods, as well as their packaging, are subject to destruction, except for the original goods. Thus, with the current version of the Law, the fate of the original goods remains uncertain.

Since in case of a dispute, the fate of the original goods is not specifically regulated by the legislation of Kazakhstan, in practice there are many questions and difficulties in respect of destruction of the original goods. The trademark owner instead of claiming for the destruction of the goods and packaging has to claim for the removal of the original goods from the civil circulation in the state income within the civil proceedings. Further fate of such original goods remains a mystery.

In view of this gap, the following amendments were made to the Draft Law: "Goods bearing a trademark placed by the right holder or with the consent thereof shall be transferred to the right holder or a person appointed thereby, or placed under the re-export customs procedure, or withdrawn from civil circulation. Goods with a trademark placed by the right holder or with the consent thereof that have been subject to external, thermal or other exposure or processing resulting in a change or deterioration in the appearance, quality, properties and other characteristics of the goods shall be subject to destruction on general grounds."

This amendment is proposed to harmonise the national legislation. It is also proposed to determine the further fate of the original goods providing that they shall be transferred to the right holder or other person appointed thereby, as specified in the Administrative Code, dated 2 August 2015 (Note 2 to Article 158). In addition, it is proposed to implement re-export in accordance with the customs legislation, where possible.

6. Possibility of the Trademark Owner to Claim for Compensation from the Infringer Instead of the Losses Recovery Caused by Infringement of the Rights to the Trademark

According to the current legislation of Kazakhstan, a person, who improperly uses a trademark or confusingly similar designation must stop violating and reimburse the trademark owner for the losses incurred. In this case, for the right holder the losses means the *expenses* that were or should be incurred, the loss or damage to its property (real damage), as well as the lost income that it could have received under normal terms of circulation, if its right was not violated (loss of profit). Thereat, the court awards compensation in respect of documented expenses and losses only. Accordingly, if no documents confirming losses are provided, then no compensation is awarded.

Proving losses in the form of real damage or loss of profit is very difficult (almost impossible), which in practice leads to inefficient protection of the rights of trademark owners and recovery of damages in court.

The Draft Law proposes to establish the right of the trademark owner to claim for compensation from the infringer (a) in the amount of 500 to 10,000 MCI as determined by the court decision

based on the nature of the infringement, or (b) twice the value of goods, which illegally bear the trademark, instead of claiming for losses recovery.

Such a right to compensation is now provided for the owners of copyright objects, but not trademark owners.

Thus, this novelty will relieve the right holder of the need to prove damages in court, and the infringer will be obliged to pay compensation in a specified amount.

In addition to the main amendments mentioned above, a number of changes of the following nature are introduced into the Draft Law:

- it will be determined de jure that the exclusive right and the right to protection of a trademark arises from the date of registration of a trademark in the State Register of Trademarks;
- the competent authority will have the right to approve the standard form for submission of information in order to obtain unified and complete data on the activities of a collective organisation, including on collected, distributed, paid and unclaimed remuneration;
- the time limits for obtaining the notice of the trademark extension will be reduced;
- the procedure for recognising a trademark as the well-known trademark will be determined, and the concept of a 'well-known trademark' will be clarified;
- the grounds for challenging the registration of a trademark by filing an objection to the Appeals Board in case of a conflict between confusingly similar trademark and the brand name will be also clarified;
- the procedure for pre-trial consideration of cases in the Appeals Board will be specified; and
- the list of grounds for invalidation of the trademark registration will be extended.

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We hope the review given above will be useful for you. If you have any questions, please let us know, we would be happy to assist.

Best Regards,

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