

McGUIREWOODS KAZAKHSTAN

PROTECTION OF INTELLECTUAL PROPERTY



www.mcguirewoods.kz
www.mcguirewoods.com

TM

CONTENTS

Introduction: IP Protection	4
1. Trademarks	7
1.1 Well-Known Marks.....	8
1.2 Appellation Of Origin	9
2. Patenting Inventions, Utility Models & Industrial Designs	11
2.1 Inventions	12
2.2 Utility Models	14
2.3 Industrial Designs	14
3. Copyright.....	15
4. Selection Achievements	18
5. Know-How	19
6. Domain Names.....	20
7. Trade Names.....	21
8. Assignment & License Agreement	23
9. Franchise Agreement.....	24
10. Protecting Intellectual Property	25
10.1. Resolution Disputes In Court.....	25
10.2. Customs Register.....	26

McGUIREWOODS: IP PROTECTION

McGuireWoods was founded more than 170 years ago in Charlottesville, Virginia, U.S.A. Today, we have more than 900 lawyers practicing in 17 offices worldwide. McGuireWoods Kazakhstan was established in 1994, and has been operating in Kazakhstan and neighboring republics of the region completing a great number of projects in various fields of economy.

While operating in Central Asia and the CIS countries, we have gained considerable experience, enabling us to promptly and effectively address clients' legal and business challenges with account of the cultural and economic features. Our clients include local, foreign and international industrial and service companies, banks and financial firms, central and local state bodies. Lawyers in our Kazakhstan office assist clients with protecting their intellectual property, including trademarks, inventions, industrial models, copyrights and related rights, and other items.

Our IP services range from submission of applications for registration of IP objects to enforcement actions, including representing clients before courts and state bodies, IP due diligence and legal evaluation of IP objects, and investing in charter capitals and other forms of IP management. In addition, we have established a correspondent network of IP lawyers and patent attorneys in all republics of the former Soviet Union and many countries abroad.

SCOPE OF SERVICES

- Objections to denials to register trademarks and patents.
- Searches for identical and similar trademarks and firm names.
- Patent searches.
- Assignments and licensing of IP objects.
- Recognition of marks as well-known.
- Registration of IP objects with the Customs register of Goods containing IP objects.
- Settlement of IP disputes – extra-judicially or in courts of various instances (including Kazakhstan Supreme Court).

INTRODUCTION: INTELLECTUAL PROPERTY IN KAZAKHSTAN

Since disintegration of the USSR, business has been rapidly developing in the CIS, particularly in the key country of Kazakhstan. Kazakhstan, bordering with China on the southeast

and Russia on the north, and being the Central Asian leader in natural resources and industry, is a gateway for business in other Central Asian republics such as Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Roughly equal in size to five states of France, 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 has notable reserves of gold, molybdenum, titanium, and others.

In various cases, IP is one of the most important areas for initially entering the region's market, and registration of trademarks and patents and other IP rights is a significant step toward the market and wise care of company assets – even without a company's physical presence. Registration of trademarks and patents is a must in these countries, if a company cares about its trade name, image and the IP value of its assets. Without such registration, no protection can be gained or IP rights enforced, which is often necessary in this region.

Kazakhstan is a member of the Paris Convention on protection of industrial property, Madrid Agreement on international registration of marks, PCT, and others. It has developed a system of IP rights protection, including the Patent Law, Law on Trademarks, Copyright Law, Administrative Code and Criminal Code provide administrative and criminal liability for infringement of IP rights.

Kazakhstan is facing its domestic market abound with counterfeit goods, thus IP rights require effective protection. Law enforcement frequently encounters relatively good copies of goods containing IP belonging to others, however rough fakes also exist. In this case, not only are IP rights violated, but also the rights of consumers who purchase goods of poor quality that may endanger their health or lives. Other frequent violations are piracy of trademarks and copyrights. While Kazakhstan legislation provides broad protection to IP, particular areas remain underdeveloped and enforcement generally remains a problem.

IP, under Kazakhstan legislation, is (1) an exclusive right of an individual/company to results of intellectual creative activities; and (2) means of individualization of manufactures of products, works performed, or services rendered thereby (trade name, trademark, service mark, and appellation of origin).

An exclusive right to the result of IP activity or means of individualization is a property right of its owner to use the IP

object by all means and at his/her discretion. Others would be allowed to use exclusive rights objects only subject to the owner's consent.

Our practice in Kazakhstan and other CIS countries has shown that Western companies pay little attention to the preventive protection of their rights on the new markets – ignoring to register inventions, and more often trademarks, well in advance. To protect a trademark or invention, industrial design, utility model from the infringements, they should be registered. Absence of the registration can easily permit violation of the IP right. Foreign individuals or companies may apply for registration of IP objects only through a registered patent attorney.

Owner's consent is granted by way of a license agreement or assignment agreement. Pursuant to a license agreement, an owner of an exclusive right to results of intellectual creative activity or means of individualization (licensor) grants to the other party (licensee) a right to temporarily use the relevant object of intellectual property.

The Intellectual Property Rights Committee of the Ministry of Justice of the Republic of Kazakhstan (IPR Committee) is an authorized state agency for IP matters. The IPR Committee is responsible for registration of IP objects and implementation of state policy in relation to protection of copyrights, inventions, utility models, industrial designs and other IP items; issuing copyright, patent and trademarks certificates, and recognition of marks as well-known.

The National Institute of Intellectual Property (NIIP), the expert organization of the IPR Committee, accepts applications for issue of patents for inventions, utility models, industrial designs, and registration of trademarks. It also carries out their expertise, maintains state IP registers, and arranges official publications. Violators of IP rights are subject to civil, administrative or criminal liability, depending on gravity and consequences of violation.

In Kazakhstan and some other CIS countries, IP rights also enjoy protection of customs authorities, which maintain a register of goods containing IP objects. Such goods are included into such register upon applications of IP owners. Given that customs authorities may only suspend the release of goods contained in the register, and that the procedure of inclusion of goods into the register is complicated, we note that IP rights protection by customs authorities is considered somewhat ineffective. However,

it is possible and in several cases we managed to prevent importation of counterfeit products in Kazakhstan. Other Central Asian Republics of the CIS have similar legislation. Procedures related to certain IP objects are described below.

1. TRADEMARKS

When entering the CIS market and registering trademarks, companies should take into account the following peculiarities. All CIS countries are “first to file” rather than “first to use” countries, meaning that even in the case of a widely known but unregistered mark, the mark (1) may be used by any person, and (2) may be registered by any person in his name.

“Unregistered” means “unprotected.” We strongly recommend registering marks in advance in any CIS country where said marks are expected to be used, or where there is a possibility of using it by any third person. Relations having to do with trademark rights are governed by the Civil Code of the Republic of Kazakhstan, the Law of July 26 “On Trademarks, Service Marks and Appellations of the Place of Origin of Goods” and a number of subordinate legislative acts.

A trademark is granted protection on the grounds of its registration, or without it, based on international treaties to which Kazakhstan is a party. Presently this is the Madrid Agreement on International Registration of Marks which Kazakhstan acceded in 1993.

Note that unlike in the United States and some other countries that are a party to the Madrid Protocol, Kazakhstan and Tajikistan are parties only to the Madrid Agreement. Accordingly, American companies may only directly apply for registration of their trademarks in Kazakhstan’s and Tajikistan’s Patent Offices and only through Kazakh and Tajik patent attorneys.

An application for trademark registration is filed with the NIIP that serves as expert organization. One application can be filed for registration of a trademark for different goods and services. Under the current legislation of Kazakhstan, the application shall be examined within 12 months. However in reality, it takes anywhere from 1.5 to 2 years of the filing date for the trademark to be registered.

In other CIS countries, the procedure for trademark registration is similar to Kazakhstan’s. Once registered, the trademark needs to be used primarily on goods and in rendering services. If a registered trademark remains unused for more than three years, its

registration can be cancelled, while the trademark can be taken by any interested person. Such cancellation can be avoided by entering into a license agreement as the use of the trademark by the license holder is recognized as evidence of its use.

Our IP team has executed and filed in Kazakhstan and other CIS countries more than 1,800 applications for trademark registration. Also they have executed and filed applications for international registration under the Madrid Agreement on International Registration of Marks.

1.1 Well-Known Marks

Another way of protecting marks in the CIS is to have them recognized as famous and well-known. This strengthens protection and increases value, requires not their prior registration, as trademarks but is more time consuming and costly.

Now the list of well-known trademarks in Kazakhstan includes such trademarks as Coca-Cola, Fanta, Sprite and Contour Bottle belonging to The Coca-Cola Company; the Halyk trademarks of the Halyk Savings Bank, Kazkommertsbank JSC and other brands.

Advantages to Trademark Recognition as Well-known in Kazakhstan

- Same level of protection as a regular registered trademark, but for full range of goods and services, irrespectively of initial registration or use.
- Not necessary to register a trademark before it's recognized as well-known.
- Possible to prevent or terminate registration of a trademark identical or confusingly similar to a well-known mark with respect to goods or services within five years of registration.
- Owner of a well-known mark has right to take action against infringers, including Internet infringers, with regard to any goods and services.
- In case of accounting trademarks in balance sheet or its contribution into charter capital, a well-known mark has significantly higher value that also allows its higher depreciation rate.

Well-known and famous trademarks are not automatically recognized as such in Kazakhstan and other CIS Republics, and formal recognition is required. To recognize a mark as well-known in Kazakhstan, it is necessary to file an application with

the IPR Committee. Actual information confirming that the mark is well-known must contain consumer poll results that should be conducted in at least six cities of Kazakhstan and contain responses of not fewer than 3,000 people. Additional information confirming the mark's intensive use, volumes of sales of goods bearing the mark, and other details may also serve as a confirmation of the fact that the mark is well-known.

An application for recognition of a well-know trademark is usually considered within 11-12 months. Once recognized, a certificate of a well-known trademark is granted for 10 years of the recognition date. The duration can be extended for another 10 years, at the request of the applicant. Rights to a trademark or well-know mark may be transferred to any person under an assignment, deed or license, both to be mandatory registered with the Patent Office.

1.2 Appellation of Origin

The true and exact definition of the concept of “appellation of origin” (AO) is given in the Law of Kazakhstan “On Trademarks, Service Marks and Appellations of Origin” of July 26, reading: “appellation of origin means the geographical indication used to identify goods whose particular properties are exclusively or mainly associated with the place of its manufacture, including natural conditions and/ human factors.”

In the framework of international law, relations associated with the use of rights to AO are governed by the Lisbon Agreement for the Protection of AO and their International Registration of July 31, 1958. The following are spectacular examples of AO mineral water Sary Agash, Champaign (for sparkling wines), Parmesan cheese, Murano glass, Pilsner Beer, etc.

At first sight, AOs are similar in nature to trademarks. Also, the procedure for filing applications and registration of AOs is nearly the same as in the case of trademarks with the application being filed with NIIP. However, the fundamental difference between AO and trademarks is that the trademark is an exclusively individual piece of intellectual property, that is its holder is its maker and sole owner entitled to use and dispose of his trademark at will, while in the case of the AO, the sole holder is a state that lets a number of persons use it.

Accordingly, the main purpose of AO is to distinguish homogeneous goods produced in various geographic locations (e.g., Roquefort and Parmesan cheese of different producers),

while the purpose of trademarks is to help the customer distinguish homogeneous/identical goods of different manufacturers (e.g., gym-shoes Nike and Adidas).

It should be noted that the registration of an AO may be affected by one or more legal entities (together or independently), that manufacture goods in a geographic location which name is to be given to the goods. However, each of such legal entities shall be entitled to grant the right of use such AO.

Unlike in the case of filing an application for registration of a trademark, when applying for registration and/or the right to use an AO, the applicant is required to indicate, apart from the general personal information, the AO (i.e. the claimed name, incorporating the name of a geographic indication whose natural conditions have affected the properties of goods), the appearance and properties of goods, the geographic limits of its production, and in compliance with Article 29 of the Trademark Law, attach a report/decision of the authorized body stating that the applicant operates in the indicated geographic location and produces the goods whose special properties have been acquired due to the natural conditions and/or human factors in the said geographic location.

In accordance with the Trademark Law, it takes six months of the application date to review an AO. Then depending on the results of an expert examination, a decision is made either to deny or grant registration. The denial may be contested within three months by filing an objection with NIIP (and in the case of further denial by filing an objection with the Appeal Board). In the case of a decision to register and/or grant the right to use an AO, a certificate of the right to use an AO is issued and a relevant entry is made into the State Register of Appellations of Origin.

The registration of an AO is valid perpetually, provided the special properties of goods produced in the stated geographic location are preserved. The right to use an AO is valid for 10 years of the application date and may be extended at the applicant's every 10 years. However, the special properties of goods produced in the stated geographic location must be preserved. The right to use an AO may not be assigned to a third party under a license agreement or assignment agreement.

2. PATENTING INVENTIONS, UTILITY MODELS & INDUSTRIAL DESIGNS

Under the legislation of Kazakhstan, rights of a patent holder are absolute, exclusive, territorial and granted for a term. Absolute because the patent holder can demand that his/her rights are observed by an unlimited number of persons. Exclusive because only one patent can be granted for a given invention in a given country, and the duration of a patent is limited by law. Also, a patent's validity is limited in the patent's home country. For the patent to be valid in another country, the invention needs to be patented in that country.

The patent holder enjoys the exclusive right to use his/her patented industrial property item at his/her discretion. The exclusive right of a patent holder is regarded as breached when a product made using a patented industrial property is manufactured, used, imported, stored, offered for sale, sold or otherwise introduced into civil circulation without the patent holder's consent, or use of a patented method or introduction into civil circulation of a product manufactured using a patented method.

The patent holder may grant to any interested party the right to use his/her patented industrial property item under a license agreement. A license agreement for the use of an invention, utility model or industrial design is made in writing and is to be registered with the authorized agency (IPR Committee). Failure to do so makes the agreement invalid. The patent holder may assign his/her industrial property patent to any individual or legal entity under an assignment agreement also to be registered with the IPR Committee.

On the other hand, the patent holder is obliged to use his/her industrial property item. If the patent holder fails to do so, any interested party may go to court asking to be granted a compulsory non-exclusive license, provided the industrial property article was not continuously used after the first publication of information on the issue of the document of title for the industrial property item during any four years preceding the date of filing such an application.

Submission to foreign countries of an application for an industrial property article created in the Republic of Kazakhstan may be carried out upon expiration of three months from the date of submission of the application to NIIP or earlier – after the completion of a review, conducted in accordance with the

procedure established by legislation, of information constituting the state secret.

According to PCT and the Patent Law, citizens of the Republic of Kazakhstan residing in its territory, as well as legal entities of the Republic of Kazakhstan, shall submit an international application on industrial property item to the International Bureau of World Intellectual Property Organization (WIPO) through NIIP.

In the case of submission in breach of established procedure to foreign countries or WIPO of an application for the industrial property item created in the Republic of Kazakhstan, no document of title for said industrial property item shall be issued in the Republic of Kazakhstan.

Foreign individuals and legal entities shall enjoy the rights stipulated by the Patent Law on a par with citizens and legal entities of the Republic of Kazakhstan by force of international treaties to which the Republic of Kazakhstan is a party, or on the basis of the principle of reciprocity. Stateless persons residing in the Republic of Kazakhstan shall enjoy rights stipulated by the Patent Law and any other acts related to the legal protection of industrial property articles on a par with citizens and legal entities of the Republic of Kazakhstan, unless otherwise ensues from the Patent Law and other legislative acts.

2.1 Inventions

Protected as invention shall be a device, method, substance, strains of micro-organisms, cell cultures of plants and animals, as well as the utilization of a known device, method, or strain for a new purpose.

The following shall not be recognized as inventions: discoveries, scientific theories and mathematical methods; methods of organization and management of the economy; conventional designations, timetables, rules; rules and methods for execution of mental operations, playing games; software and algorithms as such; designs and schemes of planning of structures, buildings, territories; proposals related only to outward appearance of items; and proposals contradicting the public interests.

Available Patents for Invention

- “Innovative” patents are issued for the maximal five-year term from the application date, and issued after formal examination of the application materials and examination of the invention

for its local (Kazakhstan) novelty. Accordingly, as regards the international novelty and level of invention, the innovation patent is granted at the risk and responsibility of the applicant.

- Patent valid for 20 years from the date of application for the patent (here – “Full Patent”). The patent for an invention is granted following an examination as to form and essence. The patent for an invention can be granted provided the invention is (1) new; (2) complies with the level of invention; and (3) can be applied in industry. It is checked for the above requirements when examined as to its substance.

Both the innovation patent and patent certify the priority, authorship and exclusive right to an industrial property item. Generally, if there is a title document, the patented invention cannot be used without the patent holder’s consent.

A patent application undergoes a two-stage examination. The formal examination shall commence in two months of the application date. If, as a result of the formal examination, it is established that the application refers to items protectable as invention, and documents comply with the established requirements, the positive decision of the formal examination shall be adopted. The formal examination normally takes four to five months (provided there are no requests from the examiner to the applicant).

Upon request of the applicant that is submitted after issue of the positive decision after formal examination, but not later than three months from the date of issue of the positive decision, NIIP shall conduct a substantive application examination. If the applicant fails to present this request within this period without a good reason, the patent application will be cancelled.

As a rule, at each examination phase (formal and substantive examination) the applicant may receive one or two requests, and it is a rare case when a third or fourth request is sent to the applicant. In the event of a positive decision, a decision to grant a full patent is issued. Within six months of adoption of this decision, provided the state duty is paid for issuance of the full patent, NIIP publishes an announcement of that issuance.

The 20-year term of some full patents (patent on pharmaceutical), subject to the permission of an authorized body (Ministry of Health), may be extended by the IPR Committee at the request of the owner of the said full patent, for a period not exceeding five years.

2.2 Utility Models

The constructive implementation of means of production and items of consumption, as well as component parts thereof (device), shall be referred to the utility model. Decisions related to non-protected items earlier specified for inventions shall not be protected as utility models. The utility model shall be granted legal protection provided it is new and industrially acceptable.

The technical innovations that form the essence of a utility model are similar in their external signs to those of an invention. However they are less important from the viewpoint of their contribution to technological development.

What is the difference between the utility model and invention?

The utility model is not required to have the level of invention, and the range of articles is much narrower. No devices, methods, substances, strains of micro-organisms, cell cultures of plants and animals are protected as utility models. Utilizing a utility model for a new purpose is not protected.

A utility model patent is granted after formal examination, during which the availability of required documents is checked and their compliance with the requirements laid down therefore, the date of filing is determined and the possibility of referring the filed solution to articles protected as utility models, also the utility model is examined for its unity. The utility model is not checked for patentability. The patent for a utility model is granted for as long as eight years, counting from the filing date.

2.3 Industrial Design

The artistic and design solution that determines the outward appearance of an article shall be referred to industrial design. Industrial design shall be granted the legal protection provided it is new, original and industrially applicable.

The following solutions shall not be recognized as industrial designs: those stipulated exclusively by the technical function of items; objects of architecture (except for small architectural forms), industrial, hydrotechnical and other stationary structures; published production as such; objects of unstable form from liquid, gaseous, dry substances or similar substances; items contradicting the public interests, principles of humanity and moral.

The patent for an industrial design is granted after examination of the application as to its form and essence. The patent for an industrial design is granted for 10 years, and may be renewed at the request of the patent holder for no longer than five years.

3. COPYRIGHT

The copyright applies to products of science, literature and art that are a result of creative activity, regardless of their designation, merit and method of expression. Computer software is equated to writings and is regarded as a copyright item.

Said products become copyright items from the moment of expression in material form, and it is from that moment that an exclusive right of the author to the created item emerges (a property right to use his work in any way at his discretion for a term specified by the law). So for an exclusive right to arise, no state registration is required. No official documents (laws, court judgments, translations thereof), state symbols and insignia, folk art items, reports on events and facts of informative nature constitute copyright items. Primary copyright proprietors are authors whose creative work resulted in products of art.

An author's rights can be divided into the two classes of property rights and non-property rights. The property right is a right to use works in a manner prescribed by regulatory legal acts. The property right embraces such rights as the right of reproduction, the right of distribution, the right of air and cable broadcast, the right of remaking, etc.

Also, the author enjoys the following non-property rights: (1) the right to be recognized as the author of an item; (2) the right to indicate and claim indication in the copies of an item and in any public performance thereof of a penname instead of the true name of the author, or to waive the indication of the name, that is anonymously (the right to name); (3) the right to counteract any distortion, perversion or any other alteration of an item; and (4) the right to make the work available to any number of unspecified persons. Personal non-property rights are inalienable rights of an author, in contrast to property rights that can freely pass to third parties.

Non-property rights are protected perpetually. Generally, the validity of property rights to pieces of work lasts for 70 years after the author's death. Once that validity is over, the piece of work falls into the public domain. Then the work may be freely used

by any person without payment of royalties. At the same time, the right of authorship, the right to (on) the name, and the right of protection of the author's reputation shall be reserved.

Property rights to copyright items are transferred primarily under civil contracts called a copyright agreement. The law defines the following types of the copyright agreement: complete copyright assignment, partial copyright assignment, and exclusive and non-exclusive copyright assignment. Each differs in scope of assigned rights. Property rights may also be assigned under an employment agreement or inherited.

Note that Kazakhstan has joined the international system of protection of works by way of acceding The Berne Convention for the Protection of Literary and Artistic Works, 1886, and The Universal Copyright Convention, 1952. In the Republic of Kazakhstan, any works made public in a country that is a party to any of the two conventions or whose authors are citizens or permanent residents of such a country are granted national treatment.

Related rights are closely associated with the copyright and arise in connection with the use of copyright objects. Copyright objects include phonograms, performances, and broadcasts by air and cable organizations (a set of sound and video signals aired or broadcast by cable using technical equipment). As in the case of copyright for them to emerge related rights require no registration.

Performers, phonogram producers and organizations of air or cable broadcast are the holders of related rights. Property rights emerge with related right holders, while in the case of performers, personal non-property rights also emerge.

Also, property rights to related right objects can be transferred under a complete or partial assignment agreement or under an agreement for the assignment of exclusive or non-exclusive rights (the latter is a license agreement). In the case of related right objects, registration is a must and the rights of a licensee to the related right object concerned emerge at the time of recording the license agreement in the State Register of License Agreements.

Property rights to related right objects are valid for 70 years of (1) the first performance (in the case of performers); (2) the first publication (in the case of phonograms); or (3) the first airing or broadcast by cable (in the case of air and cable broadcast organizations). Personal non-property rights are protected perpetually. At the end of validity of related rights to performances,

staging, phonograms, broadcasts of air or cable broadcasting organizations, these fall into the public domain.

Related rights of foreign individuals of legal entities are recognized in Kazakhstan under international treaties to which it is a party. For instance, Kazakhstan has ratified the WIPO Performances and Phonograms Treaty (WIPO Treaty). Under the WIPO Treaty, contracting parties shall accord the protection provided under this treaty to the performers and producers of phonograms who are nationals of other contracting parties with regard to the exclusive rights and to the right to equitable remuneration in the scope and amount accorded to their nationals.

As mentioned above, registration of the rights to copyright objects and related right objects is not a must. However, registration as such may prove to be useful. For instance, a certificate of registration of a copyright object or a related right object proves:

- The registered object is a copyright or related right object.
- The copyright or related right object has been created no later than the date specified in the certificate.
- The object is kept at the committee that is an authorized agency for registration of copyright and related right objects, and can be compared with the opposed object, if necessary.
- The rights to the copyright or related right object are held by the person/persons specified in the certificate.

A certificate of registration of the rights to copyright or related right objects facilitates the fight against pirates. Also, registration is very important in assessing a copyright or related right object, as it allows individualizing the assessed object defining its completeness. Assessment of copyright is required in the case of commercial use of copyright or related right objects.

Commercial use of copyright or related right objects may be not only in the form of a paid transfer of property rights. Also, the right holder may use copyright or related right objects as:

- Security for the initial and subsequent emissions of shares.
- Contribution to the charter capital of a company, thus considerably increasing the size of the charter capital.
- Security for a loan.
- Copyright or related right objects may be recorded in the balance sheet of a company with their subsequent depreciation.

4. SELECTION ACHIEVEMENTS (PLANT VARIETIES)

A selective breeding result is a patented new plant variety or new breed of animals resulting from the creative work of a human being. The right to a selective breeding result emerges the moment the information on the selective breeding result is recorded in the State Register of Protected Plant Varieties and the State Register of Protected Animal Breeds.

The exclusive right to a selective breeding result is evidenced by a patent, and the patent certifies the priority of the selective breeding result and the authorship of the breeder where the author is also a patent holder. The validity of a plant variety patent is 25 years, and 35 years for certain plant varieties. The validity of an animal breed patent the validity is 30 years of the filing date of the relevant application. The validity of a patent can be extended for no more than 10 years.

The author (an individual whose creative work resulted in a variety or a breed) and the patent holder have the right to the selective breeding result. The author's rights include the right to be called the author of a selective breeding result; the right to assign its name to a selective breeding result; and the right to a royalty from the patent holder for the use of the selective breeding result throughout the patent's validity.

The patent holder enjoys an exclusive right to use the selective breeding result in any form and any manner. However, the patent holder is obligated to introduce into business a variety or a breed accepted for production; maintain the variety or breed throughout the validity of the patent to preserve the characteristic features of a selective breeding result; and make annual payment to keep the patent in force.

Selective breeding results are examined and tested for patentability by the Committee and the State Commission for the Testing of New Varieties of Agricultural Plants, and the State Commission for the Testing and Appraisal of Breeds both under the Agriculture Ministry of Kazakhstan (the commissions). The commissions examine selective breeding results for patentability and submit their opinions to the committee that performs a preliminary examination, and based on the opinions, grants a patent or a certificate of authorship.

A person who is not a patent holder may use a selective breeding result under a license agreement with the patent holder. Under

the laws of the Republic of Kazakhstan, license types include exclusive, non-exclusive, and full which differ from one another in that the licensor may use his/her selective breeding result for his/her own needs and to grant licenses to third parties. Licenses are subject to registration with the committee. Unregistered licenses are invalid.

For a selective breeding result to be introduced into business by any method (e.g. by way of reproduction of a selective breeding result, bringing it to a condition for sowing/planting, selling it, etc.), the animal breed or plant variety concerned needs to be recorded in the State Register of Selective Breeding Results Accepted for Production based on the results of testing for their serviceability.

5. KNOW-HOW

In Kazakhstan, know-how is regarded as intellectual property. This concept is defined by the Civil Code of Kazakhstan as “trade secret,” and protected in the procedure established for commercial secrets.

In contrast to other confidential information technological and scientific information is a result of intellectual creative work; often it is patentable or forms an important part of a patentable creation.

Information having features including existing or potential commercial value because it is not known to third parties; it is not legally accessible; and its owner takes steps to keep it confidential is regarded as know-how.

As long as these features are effective, the right to protect know-how remains, that is such right may be perpetual as distinct from the right to protect patented articles.

Any information can be classified as commercial secret by its owner. However, the rules governing know-how are not applicable to information that by law cannot constitute official or commercial secret, and it is removed from commercial turnover. This is information about legal entities and companies’ by-laws, rights to property and transaction involving thereof, national statistics records, information on the adverse ecological impact of business activities; information on any aspect of the company’s business supervised by the state, and some other information as defined by law.

Basic Features Distinguishing Know-how from the Patent

- Theoretical perpetuity of protection.
- Information in any form that remains in commercial turnover.
- No state registration.

Know-how may not be part of the description of a patent of invention, as the latter must be published and is expected to fully disclose the invention for it to be implemented. The most common ways of obtaining know-how by a company are (1) its creation by the company's employees; and (2) its transfer to the company under an agreement with a third party. A number of legal, technical and organizational steps need to be taken to establish the existence/presence of know-how and protect it.

Like other IP articles, know-how can be evaluated, contribute to the charter capital of a company, enter in the company books, and even depreciate it. Each company should design and effect a set of protection measures well in advance, as a belated protection and reinstatement of its rights require considerably greater costs and is unlikely to ensure complete elimination of rights infringement.

6. DOMAIN NAMES

The current legislation of the Republic of Kazakhstan does not regard the domain name as an IP item.

However, given that the Civil Code of Republic of Kazakhstan does not limit the list of means of individualization of entrepreneurs/civil turnover participants/players, goods, works or services to trade names and trademarks, and what is more states that other means of individualization may be assigned to IP matters, we are going to deal domain names and cases of conflict between the rights to a trademark and a domain name.

The Kazakh Network Information Centre (KazNIC) is in charge of registering domain names of the second level Internet in the KZ address space in the Republic. Where someone else's trademark is used in a domain name, KazNIC may cancel the registration of the domain name by a court decision only.

Before the dispute is resolved in court, KazNIC may put the disputed domain name on hold, provided its owner produces the following documents:

- The original or a notarized copy of the certificate of registration of a trademark that is identical to a second level

domain name (without .KZ) issued by the authorized registrar of any country. The copy may not be older than six months.

- A copy of a warning letter sent to the registrant of the domain name and a document evidencing the dispatch of the letter (by courier or registered mail) and receipt thereof by the registrant.
- Usually after one or two years, the on-hold status can be released where no evidence of the opening of a court case is produced.

Under Kazakh legislation, any unauthorized use of a trademark in telecommunication networks accessible to the public such as Internet and others can serve as grounds for filing an action. Also, any conflicts between a trademark and domain name may be resolved by way of sending the domain name owner a warning letter without taking the dispute to court.

Disputes over the unauthorized use of a trademark in a domain name have become frequent in the practice of McGuireWoods' intellectual property teams. Given that we would advise clients to timely register domain names incorporating trademarks to avoid dispute resolution costs and expenses.

7. TRADE NAMES

Under the laws of Kazakhstan, a Trade Name (TN) is qualified as intellectual property, specifically as means of individualization of participants in civil law relations. In accordance with the Paris Convention for the Protection of Industrial Property of March 29, 1883, in Kazakhstan, a TN is protected without registration and regardless of whether or not it is part of a trademark.

There is no specific registration for a TN in Kazakhstan. A TN becomes such once the legal entity is registered with the Ministry of Justice, with the TN indicated in the foundation documents. A TN has a distinctive feature and shows the corporate form of a legal entity in the Kazakh and Russian languages, and if need be, in other languages in full and abbreviated as its shareholders or participants wish.

A TN is used to register a legal entity in the State Register for Legal Entities. In the case of a bank, its TN must incorporate the word "bank" or its derivative. In the case of a specialized financial company, its TN must incorporate the words "specialized financial company," etc. The TN of a state-owned company is expected to hint at the owner of property, the company's form of ownership (central government or municipal property) at its departmental

affiliation. The TN of a public enterprise for operational management of public property is expected to indicate that the company is state owned.

In a TN, enterprises that are not state agencies may use any indication of Republic of Kazakhstan state agencies' names, as established by Kazakhstan legislative, presidential or governmental acts. Also in a TN, a legal entity may not use names at variance with the law or public morality; or proper names of other people, unless these coincide with the names of company participants/shareholders, or the participants/shareholders have the consent of such people or their successors to use their proper names.

A legal entity enjoys an exclusive right to use its TN. Any person illegally using someone else's TN, must discontinue doing so at the request of the TN holder and indemnify the latter. A legal entity enjoys an exclusive right to use its TN on its letterhead, printed matter, advertisements, signboards, booklets, invoices, goods and packaging thereof, and in other cases required for its individualization. No TN confusingly similar to the TN of a registered legal entity or misleading the public as to the goods made or services provided by the registered legal entity may be used.

After dissolution of a legal entity, or due to a change of its TN, the right to it ceases. The TN of a legal entity may not be alienated/sold or assigned except when the legal entity is reorganized or alienated/sold as a whole. The TN holder may allow (grant a license) a third party using its TN in a manner specified in a license agreement.

Under a package license, the licensor undertakes to grant to the licensee for a consideration a package of exclusive rights, including the right to use the licensor's TN in the licensee's business. Unless otherwise specified in the package license, the licensee is obliged to expressly inform its customers (clients) that the TN concerned is used under a package license.

The unauthorized use of a TN brings about both administrative and criminal liability. Under the Administrative Offence Code of Kazakhstan, any unauthorized use of someone else's TN shall be punished by a fine amounting to 10 to 50 minimum calculation indices for individuals, 30 to 100 for officials, and 50 to 200 for legal entities (1 MCI is about USD 10).

Under the Criminal Code of Kazakhstan, any unauthorized TN use (provided it is repeated and causes heavy damage) shall be

punished by a fine amounting to 200 to 500 MCI, or in the amount of the offender's salary/wages, or his other income earned in two to five months, or community service for 180 to 240 hours, or detention for up to six months, or correctional labour for up to two years.

Any case of unauthorized TN that misleads or may mislead the public as to the manufacturer or seller of goods (work, services), e.g. unfair advertising, direct reproduction of someone else's TN and the like, shall be deemed violation of the rights to a TN. If rights to a TN are violated, the holder may approach the Justice Department, Public Prosecutor's Office, or take the case to court. Under the Customs Code, goods illegally bearing a TN shall be suspended and seized by Customs if imported into Kazakhstan.

8. ASSIGNMENT & LICENSE AGREEMENT

Exclusive rights to an IP article can be assigned by its holder in full or in part to a third party. There are the assignment agreement and the license agreement. The rights to IP items can be assigned by the patent holder to the third party in full or in part. Under the license agreement, the right holder (licensor) grants to a third party (licensee) the right to temporarily use an IP item.

Under current Republic of Kazakhstan legislation, two main types of license for IP items include (1) common non-exclusive license under which the right holder may use his/her IP item and license it to third parties; and (2) exclusive license under which the right holder retains the right to use his/her IP item, but may not license it to third parties. The licensee may make a sub-license agreement in cases specified in the license agreement.

For certain IP items, the law provides for specific requirements for license agreements. For example, the license agreement for use of a trademark must stipulate that the quality of goods/products manufactured by the licensee may not be inferior to those produced by the licensor, and that the licensor may supervise the observance of that requirement. Besides, in respect to some IP items the assignment of rights or issuances of the licenses are prohibited, for example, in relation to the appellation of origin of goods.

In the case of IP items (inventions, trademarks and others), the like which must be registered for the title to emerge assignment and license agreements must be registered with the concerned agency (the IPR Committee). Failure to register such assignment

agreement or the license agreement may lead to their invalidity. Usually it takes the IPR Committee two to six months to register an assignment or license agreement. To date, our IP team has drafted and registered more than 200 assignment and license agreements.

9. FRANCHISE AGREEMENT

Under the franchise contract, one party (franchisor) undertakes to supply the other party (franchisee) for a consideration with a package of exclusive rights including the right to use the trade name and protected commercial information (including know-how) and other exclusive rights. According to the Civil Code of Kazakhstan, under the franchise contract, the franchisor is supposed to transfer the right of use of the trade name and commercial information.

Where the right to a trademark or inventions, utility model or industrial design is transferred, these must be registered and legally protected in the Republic of Kazakhstan. Otherwise, they may not be transferred under a franchise contract. The franchise contract is used in a particular sphere of business. The area of use may be either limited or not specified. The franchise contract may be made for a fixed or indefinite term.

Before the franchise contract is made, the franchisor shall provide the franchisee with information on the package of exclusive rights to be transferred. The franchise contract shall be made in writing. No state registration of the contract is required. However, the license agreement for using such matters as invention, utility model, industrial design and trademark is required to be registered with the IPR Committee. Failure to do so results in invalidation of the provisions of the franchise contract dealing with the transfer of rights to use the above IP items. Under the franchise contract, the franchisee may pay to the franchisor:

- A fixed one-off payment or periodic payments (a fixed advance payment effected immediately after entering into the contract with further payments of a certain percent of the total amount of goods, services or works (royalty) is the most common way of payment.
- Deductions from proceeds, markups on the wholesale price of goods transferred by the franchisor for resale, or any other form.

Sales proceeds, remunerations (including under the franchise contract), and royalty are taxed at 30 percent. However, in the case of royalty, the income tax may be 10 percent for some countries with which Kazakhstan has the Double Taxation Treaty.

To date, we have drafted a number of franchise contracts in the sphere of education and hotel services.

10. PROTECTING INTELLECTUAL PROPERTY

Current Kazakhstan legislation provides for the following general remedies to protect IP rights, including trademark rights: dispute settlement, civil law protection, administrative law protection, and criminal law protection. In dispute settlement, warning letters are drafted and sent out. In the case of civil law protection, the victim goes to court, and the case is heard and examined in accordance with the provisions of the civil law.

In the case of administrative law protection, the victim turns to and files applications with justice agencies, the RK Agency for Regulation of Natural Monopolies, customs, and the specialized administrative courts. In the case of a criminal offence, the victim approaches the finance police and internal affairs agencies.

10.1 Resolution of Disputes in Court

Cases involving protection of IP rights are heard and examined in court in accordance with the provisions of the Civil Code. The following disputes are considered in court:

- Disputes over the ownership of IP.
- Disputes over the lawfulness of a title document.
- Infringement of the exclusive right of a right holder to IP.
- Disputes involving the making and performance of license agreements on the use of IP.
- Disputes over remuneration of the author.
- Other disputes relating to the protection of IP rights or arising out of a title document.

The victim may seek recognition of his rights, suppression of acts infringing upon his rights or endangering thereof, and recovery of damage. Disputes whose parties are individuals or legal entities are heard in specialized interdistrict economic courts. Civil cases are examined and resolved by first instance courts within no more than two months of the day the case is ready for hearing.

Before or during court proceedings, the plaintiff may petition to secure the claim by freezing and seizure of the objects suspected to be fake, or goods bearing someone else's trademark, etc. Having reviewed the motion, the judge would render a ruling to be immediately enforced. Where there is need to prove that the goods containing someone

else's intellectual property (invention or trademark) are fake, the judge may decide to have forensic examination, and in such a case, the duration of the hearing is extended.

Some disputes can be settled out of court before the Board of Appeals of the IPR Committee. For instance, disputes over the granting of a patent, registration of a trademark, and cancellation of a trademark on the grounds of its non-use. Any decision rendered by the Board of Appeals may be contested in court within six months of the date of its receipt. Such disputes are heard before and settled by the Astana City court at the location of the IPR Committee.

10.2 Customs Register

One of the effective ways of fighting the importation of counterfeited goods to the Republic of Kazakhstan is customs action to suspend the release of such goods at the customs border of the country. The customs action starts operating after the owner of goods that comprise IP had them recorded in the Customs Register of the Customs Committee under the Finance Ministry of Kazakhstan (register).

After recording his/her goods comprising IP in the register, the applicant becomes entitled to the following advantages: (1) timely notification by customs of any goods moved across the border suspected of being fake; (2) the possibility of suspending fake goods at the border of Kazakhstan and preventing further spread across the country; and (3) the possibility of taking the manufacturer/importer of fake goods to court to stub such cases in future. According to the Customs Code of Kazakhstan, the following are defined as infringing goods:

- "Counterfeits," i.e. goods made using someone else's IP in breach of its owner. For instance, imitation films, photographic cameras, TV sets, bearing well-know trademarks (e.g. KODAK, PANASONIC, etc).
- Goods moved across the customs border of Kazakhstan in breach of the right holder, usually such goods are genuine, but meant to be sold within a certain locality without the right to take and sell them in another location (parallel imports).

McGuireWoods has vast experience drafting and filing applications for recording goods comprising IP in the register; rendering further legal support in dealing with customs with the aim to suspend goods with the signs of piracy; and filing suits related to IP right infringement and appearing for the right holder in courts.

McGUIREWOODS
KAZAKHSTAN

McGuireWoods Kazakhstan LLP
20 a Kazibek Bi St. | Almaty 050010 | Republic of Kazakhstan
Phone: + 7 (727) 259 6100 | Fax: + 7 (727) 259 6116
E-mail: mwk@mcguirewoods.com

www.mcguirewoods.kz | www.mcguirewoods.com

Atlanta • Baltimore • Charlotte • Charlottesville • Chicago
Jacksonville • Los Angeles • New York • Norfolk • Pittsburgh • Raleigh
Richmond • Tysons Corner • Washington, D.C. • Wilmington

Almaty, Kazakhstan | Brussels, Belgium