

Main legal issues of a trademark non-use cancellation in Kyrgyzstan

There are times when a bona fide company spends a considerable sum of money on developing and promoting its brand and later applies for registration of the brand as a trademark in Kyrgyzstan (“**KG**”). However, the State Agency for Intellectual Property and Innovation, under the Cabinet of Ministers of Kyrgyzstan, (“**IP Agency**”) refuses to register such brand, because an identical or similar trademark of another company has already been registered or applied for registration in KG (hereinafter referred to as the “**prior trademark**”). This is not surprising, since each year the number of trademarks of both local and foreign companies and individual entrepreneurs is increasing in KG. By the beginning of 2022, over 11,000 trademarks are registered in KG via the national procedure (filed directly with IP Agency), and about 47,000 trademarks are protected in KG via the international procedure (filed with the World Intellectual Property Organization (“**WIPO**”). In KG a trademark right is granted to the one who has a priority (*e.g.*, the one who first filed a trademark application), making conflicts between marks applied for registration and prior trademarks inevitable.

What should the bona fide company do if registration of its brand was refused? One of the legal mechanisms to solve this problem is cancellation of the prior trademark, if it has not been used continuously for any three consecutive years after its registration. However, it will not be easy, and the company will have to face legal issues¹ of the prior trademark’s non-use cancellation in KG as described below. Since a draft of a new Kyrgyz Trademark Law is currently being discussed, I hope that the legislator will pay attention to these legal difficulties, and the recommendations offering solutions to such issues² herein will be reflected in the new law. In addition, since the Plenum of Kyrgyz Supreme Court in accordance with paragraph 3 of article 98 of Kyrgyz Constitution is currently actively working to provide official clarifications on issues of judicial practice, which are mandatory for all Kyrgyz courts, I hope that the legal issues of a trademark non-use cancellation and proposals for their solution will be considered in one of the resolutions of the Plenum of Kyrgyz Supreme Court on the application of trademark law.

1. Issue of Jurisdiction and Venue

According to Trademark Law, cases on trademark non-use cancellation are within the jurisdiction of the courts. The lawsuit is filed by a claimant who may be any interested party that would like to cancel the prior trademark, and the respondent is a rightsholder of the prior trademark. IP Agency should not take part in such cases as a co-claimant since it does not have an authority to ask the court to cancel trademarks. Neither should the IP Agency participate as a co-respondent since the IP Agency’s decision, action or inaction are not contested. However, *de facto* IP Agency is involved as a co-respondent in such cases in Kyrgyzstan due to the following legal gap.

According to the general rule stipulated by both the Civil Procedure Code of 1999 and Civil Procedure Code of 2017, a civil action may be brought in a judicial district in which the respondent resides. There are certain exceptions to this rule, for example, a civil action against a legal entity may be brought in a district where the property of a respondent is situated³ or the venue for claims on recovery of alimony is a district in which the claimant resides. However, the Civil Procedure Code does not provide with similar exceptions for civil actions concerning intellectual property. Due to such a gap the following problem arises: if the respondent is a foreign company residing, for example, in Italy and does not have

¹ This article does not cover legal issues of (i) proving claimant’s interest in canceling the trademark, (ii) the time period of a prior trademark’s non-use that is sufficient for its cancellation, (iii) the date from which a prior trademark’s non-use cancellation is effective, and (iv) justification for respondent’s non-use of a prior trademark.

² For the purpose of developing such recommendations the laws of Armenia, Belarus, the European Union, Kazakhstan, Russia, Tajikistan and Uzbekistan concerning trademark non-use cancellation were considered.

³ According to the Civil Code, a trademark right is not considered as a property. Therefore, it is not possible to claim that the civil action shall be brought in a district in which the property of a respondent is situated, *i.e.*, Kyrgyzstan.

a branch or representative office in KG,⁴ then to which court should the claimant file a lawsuit?⁵ If the Civil Procedure Code is interpreted literally, then the lawsuit shall be filed with the Italian court. However, it is not correct, since the intellectual property right, including trademark right, adheres to the principle of territoriality, according to which trademark right is valid and can be protected and challenged only in the country where such right is granted or recognized. Therefore, Italian courts do not have any authority to consider whether or not a trademark registered in KG was used on the territory of KG, neither do they have a right to cancel such trademark. In order to justify the consideration of such case by Kyrgyz courts, claimant claims that the action is brought in a judicial district in which one of the respondents, *i.e.*, IP Agency, resides. Claimant substantiates the involvement of IP Agency as a co-respondent by arguing that it demands IP Agency to exclude the prior trademark from the state register of Kyrgyz trademarks and so it has claims against IP Agency.

Prior to April 2020, the above solution to the legal issue of jurisdiction and venue of cases on trademark non-use cancellation was acceptable because claimant could file a lawsuit with the inter-district courts that had a right to consider both civil and administrative actions. However, later such inter-district courts were abolished. Currently the civil actions shall be filed with general district courts in accordance with the Civil Procedure Code, while administrative actions (*i.e.*, claims against government agencies) shall be considered by newly established administrative courts in accordance with the Administrative Procedure Code. Therefore, now it is incompatible to make a claim against IP Agency, a government agency, in a statement of claim on civil action concerning trademark non-use cancellation. Consequently, the issue of which court shall consider the lawsuit filed against a foreign rightsholder of the prior trademark raises again.

Recommendation: Since the issue of venue of cases relates to procedural law, it is necessary to amend article 31 of the Civil Procedure Code by explicitly providing the claimants with the right to bring a civil action concerning intellectual property in the district in which either the claimant or IP Agency resides.⁶

2. Issue of Burden of Proof

According to article 65 of the Civil Procedure Code, the parties participating in the case must prove the allegations that they refer to as the basis for their claims and objections. Therefore, the claimant is obliged to provide evidence of trademark non-use by its rightsholder along with the statement of claim, and the trademark rightsholder has the right, but not the obligation to file an objection to the statement of claim along with evidence to the contrary. According to article 152 of the Civil Procedure Code, the respondent's failure to submit a written objection to the statement of claim does not prevent the court from considering the case.

It is not right that the claimant bears such burden of proof, since in practice it is very difficult or even impossible for the claimant to collect necessary evidence of trademark non-use.

When it comes to the cancellation of a trademark that is registered in relation to luxury goods sold at exclusive points of sale, or the goods that require mandatory registration with relevant authorities (*e.g.*,

⁴ According to the Civil Procedure Code, claims arising from the activities of a branch or representative office of a legal entity may also be brought by a claimant in a judicial district in which the branch or representative office resides.

⁵ There is no such problem if the respondent is a local company. In such case, the claimant files a lawsuit with Kyrgyz court in a judicial district in which the respondent resides. Interestingly, according to Kyrgyz court practice, even in these cases, IP Agency is usually involved as a co-respondent.

Previously, IP Agency used to support the respondent during court proceedings in civil actions on trademark non-use cancellation. Lately such practice is forgotten, and IP Agency does not support anyone's side, but rightfully asks the court to re-qualify it from a co-respondent to an independent third party.

⁶ As an alternative, similarly to European Union and Tajikistan, it would be possible to change the jurisdiction of cases on trademark non-use cancellation to the Appeals Board of IP Agency, which unlike Kyrgyz courts has sufficient competency in intellectual property issues. However, in 2021 Kyrgyzstan ratified the Trademark Treaty of the Eurasian Economic Union (EAEU), according to which the EAEU trademark shall be canceled due to its non-use based on a court decision. It would be incorrect, if national trademarks and trademarks registered via WIPO are canceled based on the Appeals Board's decision, and the EAEU trademarks – via the court. Therefore, currently there is no possibility of changing the jurisdiction of such cases in KG.

medicines), or marking with a unique identifier (*e.g.*, alcohol or tobacco products), then the claimant has an opportunity to obtain evidence. The claimant may contact exclusive points of sale or relevant authorities with a request to provide information on whether they have sold or registered or provided with a unique identifier goods marked with the prior trademark. Collecting evidence in relation to other goods⁷ is more difficult. Moreover, in order to collect evidence in relation to any goods, the claimant shall seek the assistance of a licensed lawyer, who under law has a right to collect evidence.⁸ However, there is no guarantee that a lawyer can obtain relevant evidence since they may be denied information due to the restrictions on disclosing commercial or other confidential information.

It is nearly impossible to prove non-use of a trademark registered in relation to services. Claimants do not have access to such internal documents of the rightsholder that could demonstrate whether the trademark was used or not: service agreements, documents confirming the acceptance of services, invoices, business correspondence, *etc.* If under Kyrgyz laws a person is required to obtain a license or permit before providing services, then the claimant may inquire with the relevant authorities whether the rightsholder has been issued a license / permit for the type of service for which the trademark is registered. If the license / permit was not issued, it means that the rightsholder does not have a right to provide such services and the trademark could not have been used. If the rightsholder received a license / permit, then this fact cannot serve as an evidence of trademark use, since it does not directly confirm whether the rightsholder actually provided a certain type of service under a contested trademark.

Recommendation: In European Union (EUTM), Russia and Tajikistan the respondent, which is a trademark rightsholder, bears a burden of proof in cases on trademark non-use cancellation. This approach is reasonable because it is much easier for the rightsholder to confirm the use of its trademark. If the respondent did not use the trademark, then it may collect evidence confirming justifiable reasons of non-use.⁹ Moreover, such approach reduces the financial and time costs for the claimant because it does not need to conduct market research and collect the evidence of non-use; and at the same, it is not too burdensome on the respondent, since as a rightsholder it usually has all main relevant evidence. Therefore, it is necessary to apply the same approach in KG by introducing amendments to Trademark Law.

3. Issue of Notional Use of a Trademark

Unfortunately, according to Kyrgyz laws and available court practice¹⁰, the notional use of a trademark is deemed sufficient to prevent its non-use cancellation. Notional (merely token) use of a trademark means its use for the sole purpose of preserving the rights conferred by the trademark without a real intention of using it for goods or services. This approach is not correct because it allows for trademarks registered for the purposes of unfair competition or abuse of rights to remain in force.¹¹ Some company acting in bad faith and willing to prevent a foreign competitor's goods from entering the Kyrgyz market can register a brand of the competitor ahead of the latter as a trademark in KG, and later such company can ban¹² import of original goods marked with that trademark to the territory of KG. Thus, the real producer of goods is deprived of the right to sell its goods in the territory of KG. If later the local company does not genuinely use that trademark, then in order to keep the obstacle for its competitor it

⁷ Goods that are not subject to mandatory registration or marking and/or consumer goods that are usually sold everywhere and/or do not need advertising, *etc.*

⁸ Subparagraph 2 of paragraph 1 of article 25 of the Law of Kyrgyzstan "On Kyrgyz Bar Association and Advocacy".

⁹ According to Trademark Law, the court may take into account evidence submitted by the respondent that the trademark was not used due to circumstances beyond its control, including restrictions imposed by the state on goods for which trademark is registered.

¹⁰ According to IP Agency, it participated in 82 civil actions (of which 57 actions were decided in favor of the claimant, 23 actions were dismissed, and 2 actions were then under consideration) on trademark non-use cancellation during the period from 2008 to December 2021. There is no statistics for the period from 1991 (when KG declared independence) to 2007. Currently only 24 court decisions concerning 20 civil actions on trademark non-use cancellation are available at Legal Database TOKTOM. There are no court decisions on such cases in other publicly available sources.

¹¹ Unfortunately, Trademark Law does not provide a direct basis for trademark cancellation, if the actions of the rightsholder related to trademark registration are deemed as unfair competition or abuse of rights.

¹² According to Trademark Law, a trademark rightsholder has an exclusive right to use and dispose of the trademark, as well as to prohibit its use by other persons. No one can use a trademark in KG without the permission of its rightsholder.

can prevent the non-use cancellation by providing evidence of just notional use of the trademark as follows:

- a) According to paragraph 2 of article 1110 of the Civil Code, the mere issuance of a trademark license¹³ by a rightsholder to a third-party is considered as a use of the trademark. The rightsholder acting in bad faith can sign a license agreement every three years or retroactively draw up a fake license for the purposes of claiming the use of the trademark. Kyrgyz courts also confirm that the issuance of license itself is sufficient to prevent trademark non-use cancellation even though the trademark was not actually used on goods or in the course of providing services by either the rightsholder or the licensee.

Under article 24 of Trademark Law, a license agreement shall be recorded with IP Agency and comes into force from the date of its recordal. Without such a recordal, the agreement shall be considered invalid. Bad faith rightsholders usually bypass this requirement by claiming that in accordance with paragraph 3 of article 19 of the Singapore Treaty on the Law of Trademarks Kyrgyzstan “may not require the recordal of a license as a condition for the use of a trademark by a licensee to be deemed to constitute use by the rightsholder in proceedings relating to the acquisition, maintenance and enforcement of trademarks”.¹⁴

- b) According to Trademark Law, the use of a trademark as a domain name can be considered as a use of the trademark. Unfortunately, in practice Kyrgyz courts find the mere registration of a domain name as a sufficient proof of trademark’s genuine use. The courts do not analyze: (i) whether the domain name was used in relation to goods and services for which a trademark is registered (it is possible that, for example, the trademark “Apple” is registered in relation to smartphones and laptops, but the website “www.apple.com” offers other goods or services, *e.g.*, hairdressing services); (ii) whether relevant Kyrgyz consumers have a real and effective access to such a website¹⁵ (*i.e.*, whether the goods and services are offered on a website in the language of Kyrgyz consumers - Kyrgyz and Russian, and if the website allows consumers to order goods and services online, then whether consumers from KG may enjoy such right); and (iii) whether there is an evidence that certain number of Kyrgyz consumers have actually visited such website during a certain period of time.
- c) Kyrgyz courts do not analyze whether the use of a trademark is genuine without an intention to just preserve the rights conferred by the trademark. Therefore, for the purposes of maintaining trademark registration and creating an appearance of its use, the rightsholder can produce and sell single copies of a consumer product (for example, produce and sell only 10 pieces of inexpensive toilet soap once during a three-year period) and claim in the court that the trademark was genuinely used.

Thus, a bad faith rightsholder through a notional use of the trademark creates an obstacle for the entry of goods or services of a real manufacturer or service provider into Kyrgyz market.

Recommendation: First, it is necessary to recognize paragraph 2 of article 1110 of the Civil Code, according to which the mere issuance of a license is considered a genuine use of a trademark, as null and void. In addition, it is necessary to reflect in Trademark Law and/or in the resolution of the Plenum of Kyrgyz Supreme Court the following main criteria¹⁶ of genuine use of a trademark:

- a) Genuine (actual) use means use of a trademark for the purposes of direct launching to the market of goods or services in respect of which the trademark is registered. Genuine use denotes use that

¹³ According to Trademark Law, the right to use a trademark can be granted by a trademark rightsholder (licensor) to another person (licensee) under a license agreement in respect of one or more goods or services for which the trademark is registered.

¹⁴ According to Trademark Law, if an international treaty to which Kyrgyzstan is a party and that has duly come into force, provides requirements other than those contained in Trademark Law, then the provisions of the international treaty shall be applied.

¹⁵ This issue especially concerns those domains that are registered not in the .KG zone (*e.g.*, www.apple.kg), but in foreign or other segments (*e.g.*, www.apple.uk or www.apple.com, *etc.*).

¹⁶ Similar criteria apply in Armenia, Belarus, the European Union, and Russia.

is not serving solely to preserve the validity of a trademark registration. Genuine use must be consistent with the main function of the trademark, which is to enable consumers to distinguish the goods or services of one legal entity or natural person from the similar goods or services of other legal entity or natural person.¹⁷ The use of the trademark must be public, *i.e.*, directed towards potential consumers. Solely internal use within a company or a group of companies does not amount to genuine use of the trademark. It is necessary to assess whether the disputed trademark has been used for each type of goods and/or services in respect of which it is registered and in relation to which the claimant seeks to cancel the trademark.

- b) Evidence of the use of a trademark must indicate the place and time of its use. When considering the case, it is necessary to examine whether the submitted documents and other materials, such as contracts, invoices, labels, packaging, price lists, catalogues, photographs, advertisements, and other information in printed publications and on websites, really reflect the use of the trademark in the relevant territory within a certain period of time.
- c) Whether the use of a trademark is genuine depends on the circumstances of each case, including (i) the nature of the goods and services for which the trademark is registered (*e.g.*, consumer or industrial goods, expensive or cheap goods), (ii) the characteristics of the market concerned (*e.g.*, the FMCG or real estate market), (iii) the territorial extent, as well as frequency and regularity of use of the trademark, and (iv) the volume of business, production and marketing capacities of the rightsholder, *etc.* These circumstances must be assessed only in conjunction with each other, but not separately.
- d) On the one hand, it is necessary to consider the use of a trademark only in the territory of Kyrgyzstan. On the other hand, the trademark does not have to be used throughout the entire territory of Kyrgyzstan for use to be deemed genuine. It is important to analyze how the use of the trademark in a certain part of the territory of Kyrgyzstan impacts the internal market and whether it is sufficient for the rightsholder to maintain its market share and whether it contributes to a commercially relevant presence of the goods and services concerned in that market. Based on the above, the use of a trademark even in a single city can be regarded as genuine if such a city is geographically large and populous with a significant economic impact on the internal market.
- e) It is not possible to prescribe a quantitative threshold for determining whether use was genuine or not. Use of a trademark does not always have to be quantitatively significant to be considered genuine, because it depends on the nature of the goods and services and the characteristics of the market concerned (*e.g.*, use in relation to luxury and other high-priced goods).¹⁸
- f) It is common for the rightsholder to use the trademark in a slightly altered form after its registration (*e.g.*, color inversion, use of lowercase letters instead of uppercase letters, omission of punctuation marks, *etc.*). Kyrgyz laws do not explicitly regulate¹⁹ whether the use of a trademark in an altered form can be considered genuine. Therefore, it is necessary to clarify that the use of a trademark in a form different from that registered shall be deemed genuine if differing elements do not alter the distinctive character of the trademark as registered. In all cases it is necessary to assess whether the changes affect the perception of the trademark (overall impression) or its main distinctive (*i.e.*,

¹⁷ Paragraph 1 of article 2 of Trademark Law.

¹⁸ For example, evidence proving that the rightsholder sold 4 oxygenators in Finland in 1998, 105 in 1999 and 12 in 2001 for a total amount of EUR 19,901.76 was deemed sufficient proof of genuine use of the European Union trademark (EUTM) registered for oxygenators due to the high cost of such goods in the market of medical equipment (10/09/2008, T-325/06, Capio, EU:T:2008:338).

¹⁹ According to article 8 of Trademark Law, after filing a trademark application the applicant may introduce such changes to the mark that do not alter its distinctive character. In addition, in accordance with article 16 of Trademark Law after the trademark is registered, the rightsholder has a right to alter certain elements of the trademark that does not change its distinctive character, and then the rightsholder shall notify IP Agency regarding such change. In accordance with the Rules for the Preparation, Filing and Consideration of an Application for Registration of a Trademark and Service Mark, a distinctive character of the trademark shall be deemed altered if the changes affect the overall perception of the mark or its main distinctive (*i.e.*, dominant and influencing the perception of the mark as a whole) elements. These changes include, in particular: addition or omission of a verbal or main figurative element, phonetic or semantic change of a verbal element, graphic or semantic change of the main figurative element.

dominant and influencing the perception of the mark as a whole) elements. If the changes concern only weak / insignificant elements of the trademark, then the use of such an altered mark can be deemed as genuine. Since word marks are registered without seeking a legal protection in respect of any particular color or combination of colors, typeface and letter size, the use of such a mark with a certain color, typeface and letter size is deemed as genuine use, provided that the changes do not affect the overall perception of the trademark or its main distinctive elements.

Conclusion: The above legal issues of trademark non-use cancellation create many obstacles for bona fide companies that wish to use their trademarks in the territory of Kyrgyzstan. Therefore, it is necessary that Kyrgyz legislator and courts turn their attention to these problems. I hope that the recommendations reflected in this article will help them to address these challenges.

List of Sources:

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4. Civil Code of Kyrgyzstan, Part II, dated January 5, 1998, No. 1;
5. Civil Procedure Code of Kyrgyzstan dated December 29, 1999, No. 146;
6. Civil Procedure Code of Kyrgyzstan dated January 25, 2017, No. 14;
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8. Law of Kyrgyzstan “On Trademarks, Service Marks and Appellations of Origin” dated January 14, 1998, No. 7;
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20. Guidelines for examination of European Union trademarks, European Union Intellectual Property Office (EUIPO), Part C, Opposition, 01.03.2021);
21. Guidelines for examination of European Union trademarks, European Union Intellectual Property Office (EUIPO), Part D, Cancellation, 01.03.2021).