

Considerations in Trademark Licensing in the UAE

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While franchise agreements are obvious examples of commercial agreement underpinned by trademark licenses, various other commercial agreements also contain or may contain detailed provisions related to the use of trademarks, including for example agency-, distribution- and in certain circumstances manufacturing agreements.

Adequately dealing with the rights associated with the use of trademarks in commercial agreements is critical to the owners of these valuable intellectual property rights, while it is equally critical to licensees who may be investing significantly in ventures where the rights associated with the use of the licensed trademarks are not fully appreciated.

This article will look into some considerations related to trademark licensing in the UAE under Federal Law No. 37 of 1992 Concerning Trademarks (the “Law”).

Exclusive, non-exclusive and sole licenses

Articles 30 to 34 of the Law deals specifically with the licensing of trademarks providing that the proprietor of a trademark may, “by a written and notarized contract”, license one or more persons to use such mark for all, or some, of the products or services for which the trademark is registered.

The Law accordingly confirms that a trademark owner is at liberty to choose to grant an exclusive or non-exclusive license in the UAE. An exclusive license means only the particular licensee can use the trademark, while no further licenses to other parties would be possible in respect of the same territory and goods or services. A non-exclusive license refers to a license by which the licensor may allow more than one party to use the same trademark in the same territory and in respect of the same goods or services.

Importantly, the Law also confirms that it is possible for the owner of a trademark to license different licensees to use the same trademark in respect of different goods or services. It may accordingly be possible for a licensor to grant for example an exclusive license to use a trademark in respect of jewelry (included in class 14 of the trademark classification system) to one licensee, while also granting an exclusive license to another licensee to use the same trademark in respect of watches (also included in the mentioned class 14). In each case however, it will be critical to clearly define the scope of the relevant license with respect to the specific goods it is limited to.

Article 30 of the Law provides that “... the trademark owner may use [the trademark] by himself unless agreed otherwise”. As a result of this provision in the Law it is accordingly very important for especially licensees to ensure that license agreements governed by the laws of the UAE specifically deal with the rights of the owner of the licensed trademark. Whether the terms “exclusive license” or even “sole license” are used, a best practice is not to leave the rights of the trademark licensor open to interpretation and to rather specifically set out the actual rights of, or limitation of the rights of, the trademark owner in the agreement.

Recordal of licenses – is it mandatory?

When it comes to the recordal of trademark licenses, a number of questions are generally raised by clients such as whether the recordal of a license with the trademarks registry is mandatory, the effect of non-recordal of a license and whether the licensee would be able to take legal action against infringers.

According to the Law, a trademark license shall be recorded in the Register, and a license shall have no effect against third parties unless it has been recorded. The Law accordingly clearly requires the recordal of a trademark license with the trademarks registry although non-recordal should not have any effect on the contractual rights and obligations created between the licensor and the licensee.

In addition to the above it is worth mentioning that according to Article 20 of the Law, the proprietor of a trademark may apply for the cancellation of its trademark registration from the trademarks Register. However, if the proprietor has granted a third party, by way of a recorded license agreement, a license to use the trademark, the said mark may not be removed from the Register without the licensee's written approval. In order to benefit from this provision of the Law, it is accordingly necessary to ensure that the licence is in fact recorded with the trademarks registry.

Enforcing a licensed trademark

With regard to the question whether a trademark licensee is entitled to take legal action in its own name in the UAE to enforce the trademark licensed to it, the Law provides that it is the proprietor of the trademark that is entitled to initiate legal action against trademark infringers. A trademark licensee is accordingly not authorised by the Law to initiate legal action in its own name against trademark infringers on the basis of a license – whether recorded or not – irrespective of any such right being granted in a license agreement.

The Law does provide however, that any person who suffers damages as a result of the infringement of a trademark can initiate a civil action claiming damages from the infringer. However, it must be taken into consideration that the legal status of a licensee will only be recognized upon the recordal of the license with the trademark registry and the non-recordal of a trade mark license may accordingly also have an adverse effect on the ability of a licensee to seek compensation in civil proceedings based on the provisions of the Law.

Conclusion

Based on the above discussion, the only conclusion that can be reached is it is advisable and beneficial for both trademark licensors and the licensees to record trademark licenses with the trademark registry.

For any assistance with respect to trademark licensing or the recordal of trademark license agreements with the trademark registry, please contact the authors of this article.