

A modern coalition against a non-partisan threat

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This is the second in a series of articles concerning the current status of product liability and related topical issues in the UAE. In the first article, we examined the legal framework governing product liability and consumer protection in the context of recent legal requirements to improve the quality and safety of products in the market-place. In this article, we examine the problem of counterfeiting and its effect on consumers and producers.

Successful brand-owners who have built and invested in creating a reputable trademark over many years view counterfeiting as a commercial plague – a threat to be fought rather than ignored. This article discusses the particular challenges arising from the entry of fake goods into the UAE market-place, the concerns posed by such entry to fair competition and the protective measures taken by the UAE.

Definition and distinction from other intellectual property rights violations

There is no single definition for counterfeiting that is universally adopted; however, for the purposes of this discussion, it could be constructively defined as ‘the unauthorized reproduction and distribution of products that are protected by intellectual property rights’. Generally speaking, counterfeiting, like patent and copyright infringement, represents a violation of an entity’s proprietary rights. From a consumer protection perspective, it is a particular interference with the goodwill built between the consumer and the trademark right-holder. It often involves the copying or imitation of trademarks as well as packaging, labelling or any other significant feature of the product so as to unlawfully induce an unsuspecting buyer to purchase a counterfeited product.

Inherent to the unlawful practice of counterfeiting is misrepresentation; it characteristically involves an attempt to defraud the public through the unauthorized use of someone else’s trademark.

Industries being targeted

The UAE market-place is rapidly developing, whether through local business or through the influx of foreign direct investment, with an increasing number of entrepreneurs and international corporations seeking to do business in the Emirates. The luxury goods industry is booming in the region, and traditionally, counterfeiters have taken advantage of this. As a leading intellectual property practice with a dedicated enforcement team, we have assisted in training government officials to curb trademark-infringing practices across a wide product range, including electronic products, computers and stereo equipment, foods, pharmaceuticals, industrial goods, parts for automobiles and boats, fertilizers, pesticides, and medical devices.

Product liability and consumer protection concerns

The UAE has implemented Federal laws which defend consumer interests. These specialized consumer protection laws were discussed in the previous article in the series. In addition, infringements against other stakeholders, such as trademark right-holders, will ultimately negatively impact the overarching purpose of consumer protection laws. Therefore, whilst the UAE strives to further develop and protect consumer rights, it has also stepped-up its protection of IP laws that ultimately protect both the consumer and the IP right-holder.

A brand-owner would have developed good-will with his customers through investing in protecting his reputation and delivering a quality product. The registration of a trademark for a product will protect this good-will and thus become a valuable asset for the brand-owner and a quality assurance factor for the consumer. If the trademark is properly protected, it allows both parties to receive legitimate benefits upon purchase.

“Deceptive counterfeiting” whereby the counterfeited products are sold to consumers who are unable to distinguish them from authentic goods poses a particular threat to safeguarding consumer interests. A victim of deceptive counterfeiting may attribute poor quality to the rightful trademark holder, whose reputable image is quickly tarnished. Continuous infringement of an enterprise’s legitimate IP rights through counterfeiting diminishes the incentive to invest in a particular market or product, restricts fair competition, and obstructs the safeguarding of consumer interests.

Anti-counterfeiting measures by the UAE

With continuous development and enforcement of IP laws, the UAE has placed itself at the forefront of the fight to protect the consumer and IP rights. Counterfeiters are being tackled through a number of legal mechanisms, including Federal Law No. (37) of 1992 concerning trademarks (as amended); Federal Law No. (4) of 1979 concerning the prevention of fraud and deceit in commercial dealings, and its Executive Regulations (set out in Ministerial Decision No 26 of 1984), and Federal Law No. (5) of 1985, the Civil Code(as amended). Measures have been put in place to prevent an infringement from occurring and to preserve evidence in relation to an alleged infringement.

The provisions of the agreement on Trade Related aspects of IP Rights (TRIPS), to which the UAE is a signatory, sets down minimum standards for many forms of IP regulation. However, the UAE has gone further than the minimum requirements of the TRIPS agreement in providing special enforcement units that pool together their know-how to effectively fight against counterfeiting. In 2013 around AED 35 million of counterfeited goods have been confiscated in Abu Dhabi alone by a specialized team at the Abu Dhabi Department of Economic Development.

The UAE authorities have taken prompt action against counterfeiters including the use of on-the-spot fines. These measures aim to curb counterfeiting activities and avoid irreparable damage to both the consumer and the IP right-holder whilst seeking to mitigate the risk of evidence being destroyed.

Protecting against counterfeiting practices ought to be viewed as an investment in the preservation of the reputation of the UAE as a healthy, competitive market place that seeks to protect the interests of its consumers. The protection of intellectual property rights positively affects foreign direct investment and reassures industries within all sectors that the UAE will protect their investment and goodwill. In our view, the proactive approach of the UAE authorities makes it one of the leading jurisdictions in the region in terms of protecting consumers against the misrepresentation inherent in counterfeiting.