

# The New Anti-Commercial Fraud Law in the UAE: An IP Perspective

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The New Law brings significantly more hefty penalties and new definitions which more effectively and robustly combat fraud, including fraud relating to intellectual property.

By way of an example, counterfeit products according to the new law are defined as “products that bear, without permission, a trademark identical or similar to a registered trademark”. Accordingly, the new law expands the scope of counterfeit products from the 2013 draft, which only included in its scope identical products thereby excluding similar or confusingly similar products and leaving much doubt as to incrimination of many violations to trademark rights.

## Application and enforcement of the New Law

Article 2 of the New Law states that “provisions of this law will be applied to anyone who commits an act of commercial fraud, and the free zones are not exempted from the provisions of this law”. For the first time we have anti-fraud legislation that addresses, in explicit terms, free zones. These economic zones have greatly concerned IP right holders given the uncertainty and the difficult procedures involved when enforcing rights in free zones.

Any act of selling, displaying, and possessing of any counterfeit goods is defined in the New Law as an act of commercial fraud. The importation, exportation, re-exportation, manufacturing, storage, rental, marketing, selling are also considered an act of commercial fraud. This is another significant development in explicitly regulating possession. This is again particularly important in relation to free zones but also in relation to general re-export businesses who may carry counterfeit goods stored in their warehouses. Re-export businesses in UAE, and specifically Dubai, require these laws so that only legitimate goods are handled, thereby safeguarding the reputation of Dubai and the UAE.

## Illicit goods vs. counterfeit goods

The Initial draft of the law, first submitted in 2013, was heavily debated by the IP industry, with particular concern being expressed over remedies. One of the remedies available to the authorities in penalising infringers was to re-export counterfeit goods. This was a problem flagged by IP practitioners, as some infringers would regard this as a reward rather than a penalty. Fortunately, the UAE legislator has done away with this draft clause, and the New Law specifically stipulates the destruction of counterfeit goods as a remedy. Article 3 of the New Law states:

“Without prejudice to criminal liability, the relevant authority may issue a decision ordering the importer to return Fraudulent or Spoiled products to their source during a specific period [...] Counterfeit products will be destroyed, all of which is subject to the rules and regulations set out in the implementing regulation of

this law”.

The article makes a distinction between spoiled/fraudulent goods (which may be returned to their source) and counterfeit goods (which must be destroyed). This reflects the great importance the UAE gives to combating counterfeiting, and highlights the important role the UAE plays on a global scale in ensuring the problem of counterfeiting does not continue to move from one country to another.

### **Disclosing information related to goods**

Previous legislation did not provide for disclosure of information. However under the New Law (article 4), a trader is obliged to submit to the competent authority all commercial books and ledgers, which detail trade data for goods owned or possessed, in addition to information on the value and all supporting documents and invoices when requested to do so.

This is important to all the brand owners who seek to go beyond the subject complaint and investigate further to identify the supply chain related to the counterfeit business and also further assist in bringing civil claims against the infringer. Currently civil claims are rarely brought because of lack of evidences to support the claim for damages, but this new ability to obtain disclosure will enable more claims to be made and allow victims to be properly compensated.

### **The Higher Committee for Anti-Commercial Fraud**

The New Law establishes a body empowered to combat commercial fraud in the UAE – the Higher Committee for Anti-Commercial Fraud. A sub-committee has also been established at Emirate level to implement the functions of the Higher Committee. The Higher Committee represents a step forward in the regulation of IP, as the UAE previously lacked a unified IP authority to undertake enforcement on a federal level. Previously, enforcement of IP rights were delegated to various departments in each Emirate, but with adoption of this law, the Higher Committee is now charged with proposing policies to fight commercial fraud on a national level and is also able to address common challenges faced by brand owners.

The Higher Committee responsibilities include:

- To propose strategies and policies to combat commercial fraud;
- To study reports of commercial fraud referred to it by the competent authority and take the necessary decisions;
- To study obstacles facing law enforcement and propose new procedural mechanisms.

Article 6 identifies tasks for the sub-committees formed at Emirate level. These tasks include considering requests for conciliation by those who violate the law; putting infringers on notice; ordering temporary closure of offending establishments; administering destruction operations; and recycling or re-exporting infringing goods.

### **Penalties - What is new?**

The New Law provides for hefty penalties aimed at increasing the deterrence level, stepping up efforts in the fight against fraud and counterfeit goods.

Article 12 penalizes anyone who commits a commercial fraud with a jail penalty of no more than two years and/or a fine ranging between AED 50,000 – AED 250,000.

Based on this article, the legislator increased the minimum fine to a level that creates a realistic deterrent, as before the minimum fine was in practice AED 5,000, which was to many offenders a slap on the wrist. The New Law introduces a ceiling to the fine of AED 250,000. An exception is made for crimes impacting human health (such as those relating to pharmaceuticals, food or organic food products). These are

punished by a fine with a cap of 1 million dirhams and a two year jail term.

Article 18 gives courts the power to close offending establishments for a period not exceeding 6 months. This is in addition to the other hefty penalties imposed by the legislator.

## **Conclusion**

The broad scope of the law, as well as the hefty penalties it provides, will place the UAE on the forefront of nations that deal stringently with IP crimes. Brand owners and consumers remain the beneficiaries of the deterrent penalties provided for by the law, to prevent crime or prevent repeat infringements.

Perhaps the most interesting feature in this law was the provision of enforcement in free zones, areas of which were not previously explicitly addressed because the zones were created after the previous laws were enacted.

The possibility of forced disclosure by traders of information and documents has filled in a gap that previously taunted enforcement agencies and brand owners alike, and opens the door for uncovering and disrupting the trade cycle of counterfeiters.

Finally, the New Law allows the authorities to charge the expenses related to the cost of destruction back onto the counterfeiters, creating yet a further deterrent.

The enactment of the New Law is a leap in the fight against commercial fraud and counterfeiting in the UAE. The many changes and enactments that have been introduced are expected to be warmly received by the IP community and consumers.

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