

# Trademark Licences in the UAE: Paying more attention to Trade Names and Domain Names

by Rasha Al Ardah - r.alardah@tamimi.com - Dubai International Financial Centre

April 2017

When granting a trademark licence, whether in a franchise, distribution, joint venture, or trademark licence agreement, there are a number of factors that need to be considered by the brand owner. Limitations and restrictions on the use of the trademark, and provisions relating to quality control, need to be carefully drafted for enforceability in the event of non-compliance.

While most licence agreements provide detailed provisions as to the use of the licensed trademarks, it is common for two important uses of the licensed trademark to either be missed out or mistakenly granted to the licensee. When overlooked, these can have a great impact on the brand owner, especially when the licence is terminated. These two uses are the use of the licensed trademark as a trade name and the use of a licensed trademark within a domain name.

From a legal perspective, trademarks, trade names, and domain names are three distinguishable concepts and assets of any business, though they are often considered synonymous. The trade name is the legal name of a company under which it conducts its business; a trademark is the name or logo that the company uses to promote its products and services; and the domain name is the name the company uses to communicate online. Accordingly, these three forms of intellectual property can all have the same function, which is to identify the source of the products or services promoted by a company.

The similarity between trademarks, trade names, and domain names requires attention, especially when a trademark licence is granted in order to guarantee the smooth transfer of the rights in the event of termination of the licence agreement. In particular, the necessary provisions need to be included in the agreement so that the licensee will be prevented from using the brand in the form of a trade name and domain name after termination. In the next paragraphs, we will identify the issues relating to trade names and domain names within the context of trademark licence agreements and explain how to avoid such issues.

## **Trade Names**

A trade name is the legal name of the company under which it conducts its business. Trade names and trademarks can have the same function, and some businesses use their trade name as their trademark.

A registration of trade name in the UAE requires the establishment of a company. The company will be registered with the Commercial Registry in the relevant Emirate. In the UAE, there is no cross-checking between the Commercial Registry (where trade names are registered) and the Trademarks Registry (where trademarks are registered). Hence, there is always a possibility that a third party may register a trade name that is identical to a registered trademark. Furthermore, depending on the goods and services covered in a trademark registration, there are some challenges when contesting a conflicting trade name registration based on a trademark right.

Accordingly, in the context of granting a trademark licence, the general rule is that the licensee shall be barred from registering a trade name containing the trademark. However, we have seen many licences where the licensee was granted a licence to register a trade name that includes the

licensed trademark. We have also seen licences, which were silent on the registration of the trade name, and where the licensee was subsequently able to obtain a trade name similar to the brand name. Below is a helpful case study.

Company X (the “Franchisor”) entered into a franchise agreement with company Y (the “Franchisee”) for the operation of ‘BRIGHT’ branded restaurants. The franchise agreement was signed and granted the Franchisee the right to register the BRIGHT trademark as a trade name to operate the restaurant in the UAE. The restaurant started trading and two years later the Franchisee had stopped paying the royalties, and the franchise agreement was terminated. Despite termination, the Franchisee continued operating the restaurant under the BRIGHT trademark on the basis of the trade name ‘Bright Restaurant and Café’, which the Franchisee registered as the name of the company operating the restaurant (the Franchisee is the legal owner of this trade name). Continuing to use of the BRIGHT trademark in the restaurant, which no longer has any connection to the Franchisor, can cause consumers to mistakenly believe that the restaurant is a franchise or somehow affiliated to the BRIGHT brand of restaurants. Such a scenario can be detrimental to the brand owner as it can affect the brand owner’s, or the Franchisor’s, ability to appoint a new franchisee.

What remedies are available to the Franchisor in the above scenario? The Franchisor can challenge the trade name registration and apply for its cancellation since the trade name ownership will not automatically be cancelled after the termination of the agreement, unless the Franchisee voluntarily cancels or amends it. A trade name cancellation can be carried out through an administrative complaint, however, the administrative authorities may be reluctant to take any action in cases where a contract is presented to them and they are likely to refer the parties to court. The other available option is a court action, though it will take up to two years to obtain a final judgment and execute it. Although the Franchisor may be able to cancel the trade name, the procedure could be lengthy and costly, and could potentially damage the brand image and reputation of the Franchisor.

To avoid being in such a situation, trademark owners need to ensure that the registration of the licensed trademark, as the franchisee’s trade name or part of it, is clearly prohibited and contained in the agreement.

## **Domain Names**

Domain names registration is a rather simple process and depends on the availability of the proposed name. However, choosing domain names can be tricky as there are several levels at which they can be registered. For example, there are General Top-Level Domains (gTLDs), which includes ‘.com’, ‘.org’ and ‘.net’ suffixes, and Country Code Top-Level Domains (ccTLDs), which includes ‘.ae’, ‘.us’ and ‘.uk’ suffixes.

Once a domain name is registered, it is under the ownership of the registrant. If a domain name violates any other party’s trademark and it is registered in bad faith, the owner of the trademark may apply for the cancellation or transfer of the domain name under the WIPO Uniform Domain Name Dispute Resolution Policy (UDRP), which requires satisfaction of certain conditions before a complaint will be accepted.

Similar to what was discussed in the above paragraphs, in the context of granting a trademark licence, the general rule is that the trademark shall not under any circumstances be registered by the licensee as a domain, or part of it, under any gTLDs or ccTLDs. However, we have seen many agreements where the licensee was granted a licence to register a domain name that includes the licensed trademark, and other licences which were silent as to the registration of the domain name and where the licensee were therefore able to obtain a domain name registration.

Using the BRIGHT restaurant example referred to above, the Franchisee was granted the right to register the trademark within a domain name under the franchise agreement. The Franchisee registered the domain name 'www.brightrestaurant.ae'. Upon termination of the agreement, the Franchisee continued to use the domain name along with the trade name, on the grounds of its legal ownership of the domain name. The use of the domain name by the Franchisee will cause confusion to consumers, who are likely to search for the restaurant under the same domain name, though the Franchisor will not have control over the relevant website.

One of the remedies available to the Franchisor is to file for the cancellation, or transfer of ownership, of the domain name. While the UDRP procedure is not time-consuming, it can be a costly. Accordingly, trademark owners are required to ensure that relevant provisions are included in the licence agreement prohibiting, or limiting, use of the trademark as a part of the licensee's domain name. Domain names are recommended to be under the name of the trademark owner and under its control.

## **Conclusion**

Trade names and domain names are of great importance to any business. Not regulating the use and registration of a trademark, in connection with a trade name or a domain name, can negatively impact the brand and the goodwill generated by the trademark, especially when the relevant agreement has been terminated.