

Control It or You'll Lose It: Quality Control Provisions in Trademark Licence Agreements in the UAE

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Licence agreements are an effective tool for trademark owners to capitalise on their trademarks, allowing the brand to be developed internationally and in regions that extend beyond the trademark owner's area.

Through such agreements, the licensee (company or person to whom the trademark has been licensed), is responsible for providing the goods and services bearing the trademark in a specific region and for a specific term.

Corporations extend significant time and resources in choosing, marketing, and developing a trademark, as such there is a duty of care to exercise quality control over the goods and services bearing the trademark. In brief, quality control provisions extend to the trademark owner a right to control and monitor the quality of the goods and services provided by the licensee. Accordingly, the level of standards on the goods and services offered by the licensee need not be higher than those provided by the licensor; however, the quality must be equal to the quality of the goods and services of the licensor. Quality control provisions are necessary to maintain brand uniformity and it is also an important aspect for brand longevity. To this end, quality control provisions ensure the quality of a product or service that consumers have come to expect from the brand. In the same light, a brand owner or licensor with numerous licensees in various regions can ensure that all licensees are subject to the same quality of standards, and, furthermore, ensure that the consumer experience is consistent and uniform, despite the region or location where the goods and services have been purchased or acquired.

Licensor's have a variety of tools to exercise control over the licensees and verify that the goods or services meet the licensor's standard of requirements. Such provisions can include: 1) a right to inspect the licensee's premises; 2) the licensee can be required to periodically provide samples for the licensor's review; 3) advertising and promotional materials should be subject to the licensor's approval; 4) at the onset of the licensor/licensee agreement, the licensee is provided a trademark usage guideline outlining the appropriate methods of use of the trademark.

Monitoring Licensee's Premises

Licensors should reserve provisions allowing them to periodically inspect a licensee's facilities, manufacturing products, finished products, company records, and stock inventory, in order to ensure that the licensee is in compliance with the licence agreement and is adhering to the quality control standards. Oftentimes, provisions allowing access to the licensee's premises include conditions as to the licensor's visit. Such conditions can include: 1) visits to the licensee's premises, which should be limited to normal business hours; and 2) advance notice should be provided to the licensee, such as 24 hours notice.

Sample Requirements

In order to protect the quality of the brand and conformity of the goods, the licensor should insist on

provisions within the licence agreement requiring the licensee to submit samples of proposed uses of the trademark, or in case of a licensed product, the licensee should provide samples for licensor's review and approval. Sample requirements and approval from the licensor will effectively control how the goods and services are being offered to the consumers and ensure that the goods and services are on par with the licensor's standards. Sample requirement provisions can include: 1) request for samples can be made without prior notification; 2) licensor's review of the sample and written approval thereafter may be required, including a timeframe for the licensor to either refuse the sample and provide its comments or accept the sample; and 3) in the event of disapproval, licensor should provide suggestions or suggested improvements and can request that the licensee discontinue manufacturing the licensed product until the deficiencies have been rectified.

Trademark Usage guidelines

A licence agreement should leave no room for ambiguity as to the allowed trademark, artwork, logo, colour, trademark placement, and font that can be used by the licensee. Such provisions are imperative so that the licensee is not provided a leeway to create its own version of the licensed trademark. Trademark usage guidelines can include the following elements: 1) the licensed trademark is required to be used in its entirety, without any abbreviation or variations thereof; 2) the licensed trademark should not be used in combination with another trademark or trade name; 3) licensor can request that the trademark is used along with the appropriate notice symbols, such as ™ or ®, which indicate that the word or logo is being used as a trademark.

Under the provisions of the UAE trademark law, article 34 of the law specifies that a trademark licence agreement may include restricting provisions, namely:

- Limiting the geographic area of the licensed trademark;
- Limiting the period of use of the licensed trademark;
- Control of the quality of the products under the licence agreement; and
- Licensee should abstain from acts that may negatively impact the licensed rights.

Although the language in the UAE trademark law suggests that quality control provisions are not mandatory and, instead, may be included in a trademark licence agreement, for the reasons discussed above, quality provisions are nevertheless highly advisable in order to avoid disputes over the misuse of a licensed trademark.

Quality and brand association are the very essence of trademark rights and, therefore, cannot be severed from the rights associated to licensed trademarks; therefore, it is in the licensor's and licensee's mutual interest to protect the goodwill and reputation of the trademark. It is recommended that defined quality control standards are incorporated within the licence agreement. Furthermore the licensor should retain the ability to terminate the licence agreement in case the licensee deviates from the terms of the parties' agreement or fails to meet the quality standards. In order to effectively terminate the agreement, the licensor should provide the licensee a written notice and a reasonable time to remedy the deficiencies. In the scenario that the licensee fails to mitigate the deficiencies, the licensor may decide to unilaterally terminate the licence agreement.