

Arrested Development: Legal Considerations for App Developers in the Middle East

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June – July 2017

App development is a flourishing industry across the Middle East. We are regularly approached by clients seeking legal advice on issues relating to app development. In some instances, the app is intended to streamline or digitise an existing process of a broader business. In other instances, the app is the business. In this article, we outline some basic legal considerations relevant to developing and rolling-out a new app.

Who owns it?

In some cases, the client company has in-house technical capabilities to develop its own app. In this scenario, it is important to make sure that the terms of the employment agreements of the individuals working on the coding provide that the employer owns the intellectual property rights in the developed app. On the point of ownership of an employee's work product, it should not be assumed that the law in the UAE, or elsewhere in the GCC, is the same as one might find in many other jurisdictions.

Where it is necessary to engage an external developer to undertake the app development, the approach to ownership will depend on the nature of the app being developed. For example, an app that is basically an 'off the rack' or 'white label' product, which only requires minimal customisation for the client company, would not typically be owned by the client company. It would normally be adequate for an appropriate licence to be in place, providing the client company the right to use the app in the manner it requires, whilst making clear that the client company retains all rights in any aspects that it contributes to the customised app. In contrast, where a bespoke app is prepared by an external developer, essentially from scratch at the client company's direction and specification, then it is very important to make clear that all rights in the app vest in the client company and the developer has no right to the app. Failure to address these issues at the outset may result in disputes as to ownership of the app.

An engagement with an external app developer should also include details such as confidentiality obligations, licences of any third party content used in the development of the app, and also warranties of non-infringement (and indemnities in the event of infringement) of third party intellectual property rights. If the app is going to need technical support during a warranty period or ongoing technical support over a longer term, it would also be prudent to consider engaging the developer to provide this type of support.

Regardless of whether the app is developed externally or internally, consideration should also be given to the listing of the app in the relevant digital distribution platform (e.g. Apple App Store, Google Play, or Windows Store). We have encountered many instances where the client company had expected the app to be listed in its own name, only to find that it ended up being listed in the name of an employee or an external developer.

What about broader legal and regulatory considerations?

Another important preliminary consideration relates to the underlying business. If you are producing an app that is revolutionising microcredit, have you thought about whether there are any financial

services regulations that might impact on what you are doing? If you are introducing an app that connects freelancers with people needing work done, could you be facilitating non-compliance with licensing laws or directly breaching labour laws? If your app is going to allow people to order overnight petrol deliveries to their homes, have you made sure you are compliant with the rules relating to distribution of fuel? If your app is going to permit ride sharing or consumer-to-consumer car hire, have you thought about whether the transport regulator might have something to say on that? If your app-based e-commerce business is, through its payment structure, essentially providing credit, have you considered whether the local Central Bank's rules relating to digital payment providers may apply to you? If your app is going to bring fantasy sports to the Middle East, have you taken formal advice on whether it might be facilitating unlawful gambling? Is your 'Muslim version of 'Tinder' going to be embraced by the local telecoms regulator?

As much as you might think you are 'disrupting' existing business models, you need to appreciate that laws and regulations may already exist in the space in which your app is going to be operating. Just because what you are doing may be innovative and not fit neatly into existing legal requirements, it would be reckless to think that the rules do not apply to you or that you simply need not comply. In some instances, non-compliance could result in significant criminal penalties, including fines and imprisonment.

What about app documentation?

It would typically be necessary to have terms that set out the basis upon which consumers or end users use the app, and govern the arrangement between the client company and its customers. As well as the type of details that any agreement might have, such terms and conditions will really need to be tailored to the specific purpose of the app and the associated business processes. An app for online retailing would need details on the mechanics of shipping and returns. An app that acts as a platform for introducing maintenance service providers to property owners would need to include details on complaints and responsibility for unsatisfactory work. An app that introduces restaurants and provides a platform for reviews would need to include clear demarcation as to responsibility for the content of user reviews.

The customer-facing terms and conditions are one side of the equation. In many instances, there will also need to be back-end agreements with merchants and service providers. These agreements will address aspects that are quite different to those addressed in the consumer-facing terms and conditions but, to the extent that some of the aspects overlap, it will also be necessary to make sure there is no conflict.

Privacy policies that set out the type of personal data that is gathered via the app, the purposes for which such data is used and the basis for such use, are also very important. In the GCC, where issues relating to personal data protection are generally not well-addressed in legislation, there are certain minimum requirements that should be met. It is also prudent to try to take an 'international best practice' approach so as to limit risk and future-proof this aspect of the operation. This is particularly important in circumstances where developments in personal data protection regulation outside the region may have an impact on the processing of personal data within the region.

It is also important to bear in mind the requirements of the relevant digital distribution platforms when it comes to developing user terms and conditions and privacy policies so that the documentation does not conflict with any of the platform requirements. Obviously, familiarising yourself with the platform requirements is a fairly fundamental consideration for the entire project and it would be sensible to do so early in the process.

What about registering intellectual property rights?

Preliminary trade mark clearance searching in the relevant markets for the name and logo under

which the app is to be made available is important. A third party's prior trade mark rights could act as a barrier to the use of the proposed name or logo and provide a basis for a trade mark infringement action. Additionally, registering the app's name and logo would provide a basis for action against others subsequently seeking to use an identical or confusingly similar name or logo for similar offerings. A trade mark registration also provides a clear legal right that can become an asset for the purposes of valuation or sale of the associated business. Further information on considerations relating to trade mark protection for apps may be found in the article "How to Protect Your Trademark Smartly" in the November 2013 edition of Law Update.

We are often asked if it is necessary to register copyright in software code. Copyright subsists in a copyright work without the need for any registration, although in the UAE (unlike in most countries) a copyright registration system also exists. The registration of copyright in the original coding of an app might be useful if one were seeking evidence of ownership of copyright in the software code, although our general view is that it should not be considered essential to register copyright in software code in the UAE. If one were to initiate a formal dispute as to the ownership of copyright in software code in the UAE, it may ultimately be necessary to submit proof of ownership of copyright in the software code in the form of a UAE copyright registration certificate, but seeking to register copyright at the outset to provide for this possibility may not be the most commercially pragmatic approach.

Care should also be taken to ensure that the app does not infringe copyright by incorporating any third party content (be it software code or 'creative' content such as images, graphics, text, or music) without the necessary authorisations.

The relevance of patent protection to apps is fairly nuanced. Copyright is the typical intellectual property right under which software, including apps, is protected. Patent protection relates to inventions that are novel and have an inventive step. The extent to which software or associated business processes might be eligible for patent protection varies considerably around the world. The position in the UAE is that computer programs as such are excluded from patentability, whereas computer programs suitably linked to hardware and presented as a technical solution to a technical problem might be considered eligible for patenting. This is broadly similar to the position in Europe.

Besides the question of whether an app is likely to be patentable from a technical perspective, consideration should also be given to the issue of whether seeking to patent the app makes commercial sense. Would the cost and timeframe associated with seeking a patent align with the potential commercial benefit and likely lifespan of the app? Would a patent or a pending patent application, actually add value to the business beyond the value associated to other intellectual property (e.g. copyright and trade marks) already associated with the app? Seeking to patent an app should not be considered absolutely essential in every case, although it is something to consider on a case by case basis.

What next?

Documenting proper arrangements with the developer, be it an employee or third party service provider, is essential. Consideration should be given to whether there might be any underlying legal or regulatory restrictions on what the app is proposing to do, how it is proposing to do it, and whether the terms of the relevant digital distribution platforms might also preclude what you have in mind. Suitable front-end and back-end documentation also needs to be prepared. It is also sensible to consider whether any intellectual property rights should be cleared or registrations sought.

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