

Massive Anti-Counterfeiting Action on Personal Care Products: An Overview of Administrative and Criminal Action

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Many businesses, big and small, are now fully appreciating the importance of intellectual property rights (IPR) protection in the Middle East. Specifically, brand owners are becoming ever more aware that, to remain competitive, safeguarding IPR is a cornerstone of any business venture in the challenging markets of this region. Brand owners are now frequently resorting to brand enforcement measures to curb the influx of infringing products which tarnish the image and quality of their brands and original products. Quite often as well, the counterfeit and knock-off products, found in local markets, not only infringe and damage brand owner's rights and goodwill but also pose serious health hazards to consumers. In this context, the following article considers a recent case study example of the steps the UAE authorities took to enforce brand owners' rights.

During the closing quarter of last year 2017, the Commercial Compliance Section of the Dubai Department of Economic Development (the DED) executed a raid in Dubai Investment Park (DIP) pursuant to a complaint Al Tamimi filed on behalf of a well-known brand owner based in the USA. In this case, the action we took was administrative in nature and aimed to enforce the brand owner's rights in respect of a famous product line for personal care.

The DED initially assigned two inspectors to raid an outlet in Dubai. However, upon closer inspection, the DED and our team at Al Tamimi discovered that the infringers were actually operating out of the Dubai Investments Park (DIP). Accordingly, a team from Al Tamimi headed to DIP with the assigned DED inspectors, where they managed to identify two warehouses which the infringers owned. In tandem with this operation, the UAE Ministry of Health assigned one of its inspectors to liaise internally with the DED inspectors and to ascertain the infringing products' non-conformity to the declared standard health specifications for personal care products in the UAE. The administrative action Al Tamimi took on behalf of the US brand owner resulted in the DED's seizure of an estimated 120,000 personal care products worth approximately AED 1,200,000 (USD 328,000). Furthermore, because the DED had noted in its records that this was the second time the infringers had infringed a third party's trademark rights during 2017, the DED imposed a further, heftier fine of AED 30,000 (USD 8,200) against them.

The above case is a prime example of how the involvement of the DED is an important method by which brand owners can protect their rights. It is worth mentioning that the Departments of Economic Development in Dubai, Sharjah and Abu Dhabi routinely carry out administrative actions within their respective jurisdictions in the UAE. In the other Emirates, such efforts are coordinated through the Ministry of Economy rather than the DED. The DED in each Emirate usually takes administrative enforcement action against outlets selling the counterfeit and knock-off goods rather than against major importers or distributors. The remedies for administrative actions are usually confiscation and destruction of the goods with a fine imposed against the offender. Closure of any shop is also an option for the DED in the case of repeat offences. Compared with court actions, administrative actions are efficient, cost effective and quick. This is why when faced with infringers engaged in the retail sale of infringing goods, brand owners are better off resorting to administrative actions, which are more suitable in such cases.

As stated above, administrative actions generally result in the confiscation and destruction of the goods with a fine imposed against the infringers. Unfortunately, the amount of the fine is often insufficient to act as a deterrent. Official fees are of course payable, when filing the administrative complaint and investigating the suspected entity. The decision to destroy the goods and the actual destruction can occur within a period of one to three months from the time of filing the complaint with the administrative authorities. Nevertheless, some administrative complaints may take longer to conclude if the trademark infringement claim involves an unauthorized use of a trade name. Typically, in such cases where the trade name's infringement of the trademark is established, the administrative authorities prefer to allow the infringers a grace period to transition to a non-conflicting trade name.

A criminal court action, on the other hand, is the most effective manner to deter the infringement of an owner's trademark when facing a widespread IPR infringement. The action entails prosecuting a company or a person, identified as the major importer or distributor of the infringing products, and filing a criminal action through the public prosecution. The resulting penalties are usually similar to those of administrative actions and normally include fines, confiscation and destruction of the infringing goods. However, the deterrence stems from the process of prosecution itself, as it is tedious to the defendant. Faced with a criminal complaint and subsequent charges, the infringers may be subject to temporary arrest, and their identity documents and passport may be confiscated for extended periods. Unlike the administrative action, filing the criminal complaint and subsequent prosecution of the infringers entails no official fees whatsoever for brand owners.

Finally, while administrative actions are available for brand owners in the UAE, it is interesting to consider briefly how other GCC countries enforce intellectual property rights. For example, in Saudi Arabia, the Anti-Commercial Fraud Department (ACFD) of the Ministry of Commerce and Industry undertakes this responsibility. The actions taken by the ACFD are akin to those taken by the UAE DEDs (raid, seizure, destruction of goods and fines) and have proven to be an effective means for countering infringements in the Kingdom. In Kuwait, the Ministry of Trade, along with the police, routinely coordinate efforts in the fight against counterfeit and knock-off goods with criminal prosecutions following suit, where the infringements are grave, before the local courts.

Al Tamimi & Company's Intellectual Property team regularly advises on IPR infringement cases. For further information please contact Ahmad Zaza (a.zaza@tamimi.com)