

Licensing provisions in the draft GCC Trade Mark Law

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Is it mandatory to record trade mark licences in your country? A simple question for any trade mark attorney or IP lawyer and one that comes up often in day-to-day practice. Unfortunately, this question does not currently meet with a simple response when considering the position in the Gulf Co-Operation Council (GCC) countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE.

Some of the laws of the GCC are ambiguous on this issue and the authors have seen conflicting positions on many occasions.

Why? Taking the United Arab Emirates (UAE) as an example, the UAE Trade Mark Law (Federal Law No. 37 of 1992, as amended) makes it clear that the recordal of a trade mark licence is mandatory. However, the impact of failing to record the licence is not so certain. The UAE Trade Mark Law provides that a trade mark licence which has not been recorded in accordance with its provisions and its executive regulations is not effective with regard to third parties. However, no further clarification is provided as to what is meant by this phrase and the Law does not set out any other consequences of failing to adhere to this mandatory requirement of recording a trade mark licence.

Accordingly, some practitioners take varying views, including:

That it is beneficial for a licensee to record the trade mark licence, to enable it to enforce its rights as licensee against third party infringers of the mark being licensed

that it is beneficial for a licensor to record the trade mark licence, to enable the licensee's use of the trade mark accrue for the benefit of the licensor, so that the licensor can maintain the validity of its registration for the mark and to enable it to take action against third party infringers of the mark.

There are also other various interpretations of these provisions. However, the authors' view is that there may be benefits associated with recording a trade mark licence agreement, particularly if a licensee is being asked by a regulatory authority in the country in which it will be conducting business, to demonstrate evidence of its rights to use the licensed trade mark.

GCC Trade Mark Law

This position may soon change, with the introduction of the GCC Trade Mark Law. The Law is currently in draft form, but has been accepted by three of the six GCC member states – Saudi Arabia, Bahrain and Qatar.

Under the current draft, the GCC Trade Mark Law it is quite clear that recordal will not be mandatory in the GCC member states, and it seems that there is no potential downside under the Law for failing to record a licence agreement. However, the GCC Trade Mark Law does still allow for trade mark licences to be recorded, although the Law also does not set out any benefits in taking this step. The balance appears to have shifted in favour of not recording trade mark licences.

Background to GCC Trade Mark Law

The GCC Trade Mark Law has been a long time coming with the first draft published in the 1980s. A more recent draft was published in 2006. However, although three of the GCC countries were ready to implement that version, the others wanted changes to be made before the draft came into force.

The current draft, published in late 2013, has been heavily amended from the 2006 version. To date, the draft Law has been published by the GCC Council, and the Bahraini, Qatari and Saudi Arabian Governments. Bahrain was one of the original member states which did not accept the 2006 version of the draft Law and so the fact that it was one of the first to accept the new version of the draft Law is encouraging. Once all of the GCC countries have enacted the draft Law, and the implementing regulations to the draft Law have been published, then, after a further six months, the draft Law will come into force. The authors understand that the implementing regulations are currently being drafted and we expect publication in the coming months. This could mean that the GCC Trade Mark Law may come into force before the end of 2015.

This is a significant development and great news for rights holders with an interest in the GCC. Unfortunately, the draft Law does not go as far as introducing a single GCCwide filing similar to the Community Trade Mark in Europe – it will still be necessary to file and maintain national filings. Similarly, it will mean that any licences that are recorded would have to be dealt with on a country-by-country basis, rather than centrally. However, the draft Law seeks to harmonise the national laws so that the procedure to be followed is likely to be the same in each of the GCC countries.

Recording licences under the GCC Trade Mark Law

Assuming there are no changes to the current draft Law prior to implementation, recordal will not be mandatory in any GCC member state. The relevant provision of the Law is Article 31 which states:

“The licensing contract shall not be valid unless made in writing without the need for the same to be entered on the register.” [emphasis added]

The draft GCC Trade Mark Law is therefore quite clear that licence recordal is not mandatory. However, Article 31 then continues:

“... where the licensing contract has been entered on the register, the entry of the contract and the announcement thereof shall be made in the manner prescribed in the Implementing Regulations.”

Accordingly, the draft GCC Trade Mark Law clearly envisages that the parties to a trade mark licence may wish to record the licence. However, the draft Law does not set out any benefits for either the licensor or the licensee of recording the licence. Equally, there appears to be no downside for either a licensor or a licensee for failing to record a trade mark licence. The wording of Article 31 is quite clear that a licence will be valid once it is in writing, with no requirement to record the licence. Therefore, it

must follow that under the draft Law, provided the licence is in writing, it will have effect against third parties where the use is by the licensee.

The option of recording a trade mark licence appears to reflect the practical reality of licensing trade marks in the UAE in that rights holders may find that they will need to record a trade mark licence in certain GCC member states in order to comply with other regulatory requirements. For example, in Saudi Arabia, local licensees are often asked to demonstrate that they have authority from the trade mark owner to use the trade mark on signage for the business, or to import products bearing the trade mark into the Kingdom. Where such requests arise, the regulatory requirements may be satisfied through the recording of a short-form trade mark licence (commonly known as a 'registered user agreement' or 'RUA').

If the local licensee is unable to evidence its rights then it may face a fine, a request to remove the signage, or a request to stop trading in the products until such time as the authority is in place. Rights holders may therefore be faced with a position where the relevant IP law says that licence recording is not mandatory, but in order to be able to do business (through a licensee) without issues arising, it may be necessary to record the licence. The draft GCC Trade Mark Law appears to anticipate this issue, by allowing for trade mark licences to be recorded without there being any positive consequences for doing so (or negative consequences for failing to do so).

Other licensing issues under the GCC Trade Mark Law

The draft Law also includes other provisions and information regarding other requirements for licences.

These include:

- (a) A licence can be to one or more persons, and can be either exclusive or non-exclusive (Article 29)
- (b) A licence can be for some or all of the goods / services for which the mark is registered (Article 29)
- (c) A licence may limit the geographical territory of use of the mark (Article 30(1))
- (d) A licence may limit the duration of the use of the mark (Article 30(1))
- (e) A licence may include reasonable terms that secure the right of the trade mark owner to control the quality of the goods or services covered by the licensed mark (Article 30 (2))
- (f) A licence may impose an obligation on the licensee to abstain from carrying out any act which may lead to depreciation of the value of the mark (Article 30(3))
- (g) The licence term cannot be longer than the validity period of protection for the trade mark (Article 29)
- (h) A licence may not include terms that unnecessarily restrict the licensee in order to maintain rights resulting from registration (Article 30)
- (i) A licensee cannot assign or sub-license the marks, unless explicitly provided for in the licence (Article 32)

A number of these provisions are positive, in that they set out what the types of provisions that the parties to a licence agreement may include in a trade mark licence (see (a) to (f) above). In addition, some of these provisions are negative, in that they specify the types of provisions that may not be included (see (g) and (h)). The final provision listed above (at (i)) is prescriptive as it specifies that certain provisions must be expressly included in a trade mark licence agreement in order to be effective.

Benefits of the new law

Under the current trade mark laws, licence recordal is mandatory in most GCC countries in order for the licence to be enforceable against third parties. However, even though it is mandatory, relatively few licences are actually recorded. There are a few potential reasons for this, which include:

- The high costs of preparing the legalised documents to support a recordal application
- The high costs of recording applications (as each registration requires a separate recordal)
- The length of time it may take to record the right (can be more than 12 months in most countries)
- The costs and length of time it may take to de-register any recordal (which can mirror the recordal process)

As things stand, it is not clear what the formalities will be for entering into a licence. For example, while it is clear that the licence needs to be in writing, there is no guidance in the draft Law as to whether the licence agreement also needs to be notarised and legalised in order to be considered acceptable. It is possible that this will be made clearer in the implementing regulations.

Conclusion

So, going back to our initial question, is it mandatory to record trade mark licences in your country? The answer to this specific question under the draft GCC Trade Mark Law is a clear 'no'. There is no such requirement under the draft Law. However, this does not tell the full story as, in many cases, trade mark owners will still need to seek advice on a country-by-country basis as to whether recordal is recommended in order to facilitate the conduct of the licensed business in a particular GCC member state.

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