

No Stone Unturned: The Fight Against Counterfeiting In The United Arab Emirates

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With glistening shores along the eastern coast of the Arabian Peninsula, the United Arab Emirates (UAE) occupies a strategic position of regional importance. The UAE comprises a federation of seven emirates, consisting of Abu Dhabi (which serves as the capital), Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain. Owing to its nautical history and exceptionally entrepreneurial spirit, the UAE has an open economy with a high per capita income and a sizable annual trade surplus. Successful efforts at economic diversification have significantly reduced the portion of GDP from the oil and gas sector. The UAE's strategic plan for the next few years focuses on promoting the country as a global trade and tourism hub and developing industry. The country's free trade zones (FTZ)—offering 100 percent foreign ownership and zero taxes—are also helping to attract foreign investors to the desert nation.

With a well-known reputation of having one of the most robust anti-counterfeiting regimes in the Middle East and North Africa (MENA) region, the UAE offers a prime location for the launch and marketing of international brands and as an international center for transit trade in the region. Despite these illustrious facts, the UAE is also targeted by illicit organizations as the point of entry for the re-export of counterfeit goods. Local ports reportedly receive and process over 20 million containers every year, with Jebel Ali Port in Dubai accounting for the bulk of the shipping activity. In addition to offering an excellent service to local, regional, and multinational importers and exporters, Dubai's ports and FTZ infrastructure make it an attractive route for counterfeit shipments and transit traders. Rights owners are investing heavily in enforcement solutions throughout the UAE, more so than in any other country in the MENA. This is due to the fact that the UAE has put significant effort into the development of its legal infrastructure in order to offer well-rounded protection and enforcement of trademarks within its borders.

Laying Down the Law

The UAE issued Federal Law No. 37 for the Year 1992 for Trademarks, which was duly amended by Federal Law No. 8 of 2002 to be in line with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs Agreement). Accordingly, these amendments follow the set international standards of trademark

protection, provide for the registration of trademarks in respect of goods and services, and recognize and provide broad protection for well-known trademarks.

Federal Law No. 37 for the Year 1992 for Trademarks remains the main statute outlining the enforcement of trademarks. However, the UAE has other legislation that may offer alternatives for the enforcement against infringers. These laws are Federal Law No. 19 of 2016 in respect of Combating Commercial Fraud, Federal Law No. 5 of 1985 concerning the Civil Transactions Law and its amendments, Federal Law No. 3 of 1987 concerning the Penal Code and its amendments, and the Gulf Cooperation Council (GCC) Common Customs Law.

Although trademark protection was only introduced in the early 1990s, the UAE has nonetheless proved its extreme proficiency, especially in terms of enforcement. A rich body of case law has developed over the past few decades, with courts laying down principles to establish tests for what constitutes trademark use, infringement, confusing similarity, well-known trademarks, and likelihood of confusion. And in terms of enforcement, the courts have also been keeping busy by issuing fines and confiscation and destruction orders.

In addition to being a signatory to the TRIPs Agreement, concerning trademarks, the UAE observes the World Intellectual Property Organization Convention, the Paris Convention for the Protection of Industrial Property.

The Long Arm of the Law

Criminal complaints against counterfeiters can be filed by the owner of the registered trademark or their authorized representatives. In order to file a complaint, brand owners must submit a copy of a valid UAE trademark registration certificate along with supporting evidence of infringement or counterfeiting. A valid legalized and notarized power of attorney granted by the brand owner should also be included in the case file in the event that the legal representative of the brand owner is filing the case.

However, criminal prosecution can only be pursued through either the police or the public prosecutor. In

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some emirates, such as Dubai for example, the local police authority has dedicated departments, mainly the Criminal Investigation Department and Anti-Economic Crimes Department, to handle economic crimes, commercial fraud, and trademark infringement.¹ Upon filing a criminal complaint, the local police will conduct a raid, collect evidence, interrogate suspects, confiscate the defendant's passport until the issuance of a final decision by the pertinent criminal court and refer the case to the public prosecutor.

The prosecution will lead to a thorough investigation and a decision depending on the facts and evidence on whether to transfer the case to the criminal court. At the time of the hearing, only the public prosecutor and the defendants may appear before the court. Brand owners may be represented only when filing a civil claim joined to the criminal complaint.

The criminal complaint process is an effective deterrent against merchants and counterfeiters who are not deterred by fines. Available remedies include penalties and the confiscation and destruction of the infringing merchandise. Penalties under the Trademarks Law range from fines of at least AED 5,000 (around USD 1,400) to a jail term of up to one year (for dealing with counterfeit pharmaceutical products). Although the penalty is usually limited to a fine, in practice the court may also order the publication of the judgment against the defendant in the Official Gazette or in a local newspaper. Moreover, according to Article 39 of Federal Law No. 37 of 1992 with its amendments, in case of repeat offenders, the same penalties apply and the court may also order the closure of the business for anywhere between 15 days and six months.

Following the introduction of the Federal Law No. 19 of 2016 in respect of Combating Commercial Fraud, there has been a substantial increase in penalties that can prove to be a more effective tool to combat fraud relating to IP. In March 2020, the long-awaited Implementing Regulations of Law No. 19 of 2016 entered into force in the UAE.

Perhaps the most noteworthy aspect of the Law is Article 2, which states that the Law "will be applied to anyone who commits an act of commercial fraud, and the Free Zones are not exempted from the provisions of this Law." It goes without saying that we have to wait and assess the implementation of the said Law by the enforcement authorities in the FTZs. Normally, only police CID have jurisdiction in FTZ, as they are the competent authorities with which to file complaints when traders are located in an FTZ. The Law stipulates that dealing with counterfeit goods is

tantamount to an act of commercial fraud. The Law also increases the scope of counterfeit products to include goods bearing marks that are confusingly similar to registered trademarks.

Law No. 19 of 2016 outlines immense penalties aimed at creating a real deterrent to potential infringers. Article 12 of the Law penalizes anyone who commits commercial fraud with a jail sentence of up to two years and/or a fine ranging from AED 50,000 to AED 250,000 (around USD 13,700 to USD 68,000). The Law outlines exceptions for counterfeits that risk human health, such as counterfeit pharmaceuticals and medicaments, where the fines are up to AED 1 million (around USD 272,500) and a jail term of two years. Article 18 of the Law also allows the courts to close offending establishments for a period of up to six months.

Another main facet of the Law is that it permits the release of all information pertinent to counterfeit goods and their means of production. Article 4 stipulates that a convicted merchant must surrender all commercial books and ledgers detailing information and trade data for the infringing goods in their possession. This could prove extremely useful for brand owners seeking to target, identify, and eventually eliminate the manufacturer that engages in mass production and export of counterfeit goods. Releasing the data into the public domain could also significantly contribute to the arsenal of customs authorities in each emirate to help them identify infringing and counterfeit products before entering into the UAE.

Keeping It Civil

As mentioned in the previous section, a civil claim against infringers can be lodged alongside a criminal complaint, after a criminal case is decided or even without a criminal case being initiated. However, a civil claim may be pursued alone with the option of obtaining attachments against the infringing products through the court. The brand owner must submit a copy of the UAE trademark registration certificate, as well as any supporting evidence of the violation. If attachments are granted, the plaintiff (that is, the owner or their legal representative) must file a formal civil claim within eight days of the court's order for attachment, failing which the attachment will be revoked, and the defendant may seek damages for the illegitimate seizure and/or attachment.

A civil action against infringers can be filed after a criminal case is concluded claiming for the material and moral damages caused to the brand owner due to the defendant's illegal activities. Pursuing a civil case for infringement is a long and costly route; a final decision is generally not issued before two years from launching a civil case, and the court usually or

1. <https://www.dubaipolice.gov.ae/>.

ders the appointment of a financial expert to quantify the actual loss suffered as a result of the infringement through documentary evidence. Although Article 40 of the Trademark Law allows for a “compensation corresponding to the damage suffered,” in practice civil courts are unwilling to award high damages in the course of counterfeiting cases. Rights holders should always prove the actual tort, damage, and the relation between the wrongful act and the damage in order to claim compensation; otherwise, the court will order only minimal damages, the average being approximately AED 20,000 (around USD 5,500) as moral damages.

Taking the Administrative Route

Another path worth considering besides the court is lodging complaints and enforcement petitions with the local economic development department in each emirate. These specialized departments accept administrative complaints against third parties that are involved in manufacturing or selling counterfeit goods in the UAE.

A prime example of the good work being done by such a department is the Dubai Economic Development Department (DEDD). The DEDD has established a clear, efficient and accessible online complaints system that allows trademark owners in the UAE to enforce their rights promptly within the borders of Dubai. Once a shop is found guilty of trading in counterfeit goods, fines will apply and gradually increase if the offense is repeated, which could also lead to the shop’s temporary closure.

Documentation and evidence showing that counterfeits are being traded and that suspected shops are involved are necessary in order for the complaint to be admissible. Remedies in such cases involve fines of at least AED 15,000 (around USD 4,000), confiscation and/or destruction of the counterfeit goods.

The administrative complaint has proved to be a preferable action for brand owners faced with counterfeiting, as it is quick and a more cost-efficient remedy. In addition, the fines applied by the economic development departments are higher than those imposed by criminal courts as discussed in the previous section. Only the Dubai DED has the authority to store and destroy counterfeit goods on their expense, unlike other emirates. Moreover, the authorities concerned in Dubai cannot destroy goods that were seized in other emirates, as the country follows a federal system and Dubai does not have jurisdiction to handle cases in other emirates. Moreover, it is worth noting that the storage and destruction of seized counterfeit goods will be handled by the economic departments of each emirate, and not the brand owners as is the case when pursuing the criminal route. For example, in June 2020, the Ajman DED seized counterfeit synthetic oils worth AED 20 million (around USD 5.5 mil-

lion). In addition to seizing the products, the factory responsible for producing the infringing products was shut down by the Ajman DED.²

Cyberspace is No Place to Hide

Online infringers selling counterfeit goods cannot hide behind their screens from the law in the UAE. In fact, court actions are available as a remedy for online infringement if the brand owner can associate the infringer with a local entity or individual in the UAE. In some cases, this can result in a website being blocked until a decision is reached on the infringement matter.

In some emirates, mainly Dubai, a specialized taskforce within the police is in charge of electronic crimes and leads the investigation of online marketplaces, e-commerce websites, and social media accounts involved with counterfeit goods in the UAE. The taskforce has the authority and capability to block such websites from being accessed by users in the UAE, which can mitigate the consequences of online counterfeiting and prevent the sale of illicit goods. It is worth noting that in Dubai alone, the DEDD has seized and shutdown tens of thousands of social media accounts since the inception of the online anti-counterfeiting taskforce in 2016. It is worth noting that recently the DEDD is reluctant to take any measure against online infringement unless the trader or owner of the webpage has a physical presence in the UAE and is holding a valid trade license.

Securing the Borders

With the ratification of the GCC Common Customs Law in the UAE, having the option to set up enforcement measures at the borders has become an indispensable part of the enforcement strategy for brand owners. Pursuant to Article 55 of the GCC Common Customs Law, UAE customs officials may investigate any container to ensure that it conforms to its attached documentation. Furthermore, current legislation allows customs officials to seize and block goods that are counterfeit or that violate a trademark registered in the UAE.

Given the aforementioned concerning the UAE’s status as a federation of seven emirates, the customs authority falls under the jurisdiction of each individual emirate. For example, the supervision, management, and regulation of Dubai’s borders fall under the jurisdiction of the Dubai Customs, which has a different structure in comparison to the customs authorities of other emirates. Justifiably, there are some differences in terms of border measures with regard to processes,

2. <https://www.khaleejtimes.com/news/crime-and-courts/uae-shuts-down-illegal-oil-factory-dh20-million-worth-of-products-seized>.

efficiency, responsiveness, and experience from one emirate to the other. Additionally, there is no federal customs authority allowing a single action covering the entirety of the UAE ports. Furthermore, while the customs authorities of some emirates, such as Dubai, Sharjah and Ras Al Khaimah, can accommodate complaints for trademark enforcement without needing a court order, other emirates necessitate the presentation of a warrant before stopping and examining suspected containers.

The customs authorities in Dubai, Sharjah, Ras Al Khaimah and, most recently, Abu Dhabi have set up dedicated intellectual property (IP) departments to follow up on the enforcement of IP rights. Customs recordal is now available in the seven emirates, mainly Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain. Having said that, it is salient to note that there are major differences between the IP system at Dubai Customs and those of other emirates. The customs authority in Dubai, Ajman, Sharjah and Ras Al Khaimah offer continuous training to inspectors and have established a sophisticated anti-counterfeiting system.

Remedies available for customs complaints are fines, seizure and destruction of counterfeit goods through the recycling or re-export of the seized goods. Re-export has been a major issue in the UAE, and extensive discussions have been ongoing between the various customs authorities, the government, and other stakeholders in order to resolve the issue. More recently, in the emirate of Dubai for example, the customs authority has offered alternative routes to re-export such as the recycling of counterfeit goods. By recycling, the customs authority reduces the creation of waste products and ensures that counterfeit goods cannot reach the public and cause harm to brand owners.

Real Routes for Fake Goods

With the objective to encourage trade, attract investment, and generate employment, the UAE established more than 40 FTZs to facilitate transit and trans-shipment operations in international trade, offering warehousing, storage, and distribution facilities without any requirement to pay any national duties and taxes. The number of FTZs is expected to increase in the near future, signifying the UAE's vision to be a local, regional, and global center for trade. However, researchers argue that FTZs play an intrinsic role in the facilitation of global logistics connected to illicit trade. Thus, FTZs pose a real challenge for brand owners when enforcing their IP rights, as the procedure and the authority with jurisdiction can differ between one FTZ and another in the UAE. When a brand owner wants to take action against infringing acts in a FTZ, they should verify who

has enforcement responsibility for the FTZ in question, and whether there are any processes in place through which complaints can be filed. Enforcement routes available to brand owners can include any options mentioned above.

Jebel Ali Free Zone (JAFZA) is perhaps the most well-known FTZ in the UAE. Dubai Customs has the authority for dealing with importing and exporting infringing and counterfeit products in JAFZA and brand owners have the option of filing for customs recordal. In practice, Dubai Customs will stop what arrived to their ports and will rely on the assistance of the Dubai police to move goods out of the port's premises. On the other hand, in the China Mall Free Zone in Ajman, the Ajman DED has jurisdiction in the mall, but not in the warehouses in the surrounding areas. Steps must be taken to try and remove some of the ambiguities so that brand owners are clear how complaints are to be filed. Rights holders are asking for more cooperation between free trade zone authorities, customs, police and the brand owners themselves in order to help in the fight against counterfeiting in FTZs. It is worth noting that Dubai DED is able to move against Dragon Mart warehouses, which, unlike Ajman, are considered as part of a FTZ.

With JAFZA, it is evident that the Middle East's busiest shipping port is no stranger to the most prolific consumer goods that include counterfeit pharmaceuticals and tobacco products. JAFZA is also the home for a significant number of cigarette producing facilities, which in 2011 Dubai Customs officials closed down for producing counterfeit cigarettes that infringed on the IP rights of global brands.³ However, problems arise even when some of these factories produce legitimate cigarettes and sell them to smugglers, who then ship the products to other countries in order to evade the import tax and sales duties on tobacco.

In an effort to stop the illicit activities, the UAE has identified the problems arising from the tobacco supply chain and introduced a law in 2014 banning the production of tobacco products in the UAE. Manufacturers were given a 10-year grace period to comply with this law. In parallel, the customs authorities have not been complacent and have been actively seizing and destroying hundreds of thousands of counterfeit cigarettes imported through JAFZA. In a more recent ruling, the authorities concerned fined an importer AED 1.7 million (around USD 465,000).

In 2019, thousands of counterfeit goods, including luxury items such as handbags, valued at AED 945 mil-

3. <https://www.tamimi.com/law-update-articles/landmark-decision-17-million-fine-imposed-by-dubai-customs-against-tobacco-counterfeit-importer/>.

lion (around USD 257 million) have been seized in a joint operation between the UAE and China.⁴ In 2018, Dubai Customs also seized counterfeit steel pipes that were intended for use in a large gas processing plant in India. Through the coordinated action of the brand owner, the European Anti-Fraud Office (better known by its acronym OLAF), and the Dubai Customs, the containers were located and had their contents seized. This incident marks the first time counterfeit steel pipe shipments has been uncovered. A total of 82 tons of counterfeit steel pipes were found inside the containers, which makes it one of the largest seizures in the ongoing cooperation between the European Union and the UAE to date.⁵

In Conclusion

Given the UAE's position as a pillar of regional and global trade, and an abundance of FTZs within its borders, the country plays an increasingly important role and cannot be ignored. However, as demonstrated in the aforesaid example in the previous section concerning tobacco products in JAFZA, there is a lack of a centralized enforcement authority. This is why brand owners must take a combined approach to tackle infringement by utilizing all means necessary at their disposal in the UAE.

Brand owners would benefit from regularly coordinating with customs authorities in the different emirates. Previous experience shows that this can prove quite useful in improving levels of monitoring at the borders and enhancing enforcement outcomes against counterfeiters. Even though the remedies availed by customs are limited to imposing fines and seizures, depending on which emirate is being addressed, brand owners can file direct complaints with customs authorities where the said authorities would issue administrative decisions to have fake goods seized and either destroyed or re-exported without the need to have judicial intervention.

While still in its adolescence, the current status of the laws and regulations in the UAE provide brand owners with all the means to be able to protect their rights and encourage further investment in developing innovative products and processes. Local and foreign investments have already catalyzed such developments. Creating and maintaining the right protection and enforcement environment is crucial to these developments, and as we have seen, the UAE is growing in that direction, and brand owners are poised to take advantage of these developments. ■

Available at Social Science Research Network (SSRN): <https://ssrn.com/abstract=3897874>.

4. <https://www.thenational.ae/uae/government/joint-uae-and-china-raids-seize-257-million-in-counterfeit-goods-1.946069>.

5. https://ec.europa.eu/anti-fraud/media-corner/news/12-07-2018/major-seizure-counterfeit-steel-pipes-united-arab-emirates-following_en.