A new law aimed at combating counterfeit goods and other commercial fraud has just passed through the UAE’s Federal National Council. It is expected to become law in the coming months, although it may be further amended at the ministerial level before its implementation.

At present, brand owners whose products are being copied have a number of options available to them, including:

• Administrative action under Federal Law No 4 of 1979 (also known as the Commercial Fraud Law)

• A claim for trademark infringement (typically criminal prosecution followed by civil enforcement)

• Border measures through the local customs authorities.

It is envisaged that the new law will replace the Commercial Fraud Law, and is intended to enhance the existing intellectual property rights (IPR) enforcement mechanism. Specifically, the new law seeks to impose tougher penalties on counterfeiters. The Commercial Fraud Law has been criticised by IPR owners because the financial penalties it imposes are not considered to be a sufficient deterrent.

The new law contains a number of welcome measures that will enhance brand owners’ rights. For example, it will now be an offence to possess counterfeits, even where the IPR holder is unable to prove that the counterfeiter intends to sell them. It can sometimes be difficult to establish evidence of the counterfeiters’ intent, and previous claims have failed on these grounds. The new law also establishes a single cross-Emirates body that is responsible for monitoring compliance with the law. Currently, each emirate operates its own enforcement authority, which can lead to duplication of costs and effort.

Perhaps the most welcome aspect of the new law is the harsher penalty regime. The maximum penalty under the new law is imprisonment of up to two years and/or a fine of as much as Dh1 million. The new law reserves the maximum penalties for pharmaceutical and food products, but even those who deal in counterfeit goods outside of these categories may be fined up to
Dh250,000. The authorities are also empowered to close stores that sell counterfeit goods, and repeat offenders may have their trade licences cancelled.

Several aspects of the new law require further clarification, which may be made before implementation. For example, the new law requires importers of counterfeits to pay for the costs of their destruction or disposal. However, it is not clear how the law will be enforced if the importer cannot be identified or traced, or is based outside of the UAE without assets in the jurisdiction.

Similarly, offenders will be required to disclose all information relating to the consignment of counterfeits to the authorities. This is a positive development, because it will enable other members of the supply chain to be identified. Along with the increased penalties, it is also likely to act as a deterrent. However, the new law does not make it clear whether this information will also be made available to the IPR owner. For example, it may include details of the manufacturer and retailers who had agreed to purchase counterfeit goods, many of whom may be based outside the UAE. It is likely to be in the interests of the IPR owner to pursue these leads and prevent further infringements, whereas the authorities will not necessarily have the jurisdiction (or the resources) to do so.