

**World
Trademark
Review**

Trademark Litigation 2017

A Global Guide

Saudi Arabia

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Legislative framework and causes of action

Sharia

The Saudi legal system is based on *Sharia* (Islamic law), an uncodified set of rules and principles derived primarily from the *Quran* and from the practices and sayings (*Sunnah*) of the Prophet Muhammad. The interpretation of *Sharia* varies across different schools of Islamic jurisprudence that have emerged over time. Saudi Arabia generally follows the Hanbali school of Islamic jurisprudence (*Fiqh*).

Sharia permeates all aspects of the legal system in Saudi Arabia and serves as a guideline for enacting and implementing new laws to deal with aspects of modern business principles and commercial dealings. While the Trademark Law of the Gulf Cooperation Council (GCC) member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) (the GCC Trademark Law) incorporates references to the principles of *Sharia*, it is followed in much the same way as the trademark law of any other country in the Middle East.

The Trademark Office and the courts also interpret the law by reference to *Sharia*

principles. For example, trademark applications incorporating items referring to alcohol, pork products and religious symbols, among other things, will be refused on public policy grounds. The courts also follow *Sharia* principles when ruling on oppositions, cancellation actions and cases of infringement.

While *Sharia* is at the heart of the jurisprudence in Saudi Arabia, the legal system is very much a civil law system, which affects the way in which trademark owners seek to enforce their rights against third parties and the way in which cases are pled and progress through the courts.

Careful consideration should be given to the nature of the dispute at hand before embarking on litigation for trademark cases. Perhaps due to the uncertainty, costs and timeframes involved in pursuing litigation for trademark disputes, in straightforward cases, trademark owners frequently pursue alternative enforcement measures through the Anti-commercial Fraud Department, customs authorities or the police.

Legislation

The primary sources of trademark legislation are:

- Royal Decree M/51 of April 26 2014 – the GCC Trademark Law; and
- Royal Decree M/11 of March 1 1984 – the Anti-commercial Fraud Law.

The GCC Trademark Law came into effect only at the end of September 2016. Accordingly, while the GCC Trademark Law either introduces new provisions or builds on similar provisions of the previous law, trademark owners can expect some uncertainty in trademark litigation cases during the transitional period.

Causes of action

The GCC Trademark Law contains no express causes of action for what is usually referred to as ‘trademark infringement’ in other jurisdictions. Rather, Article 42 sets out penalties against any forgery, counterfeiting or imitation of trademarks. The wording of the offences can make it difficult to bring actions against anything other than direct counterfeit/imitation (eg, look-alike, get-up, trade dress, cases involving services or online infringement cases).

Civil causes of action under the Trademark Law are linked to the criminal offences set out in Articles 42A and 42B, as detailed below.

Article 42A offences:

- *Anyone who forges a trademark, which was registered under this Law, or imitates the same in a manner which misleads public, and everyone who uses a forged or imitated trademark with bad faith.*
- *Anyone who in bad faith affixes on goods or uses in relation to services a trademark owned by others.*

Article 42B offences:

- *Anyone who sells or trade with or possesses for selling purposes goods bearing a forged or imitated trademark or a trademark which is placed or used illegally while being aware of the same, and also everyone who offered services under this trademark.*
- *Anyone who uses an unregistered trademark in the cases stated under clauses (from 2 to 11) of Article 3.*

- *Anyone who illegally marks on its trademark, papers or commercial documents something which makes the public believe that the trademark is registered.*
- *Anyone who intentionally and with bad faith omits placing its registered trademark on its goods and services.*
- *Anyone who possesses equipment or materials for the purpose of using the same in imitating or forging the registered or famous trademarks.*

Criminal or civil case

For cases that cannot be resolved through administrative enforcement measures through the Anti-commercial Fraud Department, the question arises as to whether a plaintiff should pursue criminal or civil proceedings against an infringer. The legal system is better suited towards litigants filing a criminal case against infringers – either on its own or with a civil claim in tandem.

Filing a criminal complaint means that the police will gather the evidence required, and the case will be conducted by the public prosecutor on behalf of the state. However, filing a criminal case alone means that the trademark owner will not have control of the proceedings, and will not be awarded any form of compensation. It is possible to file a civil case on the back of the criminal



In straightforward cases, trademark owners frequently pursue alternative enforcement measures through the Anti-commercial Fraud Department, customs authorities or the police

case – in which case, if the criminal case is successful, the civil case can be prosecuted on the basis of the successful criminal conviction. Conversely, if the criminal case is unsuccessful, then it follows that the civil case too will most likely be unsuccessful.

Filing a civil case alone means that the plaintiff must gather all of the evidence itself to show that one of the Article 42 offences has been committed (which can be costly and difficult without the benefit of a discovery process), and that it suffered loss as a result of the offences committed.

No passing off

As Saudi Arabia is a civil law system, the common law tort of passing off is not available. In practice, initiating civil or criminal trademark litigation on the basis of unregistered rights alone is possible in certain instances, but fraught with difficulties.

Unfair competition

There is no single legislative cause of action for unfair competition in Saudi Arabia. An unfair competition-type claim would need to adhere to other relevant statutes, such as the relevant provisions of the Anti-commercial Fraud Law, the Anti-cyber Crimes Law and Article 10*bis* of the Paris Convention for the Protection of Industrial Property.

Alternative dispute resolution

Unless the parties have expressly agreed in writing that the dispute will be settled by way of arbitration (and the jurisdiction of the court is challenged), the courts will assume jurisdiction to hear the case and will not order any form of alternative dispute resolution (including arbitration or mediation).

Litigation venue and formats

Court system

Trademark litigation before the Board of Grievances involves very little oral advocacy. The board itself is made up of commercial courts and administrative courts. While trademark oppositions and cancellation actions are heard by administrative courts, civil cases are heard by the commercial courts. The Board of Grievances has more than 20 circuits and cases are assigned

at random to each circuit (none of which specialises in trademark cases). Trademark cases are heard by the bench; there are no jury trials. Written memoranda (in Arabic) are exchanged during each hearing. There are usually several rounds of pleadings before the court adjourns to issue its decision.

While this is very rare in trademark disputes, if the case is purely criminal in nature and the proceedings are brought before a *Sharia* court of competent jurisdiction, then the procedure of the *Sharia* courts will apply, in which case the pleadings must be given orally.

No binding precedent system

The legal system is very much civil in nature and the courts have not adopted a binding precedent system. Each case is determined on its own merits and facts. However, the submission of prior cases is possible and can be persuasive.

As a general rule, relevant executable decisions from the court of appeal in Saudi Arabia will be the most persuasive. However, litigants should also consider submitting copies of cases from other GCC member states or from Egypt. Decisions from abroad will be less persuasive and will need to be translated by a licensed translator prior to submission. However, if both parties are from the same country and the court of that country has made a determination on the merits, then such a 'home' decision can be persuasive.

Damages and remedies

Injunctions and precautionary measures

In principle, Article 40 of the GCC Trademark Law appears to provide a civil law equivalent of an injunction to prevent imminent infringement, which must be issued within 10 days or less of the date of filing the petition.

Article 40, as translated, states:

In cases of infringement, and to avoid any potential infringement of any of the rights protected under the provisions of this Law, the owner of the trademark shall have the right to obtain an order from the court competent to hear the original dispute for one or more of the following precautionary measures:

- a. *Prepare a detailed description of the violation, the goods involved in the*

violation, the material, tools and equipment used or planned to be used in such violation and keeping the proofs related to the issue.

- b. *Impose an order of attachment against the objects referred to in the preceding article, and the proceeds of the alleged violation.*
- c. *Prevent the goods involved in the violation from going through the commercial channels and prevent their export. This includes imported goods upon customs clearance.*
- d. *Prevent or avoid the violation.*

Previous trademark laws in Saudi Arabia (and indeed in the remaining GCC countries) provided for precautionary measures (principally in the form of attachment orders), but did not go so far as to include provisions designed to prevent infringement. The key difference here is that attachment orders usually relate to specific quantities of counterfeit goods held in specific locations, whereas the provisions stipulated in Article 40 allow for the prevention or cessation of infringement generally and, accordingly, are more akin to preliminary and permanent injunctions in other jurisdictions.

Because the GCC Trademark Law has only recently come into force in Saudi Arabia, it is not yet known how the courts will treat the measures allowed under Article 40, as Saudi Arabia has not previously had such measures codified in domestic trademark legislation (even though such a provision is provided for in Article 44 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, to which Saudi Arabia is a party).

Article 40(4) makes it clear that a petition for a precautionary measure may be *ex parte* if it is likely that the delay in issuing the order shall cause damage to the plaintiff or if it may result in the destruction of evidence. The defendant may challenge the order within 20 days of notification.

Once the order has been issued, the main case must be commenced with 20 days to maintain the attachment.

Penalties

Article 42A offences attract a punishment of

imprisonment ranging from one month to three years and/or a fine of between Sr5,000 and Sr1 million.

Article 42B offences attract a punishment of imprisonment for one month to one year and/or a fine between Sr1,000 and Sr100,000.

In the case of repeat offenders, the punishment is less than double the maximum punishment set for the offence, and the court can order the closure of the business for anywhere between 15 days and six months (and publication of the judgment at the expense of the defendant).

What the court may order

Under Article 41, the court may order the remedies listed below.

Damages: In the case of infringement, a trademark owner may claim sufficient compensation for the damage that it has suffered as a result of the infringement (including profits made by the defendant).

The GCC Trademark Law provides that the court shall determine the amount of compensation due to a level that it deems sufficient to remedy the damage suffered by the plaintiff. For this purpose, the law states that the court shall observe the retail price of the infringed goods, other legal criteria requested by the trademark owner or an opinion rendered by a court expert.

As an alternative to claiming compensation commensurate with the damage suffered, the GCC Trademark Law also allows a trademark owner to request (at any stage before a decision issues) appropriate compensation if the infringement constitutes an intentional imitation of the infringed goods in any way whatsoever.

Confiscation: The court may order the confiscation of objects that have been attached or that are yet to be attached. While the law is silent on this point, 'confiscation' on this context is likely to mean permanent seizure (and presumably destruction) of the attached items.

Stop orders: The court may order the cessation of infringement, including exporting



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David Harper is a partner in Cedar White Bradley's Dubai office, Khalid A Altamimi Advocates & Legal Consultants. He graduated with an LLB and BA from the University of Otago, New Zealand. Mr Harper has over eight years of trademark experience in the Middle East and North Africa. He frequently advises clients on multi-jurisdictional objections, oppositions, cancellation actions, civil and criminal disputes before the courts, and a range of enforcement measures through administrative bodies. He joined Cedar White Bradley's Dubai office as a partner in 2015 and is currently the director of the IP consulting team.

infringing goods or allowing imported infringing goods to enter trade channels.

Destruction: The court may order the destruction of infringing goods, as well as of tools and equipment used in the production of the infringing goods.

Evidencing the case

Trademark litigation in Saudi Arabia is conducted through the exchange of written memoranda at each hearing.

No discovery

There is no discovery process in court proceedings in Saudi Arabia; the parties are

free to disclose only the documentation or information that helps their case (and nothing that does not). If a party refers to a document in its written memoranda (or in oral evidence), then the other party may request the court to order the other party to make the document available. The document must then be made available, unless it can be shown that it is not in its possession or that there are practical reasons why the document cannot be made available.

Documentary evidence

All documentation should be in Arabic. If a translation is required, then a licensed Saudi translator should produce it. Original, primary source documentation will hold much more



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weight than summaries or schedules (which may be rejected), especially when they have been prepared by the party seeking to rely on them.

Trademark registration certificates

In trademark litigation, rights holders usually rely on trademark certificates (rather than a simple list of worldwide registrations). Ideally, certificates should be original, certified copies (with translations prepared by a licensed translator if they are not in Arabic). If the trademark owner is relying on its reputation or well-known or famous rights, then certificates from the GCC countries and other Arab-speaking nations will usually be beneficial to the case. Producing a home registration can also be beneficial for this purpose.

Trade licences and company incorporation documents are often useful to establish first use or adoption of a trademark. If these types of document originate from outside Saudi Arabia, they should be legalised at the Saudi Arabia embassy and translated into Arabic by a licensed translator prior to submission.

Case law

While there is no binding precedent system, it is possible to submit copies of previous decisions in support of the case, which may be of persuasive value only.

Available defences

No statutory defences

The GCC Trademark Law contains no statutory defences for trademark infringement. As such, defences including prior use, honest concurrent use, acquiescence, estoppel, descriptive use and use of own name are not available under the law.

Registration

A valid trademark registration certificate that covers the defendant's use of its trademark for its goods or services does not provide the defendant with a statutory defence to the offences set out in Article 42 of the GCC Trademark Law.

However, provided that the trademark registration was lawfully registered, Article 17(2) of the GCC Trademark Law provides the owner with the exclusive right to use the mark. By implication, a registered mark cannot be found to infringe another mark (registered or otherwise), as long as the registered mark was registered in accordance with the law.

It follows that a prior third party (holding a valid registration certificate) would need to invalidate the trademark registration in order to claim successfully that the defendant committed the offences set out in Article 42 of the GCC Trademark Law.

Appeals process

Once a decision has been issued by the lower instance of the Board of Grievances, the case can be appealed to the board's appellate division.

Court of appeal

An appeal may be filed with a court of appeal within 30 days of the issuance of the judgment from the lower court. Three judges from the appeal bench will hear the appeal on matters of law only.

An appeal is almost always determined on the basis of written submissions only. However, as these proceedings are *ex parte*,

in very rare cases the court of appeal may, at its sole discretion, request clarification, seek further evidence or even hold oral hearings to verify the appellant's submissions and evidence.

Usually, if the lower court dismissed the case on formality grounds which are later reversed by the appellate court, the court of appeal will return the case to the lower court to issue a decision based on the merits of the case. If, however, the lower court issued a decision on the merits, the court of appeal will reconsider the decision on the merits and issue its own decision. In some cases, the court of appeal might decide to schedule hearings before issuing a decision.

Further appeals

While court of appeal decisions are usually treated as final, it is technically possible to appeal again within 30 days to the same court to have the matter reconsidered. However, there must be demonstrable extenuating circumstances (eg, new evidence that would affect the outcome of the case which was not known at the time of the first case or evidence that the successful party purposefully misled the court). **WTR**



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