

DIFC Intellectual Property Law

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His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, enacted a new Intellectual Property Law for the Dubai International Financial Centre (DIFC) on 21 November 2019 under DIFC Law No. 4/2019 DIFC Intellectual Property Law. DIFC Law No. 4/2019 was introduced by the DIFC Authority and is intended to encourage the innovation economy within the DIFC by improving the protection and ease of enforcement of intellectual property rights.

Prior to the promulgation of DIFC Law No. 4/2019, intellectual property laws and regulations for the entire United Arab Emirates (UAE) (including the DIFC) operated at both the federal and local levels while disputes regarding intellectual property in the DIFC were dealt with within the civil law system operated by the UAE Federal or other local Courts.

DIFC Law No. 4/2019 has now changed the position within the DIFC by providing that the DIFC Commissioner of Intellectual Property and DIFC Courts, not the UAE Federal Courts, have jurisdiction over intellectual property disputes governed by DIFC Law No. 4/2019. The DIFC Courts and laws are modelled on the English common law system. By contrast, intellectual property within the remainder of the UAE will continue to be governed by the UAE federal intellectual property laws and relevant disputes determined by the federal and local courts and so the civil law system.

The enactment of DIFC Law No. 4/2019 has created a new interface between not only the federal and DIFC intellectual property laws but also, in the event of a dispute which crosses over the two territories, between the common and civil law systems as they apply to intellectual property matters before the courts.

This commentary proposes to analyse DIFC Law No. 4/2019, provide guidance on its terms and application and consider its impact on intellectual property assets both within the DIFC and the wider UAE.

Introduction and objectives

The UAE is a federation made up of seven largely autonomous emirates, of which Dubai is one. The DIFC is an independent jurisdiction within the UAE empowered to create its own legal and regulatory framework (and its own court system) for all civil and commercial matters. It is a financial freezone (defined in Federal Law No. 8/2004 on Financial Free Zones) launched in accordance with Federal Decree No. 35/2004 on the Establishment of a Financial Free Zone in the Emirate of Dubai as a part of Dubai's strategic vision to diversify its economic resources and attract capital and investment into the region.

The UAE, and Dubai in particular, are tightly focused on strengthening their regional and global position as a hub for innovation, e-commerce, e-governance and the knowledge-based economy. Initiatives such as Dubai Future Foundation, UAE Vision 2021 and Dubai 10x illustrate the strength of the UAE Government's conviction around diversification into innovation and knowledge-based industries. The DIFC, and its ability to follow a common law system in a civil law country, has proved to be an attractive location for foreign investment with global financial institutions and international firms comfortable to establish themselves there. It has proved to be a secure and trusted environment for the operation of financial services and, with the enactment of DIFC Law No. 4/2019, it now seeks to offer that same sense of regulatory security and transparency to innovative, intellectual property rich, companies seeking a presence in the Middle East.

The stated aim of the introduction of DIFC Law No. 4/2019 is to govern the enforcement of intellectual property rights in the DIFC in such a way as to create a safe environment for creativity and innovation within the DIFC and enable DIFC entities to protect their intellectual property rights.

Summary

DIFC Law No. 4/2019 applies within the territory of the DIFC. It applies to any person who owns or claims ownership, uses or attempts to use, or who seeks to enforce or protect an intellectual property right, or any part thereof, in the DIFC.

DIFC Law No. 4/2019 recognises as valid and enforceable any intellectual property rights which under the applicable Federal laws in the UAE are:

- subject to protection as copyright, subject to protection as an industrial drawing or industrial design (with an issued deed of protection);
- registered as a trademark; or
- in respect of which there is a valid patent or utility certificate.

DIFC Law No. 4/2019 does not establish any new registries for intellectual property rights.

DIFC Law No. 4/2019 sets out the rights afforded to each type of intellectual property right and the limitations to such protection. It contains sections covering patents, utility certificates, industrial designs and drawings, copyright, trademarks, trade names and trade secrets. It also sets out the factors determining ownership of intellectual property rights in employment relationships. A key feature is the creation of the office of the Commissioner of Intellectual Property, who is responsible for administering DIFC Law No. 4/2019, resolving disputes and imposing fines, sanctions and remedies for intellectual property infringement. DIFC Law No. 4/2019 clearly delineates the jurisdiction of the Commissioner of Intellectual Property and that of the DIFC Courts in intellectual property infringement cases.

Relevant laws and treaties

DIFC Law No. 4/2019 was drafted taking into consideration international treaties so as to align the DIFC intellectual property regulatory landscape more closely with the position taken by WIPO and the WTO. It also takes into account existing UAE federal intellectual property laws and is expressed to have been drafted taking the following into consideration:

- Paris Convention for the Protection of Industrial Property;
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement);
- The Patent Regulation of the Cooperation Council for the Arab States of the Gulf as adopted by the Gulf Cooperation Council's Supreme Council during its 13th session held at Abu Dhabi, UAE, in 1992;
- Federal Law No. 17/2002 on the Regulation and Protection of Industrial property of Patents, Designs and Industrial Patterns;
- Federal Law No. 7/2002 on Copyrights and Related Rights, as amended by Federal Law No. 32/2006 and its Implementing Regulations;
- Berne Convention for the Protection of Literary and Artistic Works;
- WIPO Copyright Treaty;
- WIPO Performance & Phonograms Treaty;
- Arab Agreement on Protection of the Authors; and
- Federal Law No. 37/1992 Concerning Trademarks, as amended by Federal Law No. 8/2002, and its Executive Regulations.

Employee creations and inventions

DIFC Law No. 4/2019 sets out the tests for determining ownership of inventions and copyright works created by employees or in “work for hire” relationships. Whilst there are some similarities, there are also some significant differences, from the position under the federal intellectual property laws.

Inventions

Pursuant to Article 12(1) of DIFC Law No. 4/2019 if an invention is made within the scope of employment by an employee pursuant to an employment contract the employer will be the owner of the invention, unless otherwise agreed in writing. Whilst this broadly reflects the position under Federal Law No. 17/2002 where it provides for compensation for the employee in the event the economic success of the invention exceeds expectations, there is no equivalent right for compensation in these circumstances under DIFC Law No. 4/2019.

Article 12(3) to 12(5) of DIFC Law No. 4/2019 expand on the basic position in Article 12(1) of DIFC Law No. 4/2019 to deal with situations where although the employment relationship exists, creation of the invention (using the employer's resources) falls outside the employee's duties but within the employer's business domain. Again, whilst the intention remains largely the same as for Federal Law No. 17/2002, the detail of the legislation differs slightly, and DIFC Law No. 4/2019 is more favourable to the employer. For example, the obligation for an employee to notify their employer of such inventions remains but, in contrast to Article 9 of Federal Law No. 17/2002, the position under DIFC Law No. 4/2019 is that the employer automatically takes ownership of the invention and only if it does not wish to retain the invention is ownership then assigned to the employee. If the employer does retain ownership the employee has a right to petition the DIFC Court to determine fair compensation. This reverses the position under Article 9 of Federal Law No. 17/2002 where the employer has four months (following notification of the invention) to notify the employee of its desire to take ownership of the invention, a failure to notify meaning ownership of the invention remains with the employee.

Copyright ownership in employment relationships and disposal of future intellectual production

Article 22(1) of DIFC Law No. 4/2019 provides that if a copyright work is created pursuant to an employment contract or the employee uses the experience, information, instruments or materials of an employer in creating a copyright work, the employer will be the owner of the copyright in the work.

This provision will be welcomed by employers since it is more favourable than the position in Federal Law No. 17/2002, which has no provisions deeming the copyright works of employees be owned the employer.

Further the limitations on assignment of future rights in Federal Law No. 17/2002 means that this will only be sufficient to assign up to five future copyright works, creating the need for frequent confirmatory assignments. DIFC Law No. 4/2019 does not contain this restriction, it simply provides at Article 38 of DIFC Law No. 4/2019 that “Any disposal by an Author of the total body of his future Works shall be void”.

The position under DIFC Law No. 4/2019 regarding ownership of copyright works by employers will indeed be more business friendly than the federal position. It should be noted however that for purposes of Article 12 and 22 of DIFC Law No. 4/2019, an employer and employee relationship must either involve work in the DIFC, or be subject to DIFC law, to invoke any right, privilege, remedy or obligation under these articles. This means that it is not possible for employers who are outside the DIFC to simply seek to govern contracts with DIFC in law in an attempt to benefit from these more favourable ownership provisions.

Collection societies

Another interesting inclusion with respect to copyright is Article 41 of DIFC Law No. 4/2019 which authorises the operation of collection societies in or from the DIFC provided they are properly licensed by the Ministry of Economy and the DIFC.

Definition of work (copyright) and trademark

DIFC Law No. 4/2019 recognises as valid and enforceable all copyright works recognised as protected under Federal Law No. 7/2002. However, it also has its own definitions of which “works” are, and are not, protected in the DIFC and these vary slightly from those in Federal Law No. 7/2002.

Examples include that Article 17 of DIFC Law No. 4/2019 specifies that in order for a work to be protected it must be “fixed to a tangible medium”, while Federal Law No. 7/2002 is silent on this. DIFC Law No. 4/2019 also expands on the elements of a database that are protected. Further, it also omits “engineering drawings and plans” which are included under Federal Law No. 7/2002, and replaces “method of operation” with “method of doing business” when defining what is not protected by copyright. This isn’t an exhaustive list of the differences but should be illustrative.

Article 19 of DIFC Law No. 4/2019 sets out the classes of “works” which are not protected by copyright in the DIFC. However the recognition of works subject to copyright protection under Federal Law No. 7/2002 is expressed to be “notwithstanding Article 19 of DIFC Law No. 4/2019”, meaning that in the event of a conflict of provisions here, Federal Law No. 7/2002 would take precedence.

The definition for a “trademark” in Schedule 1, Article 3 of DIFC Law No. 4/2019 is also different from that in Federal Law No. 37/1992 Concerning Trademarks. Of most note is the explicit inclusion in the former of “colour or combination of colour”, also “smell”. In addition DIFC Law No. 4/2019 allows for a trademark to comprise of a “sound” on its own whereas under Federal Law No. 37/1992, “the voice”, could only form part of a mark if it accompanies it. Another new addition is the inclusion of “addresses”. There are also some terms which do not appear in the DIFC Law No. 4/2019 definitions but which are included in the Federal Law No. 37/1992 definitions, such as “advertisements” and “titles”.

The fact that DIFC Law No. 4/2019 recognises as valid and enforceable all trademarks registered in the UAE under Federal Law No. 37/1992 and all copyright works recognised as protected under Federal Law No. 7/2002, yet has a slightly different definition of both “trademark” and “work” (copyright) from the federal laws, means there is the potential for some interpretational conflict. Since DIFC Law No. 4/2019 does not establish a new trademark registry it remains to be seen how classes of trademarks such as “smell” which fall within the DIFC Law No. 4/2019 definition of a trademark, but which are not currently recognised as capable of registration under the federal law, will be protected.

Well-known trademarks

Article 45 of DIFC Law No. 4/2019 offers protection against infringing use in the DIFC of trademarks which are “well-known” and “of international reputation” even if those marks are not registered. This is wider than the protection offered to trademarks with international goodwill by Federal Law No. 37/1992, which simply provides that such marks may not be registered without the authorisation of the owner but is silent on the matter of use.

Trade names

Chapter 3 of DIFC Law No. 4/2019 governs conflicts between “trade names” and “trademarks”, a topic not explicitly dealt with by Federal Law No. 37/1992.

Licensee's right to enforce licensed trademarks

Where a trademark licence agreement is governed by DIFC law, Article 47 of DIFC Law No. 4/2019 provides that unless agreed otherwise, in the event of an infringement that impinges upon the licensee's rights, the licensee can require the licensor to take action to enforce the marks, and if the licensor does not do so within two months, the licensee may take such action in their own name. These provisions do not however appear in Federal Law No. 37/1992, in accordance with which UAE trademarks are registered. This creates the potential for conflict between the two laws where an infringement occurs outside the DIFC. Technically, given the contract elects DIFC law as governing law, the above provisions should be read in as contractual terms. However, it is not clear whether the on-shore federal courts/authorities will do so.

A further complication arises in that even if an onshore federal court/authority is willing to recognise the licensee's right to enforce the mark, such enforcement can only take place under Federal Law No. 37/1992 if the licensee's right is recorded on the Federal Trade Mark Register. This is not however a requirement under DIFC Law No. 4/2019.

It is these sorts of issues which means careful consideration needs to be given when deciding the governing law for intellectual property agreements which have the potential to cross over between the DIFC and the remainder of the UAE.

Patents and utility models

Article 9 of DIFC Law No. 4/2019 introduces some secondary or contributory offences in relation to patent and utility model infringement which do not exist under Federal Law No. 17/2002. Inducing another person to infringe and cooperating with another party to an act of infringement of a patent or utility model – in or from the DIFC - are both offences in their own right under DIFC Law No. 4/2019. These offences of “inducing” and “cooperating” are explicitly provided to be actionable even if the offending party is located “outside the DIFC”. It is however arguable the Commissioner for Intellectual Property and the DIFC Courts will have problems enforcing these offences outside the DIFC in the event infringers “outside the DIFC” refuse to submit to the jurisdiction of the DIFC authorities.

DIFC Law No. 4/2019 also clearly sets out a reversal of the burden of proof, where an alleged infringement is in relation to a patented process for the manufacturing of a product, such that it falls on the infringing party to prove that a product was not manufactured using the patented process in question. Although in the past it would have been open to advocates to argue that

this is the correct way for the burden of proof to operate since it aligns with the position under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights it is a positive step that DIFC Law No. 4/2019 now sets it out clearly in legislation.

Appointment of a Commissioner of Intellectual Property

DIFC Law No. 4/2019 creates the new position of Commissioner of Intellectual Property. Article 59 of DIFC Law No. 4/2019 sets out the powers, functions and objectives of the position. These include:

- receiving and deciding on all intellectual property related complaints or disputes filed in the DIFC;
- imposing fines for non-compliance with DIFC Law No. 4/2019;
- coordinating with the UAE federal and local authorities on facilitating and promoting protection of intellectual property rights for DIFC persons; and
- responsibility for draft regulations, standards, codes of practice and guidance.

Remedies and sanctions

The Commissioner of Intellectual Property has access to a wide range of remedies in the event of non-compliance with DIFC Law No. 4/2019. Remedies and sanctions are set out in Part 7, Article 66 of DIFC Law No. 4/2019 and expressed to be without prejudice to any more severe punishment stipulated under any other law. Schedule 3 of DIFC Law No. 4/2019 contains a comprehensive list of fines in USD cross referenced with the article of DIFC Law No. 4/2019 that was breached.

The Commissioner of Intellectual Property may issue a direction under Part 7, Article 66(1) of DIFC Law No. 4/2019 for any of the following:

- an order that the violator to refrain from the violation and carry out all necessary acts to abide by DIFC Law No. 4/2019;
- a request to the DIFC Registrar of Companies to temporarily suspend the DIFC licence of the person in violation;
- an order for confiscation , transfer/storage and/or destruction; or
- a fine of not less than USD 5,000 and not more than USD 50,000 in accordance with Schedule 3 of DIFC Law No. 4/2019.

In the event of repetition of any infringement, Article 66 (2) of DIFC Law No. 4/2019 provides that the Commissioner of Intellectual Property may request the DIFC Registrar of Companies to revoke the DIFC licence of the violator, and/or impose up to double the fines stipulated in Schedule 3 of DIFC Law No. 4/2019.

The aggrieved party is entitled, under Article 66(4) of DIFC Law No. 4/2019, to seek a review by the DIFC Court of the decision of the Commissioner of Intellectual Property to issue a direction. The Commissioner of Intellectual Property is in turn entitled under Article 66(5) of DIFC Law No. 4/2019 to apply to the DIFC Court for an order in the event a violator fails to comply with a direction.

The DIFC Courts are also given the power by Article 67 of DIFC Law No. 4/2019 to issue injunctions and order damages. The ability to issue an injunction is not available at civil law and so is not a remedy offered by other UAE Courts.

Court jurisdictional issues

The jurisdiction of the Commissioner of Intellectual Property and DIFC Courts over infringement disputes under DIFC Law No. 4/2019 gives rise to a number of queries around if and how they will deal with matters which in practical terms may cross over into the jurisdiction of the UAE local or federal courts. For example what will happen where a defence of invalidity is raised in a patent infringement case or a cancellation of a trademark in a trademark case, within the DIFC. Since DIFC Law No. 4/2019 recognises as valid in the DIFC all patents and trademarks which are valid under the federal law surely any action for invalidity will need to be taken before the UAE federal courts, especially if the federal authority granting this right is joined as a major party in the case?

Conclusion

DIFC Law No. 4/2019 is likely to offer innovative businesses much needed comfort regarding the protection of their intellectual property rights within the DIFC. In particular foreign entities which may previously have been reluctant to transfer valuable intangible assets into the UAE in case of infringement or theft of trade secrets are likely to be more willing to do so given recourse to the DIFC Courts for enforcement.

Whilst clearly drafted to align with international treaties and conventions there is however necessarily the potential for conflict between DIFC Law No. 4/2019 and the existing UAE federal IP laws and so between the Commissioner of Intellectual Property/DIFC Courts and the UAE local and federal courts. This is particularly the case where a matter such as licensing crosses over between the DIFC and the wider UAE. In these circumstances, at present, it is unclear, to the extent there is a conflict of provisions, which law will prevail.

Author



Jacqueline Marie Hooper

Principal Consultant, Rouse Consulting (Dubai, UAE)

jhooper@rouse.com

Areas of expertise

Intellectual Property

Education

- Masters Degree with an extraordinary full-blue from Oxford University
- Postgraduate Diploma with distinction from the University of Law (Guildford Branch)
- Postgraduate Diploma in Law with distinction from the University of Sydney

Memberships

- Enrolled as a Solicitor by the Law Society of England and Wales
- Enrolled as a Solicitor by the Law Society of New South Wales (Australia)
- Licensed as a Legal Consultant by the Rulers Court of Dubai

Biography

Jacqueline brings in excess of 20 years' of specialist IP experience to her role as Principal Consultant in Rouse's IP Asset Strategy and Innovation Consultancy. Over a decade of this experience has been in the UAE, both in private practice and in-house roles. Jacqueline developed an appreciation for excellence in IP working for magic circle law firms in London/Hong Kong and Sydney. She honed her strategic skills in-house, driving strategy and protection for one of Australia's top 10 brands and advising a top 100 Forbes Global 2000 company on the rapidly developing IP landscape impacting its fintech. In the UAE Jacqueline developed and implemented the comprehensive global Innovation and IP Strategy for Dubai's premier luxury hospitality group. Jacqueline has advised internal business teams at blue chips extensively on the identification, capture, management and exploitation of intellectual property. She has practised law in the UAE, UK, Hong Kong and Australia. Jacqueline frequently publishes articles on the topic of Innovation and IP Strategy and regularly speaks on the topic as a guest speaker.