

Trademark Ownership Structure in the UAE

Rasha Al Ardah - Partner - Intellectual Property
r.alardah@tamimi.com - Dubai International Financial Centre

August 2016

The decision on the owner of the trademark may be easy, but it could become more complicated when the owner is a group company with a complicated structure of affiliated companies and subsidiaries or in the case of a joint venture or partnership of any kind. In this article we will highlight the different perspectives of trademark ownership structures and common issues related to the same.

Who can own a trademark?

Pursuant to Article 6 of the UAE Federal Trademarks Law, Law No. 37 of 1992 and its amendments, the owner of a trademark can include: (i) national natural or juridical persons carrying out any commercial, industrial, handicraft or services activity; (ii) foreign natural or juridical persons carrying out any commercial, industrial, handicraft or services activity in the State, (iii) foreign natural or juridical persons carrying out any commercial, industrial, handicraft or services activity in any country which treats the State according to the reciprocity principle and (v) public juridical persons.

Accordingly, a trademark owner can include individuals, companies in all legal forms (eh. sole establishment, limited liability, public joint stock) and public judicial persons such as government entities.

Why it is important to decide on the owner of the trademark?

The advantages of owning a trademark can be summarised as follows:

- The trademark is an asset and a valuable one, for example Apple is the world's most valuable trademark with a value of USD 154.1 billion (According to Forbes' list of the World's Most Valuable Brands 2016);
- Only the owner of trademark will financially benefit from such trademark. The owner only can exploit the trademark through commercialisation, licence and assignment and can be used in business negotiations.
- Only the legal owner of a trademark has standing to enforce the trademark rights and prevent any infringement upon the same.

Deciding on who is the owner of the trademark

The owner of the trademark will depend on the nature of the business, its structure and the strategies and goals adopted by the business.

The straightforward scenario is that when a company is established, the trademark shall be registered under its name and it will be the owner of the trademark. A common mistake made is to have an executive of the company file for a trademark in their own personal name. This can restrain the company from enforcing its trademark rights against competitors, and will hurt the company financially as it may deprive the company of one of its most valuable assets.

Nevertheless this is not always the rule, as in some cases an individual creates a trademark and concept, and when he wants to commercialise this trademark and concept, he would enter into partnership with some investors. In such cases and when such partnership is still new, the individual may consider keeping

the trademark under his personal name and grant the partnership entity a licence to use the trademark, to ensure his rights over the trademark.

When the trademark is very personal, such as the name of person, the owner of the trademark would normally be that person. For example, a fashion designer may retain the ownership of their trademark, which is his/her personal name, even though they have huge corporate entities operating and manufacturing under the trademark. Although this will protect the name of the designer, the risk in such case is that in the event of the death of the owner, the trademark will become part of the inheritance, which may affect the business using the brand.

In joint ventures, attention should be given to who owns the trademark that will be used by the joint venture. The trademark to be used may actually be owned by one of the partners. However if not, the partners should agree clearly on who will own the trademark or whether they jointly own it. The Joint Venture Agreement should clearly state the rights of each party and what will happen to the trademark when the joint venture is dissolved.

In case of a group of affiliated companies using the same trademark, usually the owner of the trademark will be the group company (holding company), who would grant internal licences to each of its affiliates to use the trademark. This structure will help the group company to maintain the protection of the trademark portfolio.

When the affiliated/subsidiaries use different trademarks, there are two options for the ownership structure of the trademarks; either the ownership of all trademarks be vested at the group company level (with a licence to each subsidiary to use the relevant trademark), or at the subsidiary level, each subsidiary owns the trademarks relevant to its business. Each structure has its own advantages and disadvantages, for instance having all the trademarks owned by the group company will ensure the central management of the trademark portfolio and ensure the trademarks are being used to the same level of quality within the entire group companies. It may also strengthen and enhance the assets of the group company making it more attractive to investors and increasing its negotiation weight in any business transaction. However, this means the involvement of the group company in the prosecution of all legal actions related to its trademarks. Having the ownership vested with each subsidiary, may seem an easier structure with less paperwork (internal licences). When each subsidiary owns its own trademark, this will increase its assets. But each subsidiary being responsible for its trademarks and their maintenance may entail having a dedicated team to do that.

For businesses with a substantial amount of intellectual property (“IP”), it may be reasonable to establish an IP holding company to become the owner of such assets. Having an IP holding company as the owner of the trademarks may improve the business’ ability to manage its intellectual property. In such a structure, the parent company, the original owner of the trademark, establishes a wholly-owned subsidiary and then transfers ownership of its IP to the newly-created subsidiary. The right to use the trademark is then licensed back to the parent company or other group companies.

The structure and position of the IP holding company should, of course, be subject to careful consideration, taking into consideration the nature of trademarks and the governing laws in the jurisdiction where the IP holding company is to be established. The UAE has recently recognised and allowed the establishment of IP holding companies. The new Commercial Companies Law, Law No. 2 of 2015, has allowed for the establishment of IP holding companies in the form of limited liability or joint stock companies, While it is still unclear how such companies will be governed under this new law, it is now an option to be considered in the UAE.

In conclusion, different aspects should be taken into consideration when determining the proper trademark owner. The trademark ownership structure may also change throughout the life of the business and with changes of its business strategies, its growth and its trademark assets. Clear legal advice on the ownership structure is always recommended together with a regular review of such structure to ensure it serves the

present business needs and strategies.