

Trademark Enforcement through Border Measures: The Case of the Gulf
Cooperation Council States (GCC)

By
Lolwa Naser Mohamed Alfadhel

Submitted in partial fulfilment of the requirements of the Degree of Doctor of
Philosophy
Centre for Commercial Law Studies
Queen Mary, University of London
September 2016

Statement of Originality

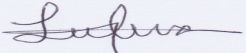
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- Shariah Law and Trademark Protection in the GCC Member States, in David Price and Alhanoof Aldebasi (eds), *Intellectual Property Rights: Development and Enforcement in the Arab States of the Gulf* (Gerlach Press 2017) p109
- 'A Case Study of Well-Known Trademarks in the Gulf Cooperation Council States: Challenges for Foreign Mark Holders' [2016] 3 (2) *Journal of International Trade Law and Policy*
- 'TRIPS and the Rise of Counterfeiting: A Comparative Examination of Trademark Protection and Border Measures in the European Union and the Gulf Cooperation Council' [2015] 7(2) *Journal of Trade, Law, and Development* 377-400
- 'Trademark Enforcement within the European Union: The Development of Provisions Concerning Counterfeit Goods in Transit' [2014] 1(1) *Charlotte Intellectual Property Journal*

Abstract

Trademarks are a valuable asset of a business and play a crucial role with regards to the quality of goods and its reputation, however, the rise in counterfeiting activities is undermining those benefits. Counterfeiting activities are considered to be the fastest growing phenomenon that focuses solely on reputable international brands ranging from cosmetics, watches, shoes and clothing, to cars and aeroplane parts. It has engulfed the world economy by dealing with fake commodities and intellectual property rights across the board. The PhD thesis looks at the relevant trademark laws in the Gulf Cooperation Council States (GCC) as an effective enforcement mechanism to deal with the rise of counterfeiting activities in the region. The GCC States have been listed among the countries with significant problems in terms of intellectual property protection and enforcement. Thus, the importance and effectiveness of border measures, judicial process, including civil and criminal proceedings in all six Member States are analysed using a combination of comparative, doctrinal, and socio-legal research. The main objective of the thesis is to show the degree to which the GCC States' legislative regimes and their enforcement efforts addresses counterfeiting problems to meet their international treaty obligations.

Acknowledgements

I would like to express my special appreciation and gratitude to my supervisor, Professor Spyros Maniatis. It has been an honour to be his PhD student. I appreciate all his contributions of time, ideas, and feedback to make my PhD experience productive and stimulating. I am forever grateful for his support, guidance, and supervision throughout my PhD.

I would like to extend my appreciation to my sponsor, the University of Bahrain, for providing financial support throughout the duration of my PhD.

A special thank you to my family for their unconditional love, prayers, and patience. Nas Kebbi, my soulmate, this journey would've been harder without your support and encouragement. You gave me the strength and inspiration to continue, without which this thesis would have been impossible. To all my friends and colleagues who believed in me and supported me throughout this journey: I'm grateful for your love, patience, and understanding.

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Introduction

1.1 Context

The thesis examines the development of national legislative regimes for the protection of trademark rights in the six states of the Gulf Cooperation Council (GCC) that constitute:

- The Kingdom of Saudi Arabia
- The United Arab Emirates
- The State of Kuwait
- The Kingdom of Bahrain
- The State of Qatar
- The Sultanate of Oman

The performance of the GCC states in enforcing and protecting trademark rights is evaluated with a particular focus on border measures as means of combating counterfeiting. Especially important in this context is the accession of the GCC member states to the World Trade Organization (WTO), their compliance with the requirements of the Trade-Related Aspects of Intellectual Property Rights (TRIPS), and various other accessions to international conventions upon which TRIPS was built.

The legal systems of the GCC states have undergone dramatic changes and development of their intellectual property laws in the span of a single generation. These changes can be characterised by the States' trends towards harmonising their domestic laws in line with TRIPS while adhering to the requirements of Islamic, or *Shariah*, law. Although the extent of the influence of *Shariah* law on each of the GCC states varies, there are common principles to which all the states adhere to, such as the protection of some geographical indications, specifically the protection of alcoholic beverage brands, which is prohibited in Islam. Nevertheless, the states' trademark and intellectual property (IP) laws in general still contain characteristics 'peculiar to themselves, and to the Gulf, such as the status of *Shariah* law'¹ and the extent to which it offers IP protection.

¹ David Price, *The Development of Intellectual Property Regimes in the Middle East: Infidels at the Gate* (Routledge 2009).

The main driving force behind the development of each State's IP regime has been primarily the result of external influence and pressure. Consequently, a contradiction has arisen with regard to maintaining a balance between the formal expression of legislation and practical application through enforcement efforts. The contradiction can be explained in large part by the external pressures upon the States to adopt laws for which they lack the expertise, infrastructure, and cultural mores to execute effectively.

Despite having in place TRIPS-compliant regimes and having demonstrated a willingness to harmonise and address issues of enforcement, the GCC states face additional pressure from developed countries², notably the United States, to adopt a TRIPS-Plus standard.³ Further, the adoption of bilateral treaties and free trade agreements applies even greater pressure as such agreements are often promoted by developed countries as representing the new 'norm' regarding IP protection standards.

1.2 Overview of the Economies of the Gulf States

The GCC countries share historical and cultural ties and aspire to develop a more diversified economic bloc over time. The combined economy of the GCC states was ranked twelfth in the world in terms of size with a GDP of \$1.62 trillion. It was rated fifth in the world in terms of foreign trade in 2015, with US \$1.42 trillion worth of trade exchange. At US \$921 billion in 2015, the GCC was the world's fourth largest exporting nation after China, the US and Germany, with most of its exports consisting of crude oil and gas. In terms of import value, the GCC came tenth globally at \$514 billion in 2015⁴. These figures indicate how much bargaining power the GCC has in the global economic arena, and how attractive the region is to foreign investment.

² The term 'developing countries', as an umbrella term for very diverse parts of the world and very heterogeneous economies, is perhaps ill-suited for the GCC countries, as it equates them with countries that have extremely different economic, social, and political conditions. The classification of the GCC member states as 'developing countries' is made, however, on the basis of the UN's latest country classification. The general references to developing countries in the present include the GCC states, and a distinction is drawn wherever this is needed. See UN, 'World Economic Situation and Prospects 2012', 131

<http://www.un.org/en/development/desa/policy/wesp/wesp_current/2012country_class.pdf> accessed 31 January 2016

³ David Price, *The Development of Intellectual Property Regimes in the Middle East: Infidels at the Gate* (Routledge 2009) 73

⁴ Abdulqader D, 'GCC's Economic Cooperation And Integration: Achievements And Hurdles' (*AlJazeera Centre for Studies*, 2015)

<<http://studies.aljazeera.net/en/dossiers/2015/03/20153316186783839.html>> accessed 4 September 2017; Beidas-Strom S, Rasmussen T and Robinson D, 'Gulf Cooperation Council Countries (GCC): Enhancing Economic Outcomes In An Uncertain Global Economy' (*International Monetary Fund* 2015)

In the 1980s, the GCC established a free-trade zone, one of the elements of a customs union. Local products and services became fully exempt from tax and tariff, whilst each of the states continued to maintain its own customs policies towards the rest of the world. A case in point is Bahrain and Oman's Free-Trade Agreements (FTA) with the United States. In addition to the exemption of tax and tariffs on local products and services, a unified customs tariff of 5% was made mandatory on all imports into the GCC⁵. Goods produced by member countries would not be subject to transit regulations when passing through other GCC nations. Interestingly, non-GCC goods in-transit would be treated as such only at the first entry point with no need to repeat procedures at subsequent inter-GCC crossing points⁶.

At the domestic level, each of the GCC member states are moving towards economic diversification at a different pace and in different directions, with Bahrain and the United Arab Emirates (UAE) being most advanced in the process⁷. This is also driven by the fact that natural resources are expected to be depleted in some countries like Bahrain and Oman, while they will last in others for a considerable period of time⁸. Economic diversification needs to be supported by structural reforms, in particular, privatisation and market liberalisation, areas in which most GCC countries have made significant progress over recent years. From this, it is clear how intellectual property protection in this context will also serve to enhance this process further⁹.

It must be emphasised that there are significant differences between GCC countries with regard to both the degree of diversification achieved so far and the direction of diversification in terms of sectors. Overall, Bahrain and the UAE appear to be most advanced in terms of reducing their dependency on oil¹⁰. Bahrain has established itself as a financial hub for the Gulf region and for the Arab world, particularly in Islamic banking. Tourism, transport and related services are other areas in which the country is well established. Bahrain is also a significant producer of aluminium¹¹.

⁵ Jaafar K, 'The GCC: Shared Goals, Different Approaches' (*Startfor Worldview*, 2016) <<https://worldview.stratfor.com/article/gcc-shared-goals-different-approaches>> accessed 4 September 2017

⁶ Abdulqader D, 'GCC's Economic Cooperation And Integration: Achievements And Hurdles' (*AlJazeera Centre for Studies*, 2015) <<http://studies.aljazeera.net/en/dossiers/2015/03/20153316186783839.html>> accessed 4 September 2017

⁷ Kubursi A, *Oil, Industrialization & Development In The Arab Gulf States* (Routledge 2015)

⁸ *ibid*

⁹ See section 2.6 for further discussion on the economic effect in the context of counterfeiting and trademark infringement in the GCC

¹⁰ Ulrichsen K, *The Gulf States In International Political Economy* (Palgrave Macmillan 2016)

¹¹ *ibid*; Hudson M and Kirk M, *Gulf Politics And Economics In A Changing World* (World Scientific 2014)

The UAE has similarly diversified into tourism, with a more international focus than Bahrain into finance, for example with the establishment of the Dubai International Financial Centre (DIFC); and into transport, serving as a regional trading hub. This makes it the only other country apart from Bahrain with a relatively low level of oil dependency¹². Qatar is most focused on large capacities for the extraction of natural gas, but like the UAE, it is more internationally focused, particularly in finance and tourism¹³.

In the case of Kuwait and Oman, despite both countries having diversified into manufacturing to a certain extent and started developing infrastructure for tourism, however they are the two countries where the need to move their focus away from production of oil and gas is most pressing¹⁴.

Saudi Arabia generates around 10% of GDP in the manufacturing sector and is quite active in the construction sector, aiming to develop as the region's backbone in manufacturing. In addition, with the planned establishment of the King Abdullah Financial District, Saudi Arabia has plans to further develop in the area of finance¹⁵.

The Gulf states have sometimes been characterized as facing a 'drama' when it comes to political economy issues. This 'drama is that [oil extraction] is not simply another economic activity added to the other existing productive sources within a viable and modern economy, as it is with the Netherlands or, for that matter, Canada, Australia, and the Scandinavian countries. In the Gulf, the oil sector dominates the economy; it is almost the unique source of wealth.'¹⁶ The oil sector might indeed be the only source of wealth, it should however be born in mind that most of the GCC states are owners of some of the largest Sovereign Wealth Funds in the world.¹⁷

¹² *ibid*; Cammett M, Diwan I and Richards A, *A Political Economy Of The Middle East* (Hachette 2015)

¹³ *ibid*

¹⁴ Kubursi A, *Oil, Industrialization & Development In The Arab Gulf States* (Routledge 2015); Hudson M and Kirk M, *Gulf Politics And Economics In A Changing World* (World Scientific 2014)

¹⁵ Cammett M, Diwan I and Richards A, *A Political Economy Of The Middle East* (Hachette 2015); Kubursi A, *Oil, Industrialization & Development In The Arab Gulf States* (Routledge 2015)

¹⁶ H El Beblawi, 'Gulf Industrialization in Perspective'. In J-F Seznec and M Kirk (Eds) *Industrialization in the Gulf: A Socioeconomic Revolution* (London: Routledge, 2011), p 188

¹⁷ M Hvidt, *Economic Diversification in GCC Countries: Past Record and Future Trends*, Research Paper No. 27: Kuwait Programme on Development, Governance and Globalisation in the Gulf States, p 9. Available at: <http://eprints.lse.ac.uk/55252/1/Hvidt_2013.pdf> accessed 24 August 2017

That said, the 2009 drop in oil prices in conjunction with the global financial crisis have had severe implications for the Arab Gulf region.

At the same time, GCC economies are largely knowledge-based.¹⁸ This, in turn means that technology and human capital are largely invested upon, while the concomitant demand for highly-skilled workers has required investment in the education and training of the region's citizenry. At the same time, citizenship in the Arab Gulf is seen largely in terms of economic benefits.¹⁹ The future distribution of such benefits within and between the GCC countries may to a great extent influence the relationships and balance within the region.²⁰ This notwithstanding, GCC countries continue to be confronted with large rates of unemployment, especially among the younger population, while they are criticized of neglecting the ability to use oil revenues to combat unemployment.²¹

At present, new challenges emerge with respect to security. While traditional security issues, and notably threats from Iran and Iraq, and the recent Gulf crisis with Qatar, new challenges ranging from the demographic boom and unemployment to environmental concerns may further destabilize both the state apparatuses and the societies of the GCC.²² Intellectual property protection with all implications it carries with it is situated against this backdrop. How the Arab Gulf states will tackle issues of legitimacy and enforcement of IP protection, within the above described context of instability and insecurity, is a question that remains to be answered.

1.3 The Gulf States and Trademarks: A Climate of Ongoing Change

The emergence of each Gulf State as a modern state and the continuing rapid development of IP law in each of them makes this a study of contemporary relevance and interest. In addition, the Gulf States exert a significant influence, both regionally and globally, through trade and international affairs. In two generations or less, all six States have taken dramatic leaps in their

¹⁸ *ibid*, p 19. The observation is made with particular reference to Bahrain, but is equally applicable to the other GCC economies

¹⁹ Middle East and North Africa Programme: Future Trends in the GCC. Workshop Summary Political and Economic Scenarios for the GCC (May, 2012). Available at: <http://www.chathamhouse.org/sites/default/files/public/Research/Middle%20East/0512gcc_summarytwo.pdf> accessed 24 August 2017

²⁰ *ibid*

²¹ M Kamrava, *The Political Economy of the Persian Gulf*, (Columbia University Press, 2012)

²² K Ulrichsen, *Insecure Gulf: The End of Certainty and the Transition to the Post-oil Era*. (Columbia University Press, 2011)

national development to transform from quasi-feudal or tribal regions into stable, independent, sovereign states.²³

Presently, the GCC states are in the process of legislating stronger protection regarding border measures. The recent implementation of the GCC Trademark Law²⁴ in 2015 has ushered in a new era for a much needed regional trademark law in the Middle East.²⁵ It outlines a set of provisions that will be applied uniformly across all GCC states in regard to the prosecution and enforcement of trademark rights. Regarding the issue of counterfeit goods, the law stipulates a set of provisions and guidelines for Customs to carry out in the event that such goods are suspected of passing through any of the Gulf States. This shows that trademark protection in the Gulf States is still undergoing significant changes and is in the TRIPS-Plus phase of construction. This may indicate future developments that will amend its character in favour of the states' own interests,²⁶ which make this study significant to conduct due to the gaps that exist in their intellectual property regime.

1.3.1 Problems of counterfeiting in the GCC

In the context of IP, the term counterfeiting is employed where goods are intended to appear similar to the original, so as to be passed off as a genuine product. They are commonly traded to ordinary consumers in a form intended to be indistinguishable from the genuine product.²⁷ Counterfeiting problems are estimated to cost the GCC states about \$15 billion annually²⁸ and up to 60% of the branded goods on sale in the GCC markets are considered fake. The extent of this issue, which ranges from watches and smartphones to healthcare and beauty products, is so extreme that even brand owners fail to differentiate between the genuine and counterfeit products.²⁹

²³ *ibid.*

²⁴ Translated copy of the legislation is available in Appendix 2

²⁵ Saba Intellectual Property, 'GCC: Laying Down the Trademark Law' (2016) <<http://www.sabaip.com/en/News/GCC-Laying-Down-the-Trademark-Law>> accessed 30 January 2016.

²⁶ *ibid.*

²⁷ Hema Vithlani, 'The Economic Impact of Counterfeiting' (OECD 1997) <<http://www.oecd.org/sti/ind/2090589.pdf>> accessed 31 January 2016.

²⁸ *ibid.*

²⁹ Roger Field, 'Fake FMCG Goods Rife in GCC' (Arabian Business 2016) <<http://www.arabianbusiness.com/fake-fmcg-goods-rife-in-gcc-209506.html>> accessed 31 January 2016.

The counterfeit goods originate from various countries, including those in East Asia, and the packaging is often changed or altered in the country of sale to circumvent the local Customs Authority.³⁰ There are very few studies that have focused on the problems of counterfeiting in the Middle East, and the ones that did, have shown that the penalties imposed are relatively low. This thesis shows that the case remains the same across the GCC member states. What exacerbates this problem is insufficient Customs resources which encourages counterfeiters to exploit those weaknesses and loopholes in the legal system.

The thesis also argues that the main difficulty in combating counterfeiting activities is not necessarily found in substantive law but in the resources available to Customs officials and enforcement agencies, and their willingness to apply the law effectively. Other problematic areas which the thesis addresses are the ineffective implementation of the law in the area of IP, the lack of training and expertise, and, in some cases, the lack of awareness among brand owners.³¹

1.4 Background of *Shariah* Law

An appreciation of the enforcement of border measures and the battle against counterfeiting in the Gulf would be incomplete without an understanding of socioeconomic and cultural forces that are deeply rooted in Middle Eastern history and that shape the protection of IP rights in the Middle East today. In order to efficiently discuss IP rights under *Shariah* law, it is imperative to understand the nature of Islamic jurisprudence and the role of IP rights in international trade. Thus, the position of *Shariah* law in protecting IP is broadly reviewed below, drawing on historical evidence of some form of IP protection even in pre-Islamic eras. The precedence of Islamic law, or the *Shariah*, as a legal authority is undeniable in the Arab world and its status has been described by William Ballantyne as follows:

³⁰ Waldo Steyn, 'Fighting Counterfeit Trade in Dubai - Al Tamimi & Company' (Tamimi 2016) <<http://www.tamimi.com/en/magazine/law-update/section-5/april-5/fighting-counterfeit-trade-in-dubai.html>> accessed 31 January 2016.

³¹ Roger Field, 'Fake FMCG Goods Rife in GCC' (Arabian Business 2016) <<http://www.arabianbusiness.com/fake-fmcg-goods-rife-in-gcc-209506.html>> accessed 31 January 2016.

‘Behind all secular law stands the Shariah law of Islam . . . The Shariah runs like a golden thread through the legal systems of the Arab Middle East’.³²

Chapter 3 will provide a critical discussion of the practical application of *Shariah* in the Gulf States where trademark protection, the enforcement of border measures, and the problem of counterfeiting in the Gulf region is concerned.

Shariah law is composed of rules aimed at satisfying God and are largely directed towards the maintenance of consensus and social cohesion. These bodies of codified law fall into the holy text of the *Qur’an*, the sayings of the Prophet Muhammad (PBUH) recorded in the *Sunnah*, and the *Idjma*, the collective consensus on points of law arrived at by recognised authorities of interpretation. *Qiyas* represents a fourth body of legal interpretation, in which new laws dealing with scenarios not directly treated in the *Qur’an* or *Sunnah* are generated through the application of strict analogical reasoning.³³ In the majority of cases, IP rights may be assimilated within the scope of the *Qur’an*, *Sunnah*, and *Idjma*, without recourse to *Qiyas*.³⁴

In modern commercial transactions, *Shariah* ‘allows different interpretations of existing precedent’³⁵ in order to be compatible with the needs of modernity. ‘In at least three situations,’ write Sayeh and Morse, ‘as laid down in the *Qur’an* and the *Sunnah*,’ *Shariah* law permits change due to ‘(1) necessity or public interest, (2) change in the facts which originally gave rise to the law, and (3) change in the custom or usage on which a particular law was based’.³⁶

Although the *Shariah* is based more on social order and cohesion than on private interests, it does somewhat recognise IP rights, as the *Qur’an* emphasizes the notion of profitable trade as well as one’s right to enjoy the fruits of one’s work.³⁷ Hence, creative ideas and mental work of an individual expressed by any means is respected within Islam, a concept close to Lock’s Labor Theory of Property, which justifies the exclusive ownership over an intangible object³⁸.

³² WM Ballantyne, ‘The Constitutions of the Gulf States: A Comparative Study’ (1986) 1 Arab Law Quarterly 121–2

³³ For an overview of the three parts of codified law in Islam, see Hisham M Ramadan, *Understanding Islamic Law: From Classical to Contemporary* (AltaMira Press 2006).

³⁴ J Claypool, ‘Islamic Law and Modern Patent Law,’ CASRIP Newsletter 14, issue 2 (Spring 2007).

³⁵ *ibid.*

³⁶ *ibid.* 317.

³⁷ The *Qur’an* recognises the right to ownership and possession: Silvia Beltrametti, ‘The Legality Of Intellectual Property Rights Under Islamic Law’, The Prague Centre for International and Comparative Law (Anglo-American University 2009).

³⁸ R Ostergard, ‘Intellectual Property: A Universal Human Right?’ (1999) 21 Human Rights Quarterly 156.

The Arab world recognised such rights even in the pre-Islamic era, where poets travelling from cities such as Mecca, Medina, Damascus, and Baghdad would recite their poetry to sultans, kings, and caliphs. Poetic works were protected and plagiarism was severely condemned.³⁹ The language of poetry, which was held in high renown in Arab culture in the *Jahiliya* (pre-Islam) era, granted the poet status and security within the courts of the Caliphs and within society at large. For example, during the Abbasid Caliphate, a system was adopted to allow scientists, authors, and poets to deposit their work into a repository of some sort called *takhleed*⁴⁰. It is no surprise, therefore, that ‘condemnation of plagiarism is found in various verses of Arab poetry and in a number of semi-legal writings and books,’ and Arab literature itself ‘also focused attention on this issue of plagiarism and poetry theft’.⁴¹ As for trademarking, a primitive form existed throughout the Arab world and northern Africa, and was constituted by branding cattle.⁴² The signing of hand-crafted pots and other vessels and the stamping of building materials, such as bricks, show similar expressions of ownership at work.⁴³

This practice has not ceased after the birth of Islam. As the Holy Prophet condemned *Najsh* (deception) in setting the prices of goods and frowned upon the alteration of the measure and weight in goods, he visited markets to inspect and certify the measures being used. This role was later taken over by the Caliphs who sought, amongst other things, to eliminate unfair trade practices and fraud. However, once Islamic markets grew, it was impossible for the Caliphs to personally inspect and certify all measures and weights.⁴⁴ Thus, they created an institution called *Al-Hisba* to regulate the standards and measures and ensure fair practices in the Islamic markets. The main officer was called the *Muhtasib*. He was known as the religious policeman, morals enforcer, and market enforcer.⁴⁵ Thus, although his powers extended to the regulation of marriages and congregational prayers, and maintaining mosques, he was also charged with supervising and inspecting the markets, and ensured that the correct weights and measures were used and the goods were not altered.⁴⁶ However, he was also required to walk through the markets to detect

³⁹ *ibid.*

⁴⁰ S Zaineddin, ‘Intellectual Property Rights From An Islamic Perspective’ (2008) 2 *International Journal of Intellectual Property Management* 130; B Malkawi, ‘Intellectual Property Protection From A Sharia Perspective’ (2013) 16 *Southern Cross University Law* 87.

⁴¹ Amir H Khoury, ‘Ancient and Islamic Sources of Intellectual Property Protection in the Middle East: A Focus on Trademarks,’ (2003) 43 *IDEA* 151.

⁴² Ida Madiha Azmi, Spyros M Maniatis, and Bankole Sodipo, ‘Distinctive Signs and Early Markets: Africa, and Islam’, in Alison Firth (ed), *Perspectives on Intellectual Property: The Prehistory and Development of Intellectual Property Systems* (Sweet & Maxwell 1997).

⁴³ Khoury, *sn* 158.

⁴⁴ Sadiq Reza, ‘Islam’s Fourth Amendment: Search and Seizure in Islamic Doctrine and Muslim Practice’ (2009) 40 *Georgetown Journal of International Law* 703.

⁴⁵ *ibid.*

⁴⁶ Kristen Stilt, *Islamic Law in Action* (Oxford University Press 2011).

and sanction wrongdoing. He had a seal to stamp measures, scales, and mints, and imitating his seal was a serious crime.⁴⁷ The seal indicated a specific quality of an item, and it may be compared to trademarks that guarantee the source and quality of a product. Thus, it was illegal to make copies of products that carried the *Muhtasib*'s seal, on the grounds that potential buyers would be deceived as to the nature and origin of the product. Since Islamic markets have expanded over the centuries and government authorities now control state affairs and regulate the markets, there are several agencies nominated by the government of an Islamic state to perform the functions that were often performed by the *Muhtasib*.

Thus, the concept of *Maslaha*, or the public good, exists within Shariah law, and governs the implementation of IP rights as it does other areas of legislation.⁴⁸ *Maslaha* is particularly relevant to the limitation of the free exercise of an individual's rights by law.⁴⁹ Individual rights related to trademarks can thus become an acceptable form of IP protection once society perceives them as useful and valuable for the progress of the community—and not merely as an expression of the unlimited individual *per se*. The indication of a trustworthy and established source of origin, as well as the guarantee of quality standards in the interest of the consumer, even if intangible, is, for example, conceived as having value in this respect.

The *Qur'an* levels strong moral injunctions against the accumulation and hoarding of excessive personal wealth, though the right to acquire, possess, and exchange goods abundantly and for profit is recognised. It is therefore part of the business of the state to protect personal property, whilst recognising the ultimate ownership of all things by God. Massive generation of profits through the use of brands and trademarks may be regarded as disproportionate or even as gambling amounting to the production of profit without work.⁵⁰ While trademark protection is not *prima facie* outside the scope of protection of Shariah law, there is a fine line between what is perceived as a social need and what is perceived as disproportionate private profit-making.

The position of *Shariah* law may seem complex and unclear with regard to the protection of IP rights, as it does not address this directly. However, the thesis maintains that the principles provided therein clearly indicate that the *Shariah* does not stand neutral on the question of IP

⁴⁷ *ibid.*

⁴⁸ On *Maslaha*, see Steven D Jamar, 'The Protection of Intellectual Property under Islamic Law' (1992) *Cap. U. L.* 21 Rev. 1090–2.

⁴⁹ *ibid.*

⁵⁰ Noor Mohammed, 'Principles of Islamic Contract Law' (1988) 6 *Journal of Law and Religion* 115.

protection.⁵¹ On the contrary, as will be argued in chapter three, the analysis of the underlying principles of fair trade, prohibition of unfair competition, and the importance of private property lead to the conclusion that Islam does not stand idle on issues pertaining to IP rights and their protection.⁵² Indeed, the *Qur'an* and the *Sunnah* are believed to be favourable towards trade and commerce.⁵³ Deceitful and fraudulent practices are forbidden, as the *Shariah* acknowledges that unfair practices deprive merchants, traders, and even consumers of the benefits of competition.⁵⁴ Therefore, Islam prohibits the use of another person's trademark without prior authorisation from the trademark owner.⁵⁵ Moreover, the use of a similar or identical mark, especially one leading to consumer confusion, is forbidden.⁵⁶

1.5 Scope and Objectives of the Thesis

The primary objective of this thesis is to examine whether the current legislative framework for the protection of trademarks in the GCC is sufficient in fighting counterfeiting. To do this, it explores the development of national trademark legislation for the protection of trademark rights within all six GCC states. It also examines closely the systems of trademark rights enforcement, including civil and criminal proceedings, administrative and judicial procedures, and border measures. It also evaluates the degree to which these legislative regimes and their enforcement address counterfeiting problems and meet the States' international treaty obligations.

To address the objectives of the thesis, the performance of the states in protecting trademark rights in the context of their accession to the WTO and consequent compliance with the TRIPS Agreement, including the Paris and Berne Conventions, is examined. In many aspects, TRIPS serves as a benchmark for this study to conclude whether the GCC states have implemented effective border measures and procedures for combating the movement of counterfeit goods across their borders. The thesis does not attempt to offer a detailed legal commentary on the text of each law; rather, it focuses on the prominent features of the trademark law of each state and its distinctive characteristics.

⁵¹ *ibid.*

⁵² *ibid.*

⁵³ A Khoury, 'Ancient and Islamic Sources of Intellectual Property Protection in the Middle East: A Focus on Trademarks' (2003) 43 *IDEA* 151

⁵⁴ *ibid.*

⁵⁵ HA Raslan, 'Shari'a and the Protection of Intellectual Property – the Example of Egypt' (2007) 47(4) *IDEA* 503

⁵⁶ *ibid.*

A secondary objective of this thesis is to provide a thorough understanding of the nature and problem surrounding counterfeit goods in transit and border measures. Previous studies on IP rights protection in the Middle East have tended to concentrate on specific aspects of IP rights, such as copyrights, trademarks, or patents, or on a few Gulf States. More importantly, very few studies have focused on the issue of counterfeit goods in transit in the Middle East and the efforts to combat this phenomenon in light of the GCC states' strategic geographical location. The thesis attempts to address this issue and focuses primarily on trademark law in the Gulf region, since it is a crucial area of concern with respect to counterfeiting activities. The thesis also examines regional initiatives in the fight against counterfeiting that are of significant interest to the Gulf States.

1.6 Hypothesis and Research Questions

The thesis poses the question 'Despite their compliance with various international agreements, is the existing legal framework on the protection and enforcement of trademark rights comprehensively adequate for fighting against counterfeiting in the GCC?'

The GCC states have been listed among the countries with significant problems in terms of IP protection and enforcement. The United States Trade Representative (USTR) began reviewing the GCC states in 1989, with Saudi Arabia appearing on the Priority Watch List in that year. Presently, Kuwait is the only GCC state to feature on the Priority Watch List in 2015, after having been removed from the Watch List in 2014.⁵⁷ This is because Kuwait did not introduce effective legislation for enforcement against copyright and trademark infringement consistent with international standards.

With regard to the GCC member states overall, the 2015 USTR Special Report recommended a 'need for significantly improved enforcement against counterfeiting and piracy'.⁵⁸ Against this background, there is a need to study the underlying and evident problems of counterfeiting in

⁵⁷ United States Trade Representative, '2015 Special 301 Report' (2015) <<https://ustr.gov/sites/default/files/2015-Special-301-Report-FINAL.pdf>> accessed 31 January 2016.

⁵⁸ *ibid.*

the region, its emerging trends, and the gaps that exist in the enforcement of border measures. Thus, the premise of this study deals with the following research questions in the proceeding chapters:

- (1) What global data sources exist on the issue of counterfeiting to bring them to the attention of the national enforcement authorities?
- (2) Are these legal measures and procedures effective enough to address the problem of counterfeiting and, if so, which are the most effective ones?
- (3) Are the national and international provisions concerning the measures and procedures for enforcing trademark rights up to the task of preventing and punishing infringements? If not, how can punishment mechanisms be used to provide a stronger deterrent?
- (4) How effective are the international, regional, and inter-governmental legal rules concerning the enforcement mechanisms implemented in the GCC and the European Union (EU)?
- (5) What does a comparative study suggest for regional and national legislative reform?

The above research questions will be addressed in the concluding chapter of this thesis.

1.7 Research Methodology

To examine the hypothesis, reference is made to the trademark legislation and border measure controls across the GCC states. Some reference is made to the trademark legislation in the EU to provide a comparative picture of the hypothesis.

The thesis examines the problems of counterfeiting and its phenomenal growth, and more importantly, the gaps in enforcement that require policies for better prevention, detection, and control by the Customs Authorities in the GCC. The premise of this study is based on the hypothesis and research questions outlined in section 1.4. To answer these questions, the thesis refers to legal rules, court judgements, and statutes to evaluate the GCC's effectiveness in addressing the problem and analyses possible improvements to the current systems. In some parts, the data gathered for the thesis were retrieved from news bulletins and press cuttings that

provided valuable up-to-date insight into the progress and development which the GCC is currently making in this area.

The researcher endeavoured to employ empirical data to formulate a well-rounded analysis of the hypothesis and research questions. Obtaining data from across the Gulf States was challenging for the following reasons:

Firstly, a unified repository of information on legal issues and case law does not exist. Thus, gaining access to up-to-date court proceedings and data proved challenging in this instance. In addition, statistics on counterfeiting across the GCC Member States were usually general and lacking in detail. Despite the GCC having a general statistics department, the actual statistics and data was compiled by other sub-agencies and sources which makes it almost impossible to obtain and verify the data. Beyond data already published, there was no opportunity to speak to senior officials at the GCC Secretariat General headquarters to gain access to a wider range of material. Instead, ample material was provided in the form of press releases and news bulletins that were already published.

Secondly, the quality of the available data on counterfeiting is not uniform. This includes case law and court proceedings. Instead, such data is usually presented in the form of a press release that covers the raids conducted in various regions across the GCC Member States that stops short of a detailed analysis and are not usually consistent in its reporting.

Finally, despite communicating with several ministries in some GCC States, namely Bahrain, Qatar, and United Arab Emirates, it was not possible to conduct interviews with government personnel or to receive written responses from the majority of them. As a result of this and the above challenges, data obtained first hand from questionnaires and data published in the news media were the main sources of information.

1.7.1 Questionnaire

The thesis analyses the results of an online questionnaire with open-ended questions targeting experts on trademark law in the Gulf region⁵⁹. The objective of the questionnaire was to

⁵⁹ A copy of the questionnaire is available in Appendix 1 of this thesis.

understand the rise and impact of counterfeiting activities in the region, the current enforcement mechanisms in place, and the challenges faced in using these existing mechanisms.

The questionnaire consisted of three sections. The objective of the first section was to learn about the expert. It included general questions on the respondent's background, qualifications in terms of training or experience, their role at the organisation and their responsibilities.

The second section focused largely on the views of the experts based on their experience in dealing with the nature and consequences of counterfeiting activities in the GCC. The main objective of this section was to examine and identify the effectiveness of border measures as one of the enforcement mechanisms in combating counterfeiting in the region. In the final section of the questionnaire, the respondents were given the opportunity to suggest future improvements that could effectively be implemented to overcome the problem.

1.7.2 Participants

A purposive sampling was used to target participants from a range of expertise within trademark law. Thus, the selection criteria used were based on job title, level of expertise, and length of experience. As the thesis deals with six jurisdictions, it was not possible to obtain responses from all six Member States. However, some participants had experience working across two or more jurisdictions which proved helpful. Overall, the data collected was from the UAE, Qatar, Bahrain, and Kuwait. There were no responses from experts working in Saudi Arabia and Oman.

Emails introducing the study were sent to the experts selected and provided a link to the online questionnaire hosted on Survey Monkey⁶⁰. In most cases, the expert agreed to answer the survey. On three occasions, the correspondents referred the researcher to a better qualified practitioner.

In total, 20 participants conducted the survey. They were mainly senior practitioners, managing partners at their respective law firms, and a few worked as intellectual property registration consultants. Their years of work experience ranged from a minimum of three years to a maximum of 15 years.

⁶⁰ See the questionnaire and detailed responses in Appendix 1

All answers from the questionnaire were fully transcribed and analysed, and the data obtained from the participants is incorporated into the thesis as anecdotal evidence⁶¹. To an extent, the data obtained from the questionnaire provide practical insight into the problem of counterfeiting in the region and the ways of tackling it from the perspective of a range of practitioners working in the Trademark field. However, as noted in 1.6 above, most respondents, in particular government and customs officials were reluctant to go through the questionnaire, and the ones that did were cautious and reserved with their answers.

1.8 Structure and Outline of the Thesis

To deal with the hypothesis and come to a conclusion, the thesis is divided into six main chapters.

Chapter two deals with the scale of trademark counterfeiting across the GCC, using the EU for comparative purposes. It provides an analysis of the problems caused by counterfeiting especially in light of it being transnational by nature and a source of income for criminals. The chapter also briefly examines the scope of trademark legislation in the GCC, including the effects of counterfeiting in the region.

To provide background and context for the region's IP laws, chapter three will assess some of the perspectives of Muslim scholars with regards to protecting intellectual property rights. The second part of the chapter will critically examine the practical application of Shariah in the GCC states, focusing on the judiciary and the way in which the States have found themselves moving towards creating secular codified laws to meet their international obligations.

Next, chapter four considers the importance of enforcing IP rights in the context of trademark counterfeiting. It begins with an overview of the GCC as a regional organisation and a brief background of its inception. It goes on to examine the GCC's legislative framework, including an analysis of the various international treaties on trademark rights, and considers the extent to which the GCC is in alignment with international protocol when examining the issue of border

⁶¹ See ch.8, section 8.2 for a detailed summary of findings.

measures as means of combating counterfeiting. Reference was also made to the relevant provisions of the EU regime to provide a comparative context.

Chapters five and six deal with civil and criminal proceedings, respectively. Chapter five examines the relevant civil proceedings and remedies available to right holders in the GCC using the EU and provisions of TRIPS as a framework. It begins with a discussion of the remedies available to the right holders and ends with an assessment of the regulations and principles that apply to each case and the shortcomings in balancing the rights and obligations of the parties. Chapter six examines the criminal proceedings and sanctions available in the GCC. It discusses the requirements of criminal liability for the infringement of trademark rights and analyses the extent to which the violation of such IP rights should be criminalised by referring to various international and regional agreements.

Next, chapter seven examines the role of border controls as a crucial enforcement mechanism for dealing with the rise of counterfeiting. It focuses on the distribution methods used by counterfeiters and identifies the challenges faced by Customs Authorities. By comparatively referring to the relevant EU legislation on border measures, the chapter considers each Gulf State's provisions on border measures and the extent to which they meet international standards and offer effective protection in dealing with the proliferation of counterfeit goods across borders.

Finally, the concluding chapter revisits the hypothesis by reviewing the main arguments of the preceding chapters and the extent to which the thesis has answered the research questions. It also provides proposals and recommendations for improving the existing laws and enforcement practices to address the counterfeiting problems in the GCC.

Chapter 2: Counterfeiting as a Global Phenomenon: Scope, Causes, and Consequences

2.1 Introduction

This chapter examines the concept and scale of trademark counterfeiting in the GCC against the comparative context of the EU. It seeks to determine how the trademark owners in these regions may enforce their rights across national borders in the context of international and regional conventions. In general, attempts have been made at the international and regional levels to create a coherent body of law to govern the protection and enforcement of IP rights, states continue to impose their own conditions for filing and registering trademarks and the recognition and enforcement of trademarks. This has created a problem of uncertainty, whereby trademark owners are confronted with different conceptions of trademarks and counterfeiting in different jurisdictions, making it difficult to enforce their rights against counterfeiters across borders. In Europe, despite considerable harmonisation across member states, the extent of protection can vary according to national practice. Therefore, this chapter begins with an analysis of the definitional problem caused by the uncertainty in the application of international and regional agreements across the GCC states. Given that counterfeit goods continue to be a lucrative source of income for criminals, as well as a serious threat to the economies of the countries that have developed a system of protection of IP rights, this chapter examines the scope of the relevant laws in the GCC, with a focus on EU law for comparative purposes. It also examines the scale of counterfeiting in both regions and concludes with a discussion on the effects of counterfeiting.

2.2 Definition

This chapter bases the discussion of the terms ‘trademark’ and ‘counterfeiting’ on references to the relevant international and national legislation as follows:

- The Paris Convention
- TRIPS Agreement
- European Union Council Regulation (EC) No. 1383/2003⁶² concerning Customs action against goods suspected of infringing certain IP rights and measures taken against such goods.⁶³

⁶² For discussion of the most recent EU Trademark legislation, see section 2.3.3.1

- The Gulf Cooperation Council Trademark Law 2012, which replaced the local trademark law of each of the GCC member states.
-

2.2.1 Trademark and its functions

This section will centre upon the consideration of the combined issues of value, function, and purpose with respect to the question of trademarks. The fabrication of the notion of a trademark would simply be arbitrary were it not intended to serve some set of purposes and perform a distinctive function for the mark holder. Benczek appeals to the language of ‘protection’, which implies that a mark holder bears something that needs to be ‘protected’.⁶⁴ Yet it is not simply some form of property *qua* property that is protected for the right holder; rather, a set of additional protections is afforded. A trademark also serves to ensure for all parties concerned that some matter is *bona fide* the exact entity that is borne by the right holder, thereby mitigating the additional problems associated with counterfeiting. Vagg and Harris examine this by considering the global problem of counterfeiting and the manner by which trademark protection staves off the problems associated with such illicit practices.⁶⁵

The issue of counterfeiting has become all the more pertinent when we consider its deleterious consequences, particularly when this entails matters of deception, economic loss, or health risks.⁶⁶ With respect to deception, this occurs where there is some value consensus on some entity. In considering the value of a luxury brand, where the consumer acts in good faith when purchasing that which appears to be a true example of a brand⁶⁷. As such, the consumer enters into the associated assumption of value that goes hand-in-hand with this form of consumption. Counterfeiting undermines this contextual and reciprocal exchange of value, and so in this regard, the trademark is a symbol of the legal solidification of the value of the brand. The question of economic loss arises, as Vagg and Harris observe, where counterfeiting undermines

⁶³ Repealed by Council Regulation (EU) No. 608/2013, which came into effect 1 January 2014.

⁶⁴ Alexander Benczek, ‘EU: Intellectual Property – Recent Initiatives at EU Level Against Counterfeiting and Piracy’ (2003) 25 European Intellectual Property Review 126.

⁶⁵ Jon Vagg and Justine Harris, ‘False Profits: Why Product Counterfeiting is Increasing’ (2000) 8 European Journal on Criminal Policy and Research 107.

⁶⁶ Peter Avery and others, *The Economic Impact of Counterfeiting and Piracy* (OECD Publishing 2008).

⁶⁷ *ibid.*

the sales of legitimate brands—and indeed where the value of the brand in question is deflated.⁶⁸ Bosworth writes that ‘the manufacturer of the branded good may lose current revenues as buyers purchase the counterfeit rather than their own good and, perhaps, more importantly, they may lose future revenues because consumers who thought they had bought their product experience a lower quality and move to competitor products. This can undermine their brand name and brand image, resulting in a lower future profit stream and a lower stock market value’.⁶⁹ Finally, the issue of health risks arises in the case of the counterfeiting of pharmaceutical products, which is explored further in section 2.6.1 below.⁷⁰ Thus, in each of these cases, a trademark serves the function of protection. However, it is also arguable that in some cases a trademark serves a negative function, where the monopoly of a brand name is undermined by way of competition (albeit through the existence of counterfeiting), such as in the example of the recorded music industry explored by Correa, or the healthcare industry, as examined by Vadi.⁷¹

With all these issues in mind, and given that counterfeiting is a real problem, the value and legal status of trademark rights are of paramount importance. Whilst exact figures on the practice of counterfeiting and the exchange of counterfeit goods are difficult to obtain—and indeed, such figures vary by way of dubious data collection that cannot always be verified and public hyperbole—the phenomenon does exist, bears real implications, and these implications can be avoided to some degree by way of the protection of a mark.⁷² Such statistics can exaggerate the problem, but this need not give cause to undermine the necessity of the trademark function.⁷³

Finally, with respect to the trademark function, it is necessary to remark that in endorsing this function, we immediately enter into the realm of value and support for the basic premise that upholds the system of values that permeate IP—to accept the value of that which is represented by a mark, and to accept the premise that the mark protects that which it represents. Thus, a trademark fulfils a distinctive function within this contextual sphere.

⁶⁸ *ibid.*

⁶⁹ Derek Bosworth, ‘Counterfeiting and Piracy: The State of the Art’ [2006] *Intellectual Property in the New Millennium* 4.

⁷⁰ United Nations Interregional Crime and Justice Research Institute, ‘Counterfeiting: A Global Spread, A Global Threat’ (UNICRI 2011).

⁷¹ Carlos M Correa, ‘The Push for Stronger Enforcement Rules: Implications for Developing Countries’ [2008] *ICTSD Programme on Intellectual Property Rights and Sustainable Development* 32; VS Vadi, ‘Trade Mark Protection, Public Health and International Investment Law: Strains and Paradoxes’ (2009) 20 *The European Journal of International Law* 775.

⁷² Michael Geist, ‘Misleading Data Undermine Counterfeiting Claims’ *The Star* (Toronto, 17 September 2007) <http://www.thestar.com/opinion/columnists/2007/09/17/misleading_data_undermine_counterfeiting_claims.html>. Accessed 28 October 2015.

⁷³ Felix Salmon, ‘All Counterfeiting Statistics Are Bullshit’ (Felix Salmon, 9 June 2009) <<http://www.felixsalmon.com/2005/06/all-counterfeiting-statistics-are-bullshit/>> accessed 28 October 2015.

2.2.2 The definitional problem

The TRIPS Agreement specifies what makes a trademark a protectable subject matter. Article 15(1) provides that the trademark must comprise a sign or combination of signs and be distinct through use or be able to distinguish between the relevant goods and services in order to meet the standard for registration. Article 16 also provides that a registered trademark gives the right holder the exclusive right to exclude others from using the trademark if it involves using similar or identical signs in the course of trade or for goods identical or similar to those used with the registered mark and that will likely result in confusion in the mind of the hypothetical consumer. Nonetheless, the WTO's objective has been unfulfilled, because the broad specification by the TRIPS Agreement raises questions about what is meant by 'similar' and 'likely confusion in the mind of the consumer'. As regards the latter, it is uncertain whether a broad concept of confusion encompasses the dilution of the trademark or confusion should focus exclusively on the origin of the marked product.

Nonetheless, what is clear is that 'counterfeit trademark goods' may generally be held to include any goods, including packaging, that bear without authorisation a trademark which is identical to a trademark that has been validly registered in regard to such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the exclusive rights of the owner of the trademark in question under the law of the country of importation.⁷⁴ Thus, it is important that the counterfeit goods are similar in appearance to the legitimate goods to the extent that it is very difficult or impossible to distinguish between the two. In light of this description, the laws of signatory states may be assessed to determine whether they effectively achieve the outcome desired by the WTO.

2.3 Scope of Counterfeiting

This section considers the issue of scope with respect to the prevalence of counterfeiting. At the outset, it is necessary to note that as we considered earlier in articles by Geist and Salmon, for instance, speculation on the extent to which counterfeiting is prevalent (with respect to

⁷⁴ See A Taubman, H Wager, and J Watal (eds), *A Handbook on the WTO TRIPS Agreement* (Cambridge University Press 2012) 147.

quantitative evidence) is a matter of conjecture. This conjecture is, however, only strengthened by way of what we know, for instance, about seizures or the like.⁷⁵ This is also contingent on variables such as the distinguishing of the subtleties of one mark from another.⁷⁶ As such, the scope of counterfeiting, whilst it might be bolstered by facts that are purported to be accurate, is indeed fraught with problems. For instance, Geist examines the case where ‘at the heart of counterfeiting debate are repeated claims that it is a growing problem in Canada that results in billions of dollars in losses each year’.⁷⁷ However, this is marred by ‘unsubstantiated and inflated counterfeiting numbers’.⁷⁸ This has also been complemented by an inflation of the relative value of counterfeiting quantities as compared with overall imports.⁷⁹

On this note, Li comments as follows on the questions of scope and magnitude⁸⁰:

‘numerous reports suggest that there are enormous losses resulting from counterfeiting and piracy in terms of total volume, quantity and value of counterfeit and pirated products. According to developed countries, the so-called ‘proliferation of infringements of intellectual property rights’, particularly counterfeiting and piracy, poses an ever-increasing threat to the sustainable development of the world economy. Some figures on piracy rates are frequently cited as proof to support this statement.’⁸¹

One particular issue that was raised is that of *interest*, and the specific interest of developed nations in the matter of counterfeit scope exaggeration. This is supplemented by an analysis of the reliability of the quantitative data that accompany any such studies that are undertaken in the interests of developed nations.⁸²

⁷⁵ M Blakeney, ‘The Phenomenon of Counterfeiting and Piracy in the EU: Factual Overview and Legal and Institutional Framework’ in O Vriens and M Schneider (eds), *Enforcement of Intellectual Property Rights Through Border Measures* (OUP 2006) 3–34.

⁷⁶ Olivier Vriens, ‘Look-Alikes, Counterfeits in Disguise?’ (2007) 54 *Point of View* 41.

⁷⁷ Michael Geist, ‘Misleading Data Undermine Counterfeiting Claims’ *The Star* (Toronto, 17 September 2007) <http://www.thestar.com/opinion/columnists/2007/09/17/misleading_data_undermine_counterfeiting_claims.html> accessed 13 March 2016.

⁷⁸ *ibid.*

⁷⁹ *ibid.*

⁸⁰ Xuan Li, ‘Ten General Misconceptions about the Enforcement of Intellectual Property Rights’ in Xuan Li and Carlos M Correa (eds), *Intellectual Property Enforcement: International Perspectives* (Edward Elgar, 2009).

⁸¹ *ibid.*; OECD/EUIPO, ‘Trade In Counterfeit And Pirated Goods: Mapping The Economic Impact’ (European Observatory on Infringements of Intellectual Property Rights, 2015) <https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/Mapping_the_Economic_Impact_study/Mapping_the_Economic_Impact_en.pdf> accessed 5 July 2016.

⁸² MG Harvey, ‘A New Way to Combat Product Counterfeiting’ (1987) 2 *Journal of Business & Industrial Marketing* 5.

We can contend that counterfeiting exists and that it can be classified as part of organised crime, and indeed terrorist activities.⁸³ A major joint report by the European Union Intellectual Property Office (EUIPO) and OECD also classifies the prevalence of counterfeit and piracy activity as being an ‘estimate’, where such data cannot be conclusive.⁸⁴ Nevertheless, where markets exist, there is a system of supply and demand that permits the existence of counterfeiting and its prevalence and practice to some extent⁸⁵. The report outlines the manner by which the fertile ground for a counterfeiting culture is established by way of a complex infrastructural interchange that occurs within the two markets of legitimate and illegitimate trade. What we can infer from this is not any disparagement to the extent that is outlined by the joint OECD/EUIPO report, for instance, but an acceptance of the fact that, to some degree, counterfeiting prevails and, in response to this issue, the protection of a mark is both legitimate and necessary⁸⁶.

In the case of the European Union, according to a report issued by the European Union Intellectual Property Office (EUIPO), the total trade in counterfeit products amounts to EUR 85 billion which implies that approximately 5.1% of EU imports were counterfeit products⁸⁷. The extent and magnitude of the phenomenon for the EU could be twice as high as on a world scale. The report also reveals data in respect of counterfeit and pirated products’ preferred trading routes, including a set of intermediary transit points. Countries such as China, Singapore, and Hong Kong are considered important hubs of international trade. Other attractive transit routes include economies with weak governance and presence of organised criminal networks. It reflects the ability of counterfeiters to identify gaps and leverage opportunities for arbitrage⁸⁸.

2.3.1 Definition under TRIPS

The definitional issue is an especially relevant one, for without an appropriate understanding of the specific nature of counterfeiting, we cannot establish the exact criteria for the transgression or protection of a mark. Li explains thus:

⁸³ Bosworth 7.

⁸⁴ OECD, *The Economic Impact of Counterfeiting and Piracy* (OECD 2007).

⁸⁵ *ibid.*

⁸⁶ OECD/EUIPO, ‘Trade In Counterfeit And Pirated Goods: Mapping The Economic Impact’ (European Observatory on Infringements of Intellectual Property Rights, 2015) <https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/Mapping_the_Economic_Impact_study/Mapping_the_Economic_Impact_en.pdf> accessed 5 July 2016.

⁸⁷ *ibid.*

⁸⁸ *ibid.*

‘A proper understanding of the boundary of counterfeit and piracy is crucial not only to determine the responsibility of governments under TRIPS, but also in terms of measuring the magnitude of the infringement. This is because the definition determines the nature of the IP infringement, the measurement of the loss and the obligation under international agreements such as TRIPS.’⁸⁹

The enforcement measures vary in accordance with the definition, and under TRIPS, patents, trademarks, and copyrights are distinct from one another.⁹⁰ As Matthews argues, while the terms “counterfeiting” and “piracy” do not follow an agreed definition and are used in different ways, generally “counterfeiting” relates to the infringement of trademarks whereas piracy is associated with infringements of copyright or related rights.⁹¹ Furthermore, as Colston and Middleton explain, ‘infringement by copying is known as piracy where trademark infringement is known as counterfeiting, as the buyer is also being led to believe that the infringing product has come from its legitimate producer’.⁹² Some attention should be given to the negotiating history of such definitions under TRIPS. What arises from this is, in the first instance, the issue of the malleability of such definitions and the manner by which arriving at a suitable semantic consideration of the phenomenon of counterfeiting results in how the issue is responded to. Thus, TRIPS Article 51 (footnote 14) where the definition of ‘counterfeit trademark goods only refers to registered marks as counterfeit goods’⁹³. This, then, refers to the following:

‘any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.’⁹⁴

⁸⁹ Li 16.

⁹⁰ *ibid*; DJ Gervais, *The TRIPS Agreement: Drafting History and Analysis* (S&M 2008) 476.

⁹¹ Duncan Matthews, ‘The Lisbon Treaty, Trade Agreements, and the Enforcement of Intellectual Property Rights’ (2010) 3 *European Intellectual Property Review* 104, 106.

⁹² C Colston and K Middleton, *Modern Intellectual Property Law* (Cavendish Publishing Limited 2005), 665.

⁹³ Antony Taubman, Hannu Wager and Jayashree Watal, *A Handbook On The WTO TRIPS Agreement* (Cambridge University Press 2012).

⁹⁴ *ibid*.

What has occurred, though, is an important issue that was touched upon in our earlier discussion of the agendas of developed countries. This centres upon the situation where developed countries have appropriated the concept of counterfeiting and extended it beyond the boundaries of counterfeiting and piracy.⁹⁵ The OECD report also engages in such activity, where it liberally construes that which is an IP rights infringement as encompassing illicit activities conducted in relation to a combination of ‘trademarks, copyrights, patents, design rights, as well as a number of related rights’.⁹⁶ As might evidently be the case, this places the IP rights situation into something of a murky territory, whereby a conflict occurs between the overt measures of TRIPS and the agendas of developed nations. Now, the issue at hand is not simply to demonise the efforts of developed nations but to notice the manner in which pressure and power contribute to the malleability of both what counterfeiting *is* and, indeed, the actions that are taken in response to it.

But what arises here is not simply the issue of a developed nation’s agenda but also the limitations of the TRIPS definition of counterfeiting and how this might be exploited by those performing the illicit activity. As he writes, ‘[the] misconception [of the definitional issue by developed nations] substantially enlarges the limited obligations of IP enforcement under the TRIPS to all types of IPRs’.⁹⁷ Thus, as in the case of the OECD, there are widespread implications; for instance, rights holders purporting to have had their IP rights infringed upon ‘may claim more damage for such IP right infringement’, or there may be increased pressure on governmental forces to ‘enforce necessary civil, criminal and administrative measures to deal with this situation at immense cost implications for the public treasury’.⁹⁸

2.3.2 Definition under the Paris Convention

The Paris Convention for the Protection of Industrial Property of 20 March 1883 established a Union for the protection of industrial property and enabled legal and natural persons who are citizens of, or domiciled in, a state party to enjoy in all other states that are party to the

⁹⁵ OECD/EUIPO, ‘Trade In Counterfeit And Pirated Goods: Mapping The Economic Impact’ (European Observatory on Infringements of Intellectual Property Rights, 2015) <https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/Mapping_the_Economic_Impact_study/Mapping_the_Economic_Impact_en.pdf> accessed 5 July 2016.

⁹⁶ *ibid.* ‘EUIPO’ (Situation report on counterfeit goods is published, 2015) <<https://euiipo.europa.eu/ohimportal/en/web/guest/news/-/action/view/2066758>> accessed 5 May 2016.

⁹⁷ *ibid.*

⁹⁸ *ibid.*

Convention the benefits that their respective laws grant to citizens.⁹⁹ As such, an applicant for a trademark in a foreign signatory state receives the same treatment as if the application had been filed by a national of the foreign state. Equally, if the applicant becomes the owner of the trademark (his IP right is granted), he receives the same protection and has access to the same legal remedies against any infringement as any local owner of a trademark.¹⁰⁰ This is based on the principle of international comity or legal reciprocity, whereby one jurisdiction accepts to extend certain courtesies to other states by recognising the validity and effect of their legislative and judicial acts.¹⁰¹ Article 6(1) of the Convention provides that national laws apply to trademark registrations within the territory of each signatory state and are subject to the requirements of the other provisions of the Convention. Considerable discretion is given to signatory states to determine for themselves the conditions for filing, registering, recognising, and enforcing trademarks. In addition, the invocation of remedies largely depends on the views of the political and judicial authorities of the signatory state, as well as the principle of international comity. Ironically, recourse may be sought in the principle of international comity under private international law, in the absence of an international treaty on the relevant subject¹⁰²; however, the enforcement courts of the signatory states seem to maintain complete sovereignty over the enforcement process, despite the operation of the Paris Convention. The same problem is encountered with the application of subsequent conventions and treaties governing the use of trademarks, some of which are discussed below. Hence, the expectations of signatory states under the principle of international comity and good faith are so high that there is much uncertainty about the key elements of some provisions of the conventions and treaties. A cloud of uncertainty enshrouds trademark counterfeiting in this regard. It is quite turbid that the action itself cannot be easily defined with regard to references to relevant international and regional treaties and agreements.

⁹⁹ See Articles 2 and 3 of the Convention.

¹⁰⁰ For a thorough analysis of the terms of the Convention and their implementation, see K Port, 'The Myth of Trademark Harmonization' in PK Yu (ed), *Intellectual Property and Information Wealth: Trademark and Unfair Competition* (vol 3, Praeger 2007) 305–9; S Alikhan, *Socio-economic Benefits of Intellectual Property Protection in Developing Countries* (WIPO 2000) 25–35; D Burge, *Patent and Trademark: Tactics and Practice* (3rd edn, John Wiley & Sons 1999) 129–30.

¹⁰¹ See EA Posner and CR Sunstein, 'Chevronizing Foreign Relations Law' (2007) 116 *Yale Law Journal* 1170, 1179–82; JR Paul, 'The Transformation of International Comity' (2008) 71 *Law and Contemporary Problems* 19, 21; DE Childress, 'Comity as Conflict: Resituating International Comity as Conflict of Laws' (2010) 44 *UC Davis Law Review* 11, 13.

¹⁰² HG Gharavi, *The International Effectiveness of the Annulment of an Arbitral Award* (Kluwer Law International 2002) 83–4; E Gailard, 'The Enforcement of Awards Set Aside in the Country of Origin' (1999) 14 *ICSID Review* 16, 39.

2.3.3 Definition under EU law

Counterfeit is defined by Article 2(a) of the Council Regulation (EC) 1383/2003 of 22 July 2003 as ‘goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods or which cannot be distinguished in its essential aspects from such a trademark’¹⁰³. This definition is similar to the Paris Convention description above. However, it is also problematic, as the production of a good or trade in the good may be considered a counterfeit in one EU member state and be legal in another, depending on the protection obtained by the owner of the trademark in the state in which the owner resides. Thus, there are differences between national laws and the enforcement measures of different states which highlight the discrepancy between counterfeit (bearing a trademark without the authorisation of the trademark owner) and the legitimate or innocent use of IP rights across national borders. Owners of trademarks may choose or be given only specific ways of protecting their IP rights, which would not necessarily make a good that bears an identical trademark in another state a counterfeit. The urgency of uniformity cannot be overstated, since counterfeit goods have become a lucrative source of income for criminals and are deemed to be a serious threat to the economies of the countries that have developed a system of protection of IP rights.¹⁰⁴ Where there are no serious risks of prosecution and sanctions, there are high potential profits, as well as potential harm to the economies of the affected countries. In 1998, the European Commission published a consultation document and policy proposals for debate on counterfeiting and piracy in the Single Market¹⁰⁵. The debate confirmed that the differences between the national systems of IP rights had a negative impact on the enforcement of IP rights in the Single Market. Thus, the Green Paper proposing measures for enhancing the fight against counterfeiting and piracy was published in 2000 and considered including a directive harmonising national laws, defining the framework for exchanging information and strengthening the means of enforcing IP rights; the provision of training programmes for

¹⁰³ Council Regulation 2003/1383 /EC Concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights [2003] L196/7; Karel Daele, ‘Regulation 1383/2003: A New Step In The Fight Against Counterfeit And Pirated Goods At The Borders Of The European Union’ (2004) 26 *European Intellectual Property Review*. EU Regulation 1383/2003 of 22 July 2003 has been repealed by Regulation (EU) No. 608/2013, which came into force 1 January 2014 and is discussed in section 2.3.3.1 below.

¹⁰⁴ See RS Fenoff and JM Wilson, ‘Counterfeit Pharmaceuticals: Examining the Multi-dimensional Risks to African Nations’ in L Kennedy and EF McGarrell (eds), *Crime and Terrorism Risk: Studies in Criminology and Criminal Justice* (Routledge 2011) 231.

¹⁰⁵ COM [98] 569 final.

officials of enforcement agencies; and the identification of a contact point to liaise with the various agencies¹⁰⁶.

The directive considered by the Green Paper of 2000 was enacted on 29 April 2004¹⁰⁷. The member states were required to transpose this Enforcement Directive into their laws by 29 April 2006. The Directive would apply to all IP rights and any infringement of IP, and it would harmonise the rules on standing, evidence, seizure and injunctions, damages and costs, interlocutory measures, and judicial publication. However, the measures taken by the member states were in conformity with the principles of proportionality and subsidiarity and not necessarily the requirements of the Directive or the international obligations under the TRIPS Agreement. In fact, to facilitate the enforcement of the latter obligations, Articles 41 to 50 and 61 of the Directive transposed the provisions of the TRIPS Agreement on the enforcement of IP rights into EU law. Thus, all member states are bound by the provisions of the TRIPS Agreement that were approved by Council Decision 94/800/EC.¹⁰⁸ However, Article 2(3) of the Enforcement Directive provides that it does not also affect the domestic laws of member states that specify criminal procedures or penalties for the infringement of IP rights. Nonetheless, this was an attempt to ensure an equivalent level of protection for IP in all the member states.

Some important provisions of the Directive include Article 6, empowering the holder of IP rights (or other parties such as licensees) to request that the other party present evidence on reasonable grounds, and Article 7, sanctioning the competent judicial authorities of the member states to order prompt provisional measures to preserve evidence before the commencement of proceedings, where there is a demonstrable risk of the infringement of an IP right. The infringing goods may be seized, as well as the materials used to produce or distribute the goods. This decision may be taken *ex parte* and closely resemble the Anton Pillar order that was developed under common law in the UK.¹⁰⁹ Article 9(2) of the Directive also empowers the competent judicial authorities of the member states to authorise the precautionary seizure of both the movable and immovable property of the alleged infringer in order to prevent any abuse

¹⁰⁶ COM [2000] 789 final.

¹⁰⁷ Directive 2004/48/EC of the Parliament and of the Council of 29 April 2004 on Measures and Procedures to Ensure Enforcement of IP Rights (OJ L 157, 45 dd. 30 April 2004).

¹⁰⁸ OJ L 336 of 23 December 1994.

¹⁰⁹ See *Anton Pillar KG v Manufacturing Process Ltd* [1976] 1 All ER 799; *Distributori Automatici Italia Spa v Holford General Trading Co Ltd* [1985] 3 All ER 750.

of the process. This also closely resembles the Mareva injunction that was developed under the common law in the UK.¹¹⁰ However, the applicant of such an order must show that it is likely that the recovery of damages will be endangered. It follows from above that the competent judicial authorities may order the recall of the goods which are held to infringe an IP right. The goods and the materials used to produce and distribute them may then be removed from the market or destroyed.

Nonetheless, there are no punitive damages. The judicial authorities may order the person found to have infringed an IP right to pay damages in reparation of the total (reasonable and proportional) loss incurred by the successful party.¹¹¹ They may also fix damages as a lump sum on the basis of the amount of royalties or fees which the infringer would have paid to the right holder for the use of the IP in question.

In 2005, the Commission of the European Communities addressed a communication to the Council of Europe, the European Parliament, and the European Economic and Social Committee on a Customs response to the latest trends in counterfeiting.¹¹² As such, it is important to strengthen the enforcement regime of Directive 2004/48/EC, as well as enhance the swiftness and certainty of the prosecution and sanctioning of violators. The Commission of the European Communities recommended the imposition of counter-measures at the national and international levels in order to stop the global trade in counterfeit goods and dismantle transnational networks. These recommendations reflect those of the OECD and Regulation No. 1891/2004 of 21 October 2004.

There were new challenges that the Enforcement Directive was unable to meet that had to be addressed, such as the increasing use of the Internet to sell counterfeit goods, such as medicines, and the improvement in the quality of counterfeit goods, making it difficult for Customs Authorities and even some right holders to distinguish between the counterfeit and original goods. In *L'Oreal v eBay*,¹¹³ the European Court of Justice (ECJ)¹¹⁴ provided guidance on how the

¹¹⁰ See *Nippon Yusen Kaisha v Karageorgis* [1975] 1 WLR 1093; *Mareva Compania Naviera SA v International Bulkcarriers SA* [1980] 1 All ER 213.

¹¹¹ Article 13 of the Enforcement Directive.

¹¹² COM [2005] 479.

¹¹³ C-324/09 (July 2011).

¹¹⁴ Now the CJEU

courts of the member states ought to establish the liability of an Internet service provider (ISP). Where the latter hosts a webpage on which counterfeit goods are sold, but it does not play an active role in the advertisement of the goods, it may rely on the E-commerce Directive (2000/31/EC) to protect itself from liability. At the national level, the right holders may obtain effective and proportionate orders against ISPs to prevent the marketing or sale of counterfeit goods on their websites. Furthermore, in *Interflora v Marks & Spencer*,¹¹⁵ the CJEU held that in cases of Internet advertising, the use of an identical sign for identical products will be proven only if there is an adverse effect on one of the functions of the trademark, such as the origin of the mark, its advertising function, and quality.

The competent judicial authorities in the member states are then required to find the right balance between protecting free trade on the one hand and enforcing the legitimate interests of the IP rights holders on the other hand. In addition, where the infringement takes place outside of the EU, it is more difficult to enforce the IP rights. The rights holders cannot rely on EU legislation to enforce their rights, for instance, against alleged infringers in China or Nigeria. Despite the ratification of the TRIPS Agreement by all WTO member states, this agreement does not require the latter to ensure that IP rights holders benefit from an equivalent level of protection through the WTO. Such a measure would be unrealistic. However, where the counterfeit goods are passing through the EU, they may be detained if the right holder can show that such goods would infringe his/her rights if they circulate in a member state, and that the manufacturer or distributor has the intention to circulate them within the EU.¹¹⁶ The right holder may rely on evidence gathered by the Customs Authority to establish the actual intention of the manufacturer or distributor. Nonetheless, it may otherwise be very difficult to establish actual intention, since evidence that the counterfeit goods have been sold or advertised for sale within the EU would be required. Thus, the EU set up an Enforcement Strategy that focuses on non-EU countries. It was based on the active collaboration between the EU and international enforcement agencies, such as Europol, Interpol, and the World Customs Organisation (WCO).¹¹⁷ The decision in *Nokia v Philips* nevertheless prompted calls for the strengthening of the powers of Customs Authorities. Thus, Council Regulation 608/2013 that came into force on 1 January 2014 and replaced Regulation 1383/2003 gives greater powers to Customs Authorities

¹¹⁵ C-323/09.

¹¹⁶ See the *Nokia v Philips* (C-446/09 and C-495/09).

¹¹⁷ COM [2014] final.

and adds new procedural options for actions on cross-border goods. It also expands the scope of the protection of rights from patents, copyrights, and trademarks to include business names, utility models, and semiconductor topographies. IP rights holders may defend their rights by submitting ‘applications for action’ with the Customs Authorities in the EU. The owners of community trademarks, community design rights, and community plant variety rights may alternatively use the ‘community application’. The 2013 Regulation also provides for a specialised procedure for giving notice to recipients of small consignments of infringing goods to deal with the huge number of counterfeit goods that are shipped across EU national borders through postal systems. Thus, the Customs Authorities may destroy goods that infringe IP without needing to go to court. A uniform database of infringements was also created under the Regulation to create channels of communication between the Customs Authorities of the member states. This issue will be further explored in chapter seven on border controls and the role of Customs Authorities.

IP rights are also protected through criminal penalties in some EU countries. In the UK, for example, section 92 of the Trademark Act 1994 provides for criminal penalties for the deliberate use of counterfeit trademarks. The penalties include up to 10 years’ imprisonment and/or an unlimited fine. In *R v Singh (Horpreet)*¹¹⁸, for example, the defendant was found guilty of possessing and offering for sale counterfeit clothing and sentenced to six months’ imprisonment, suspended for two years. The criminal enforcement of IP rights in the EU is directly linked to civil enforcement. The civil requirements for trademark infringement must be proven for a criminal prosecution to succeed. Thus, the claimant must first fulfil all the requirements of Article 9 of the EU Community Trademark Regulation (2007/2009) that sets out when a registered trademark will be infringed. The claimant must, therefore, show that the defendant used in the course of trade an identical mark in respect of identical goods. It is not important to show the likelihood of confusion.

2.3.3.1 Reform of EU Trademark Law (EUTMR)

To harmonise the national trademark laws of Member States, the European Commission reviewed the functioning of trademarks in Europe with the objective of streamlining procedures,

¹¹⁸ [2012] EWCA Crim 1885.

facilitating cooperation between Member States, support anti-counterfeiting, and reflect the modern business environment.

Thus, the Max Planck Institute undertook the review and following a process of drafts, consultations, and revisions, the new European Union Trademark Regulation and the new Trademark Directive were published in the official journal of the European Union on 24 and 23 December 2015 respectively. The Regulation (EU 2015/2424) came into force 23 March 2016¹¹⁹. Member States have until 14 January 2019 to implement the provisions of Directive (EU 2015/2436). The new Directive replaces the previous Directive (2008/95/EC)¹²⁰.

The reform package aims to make trademark registration systems in the EU cheaper, quicker, more reliable, and predictable. Some of the amendments reflect the new terminology, such as 'European Union' and 'Union' instead of 'European Community' or 'Community'. Furthermore, the Office for Harmonisation in the Internal Market (OHIM) will be replaced with European Union Intellectual Property Office (EUIPO)¹²¹.

Counterfeit goods in transit are now considered to infringe a trademark even if not intended for circulation in EU markets. This reverses the decision in *Philips* and *Nokia* (C-446/09 and C-495/09) where it was ruled that goods could only infringe if they were released into free circulation in the EU, were intended for the EU market, or were the subject of a commercial act directed to EU consumers¹²². Following the new CTMR and TMD, trademark owners will now be able to prevent third parties from bringing goods into the EU bearing the EUTM but which are not released for free circulation in the EU¹²³. However, this entitlement to prevent goods in transit will lapse if the owner of the goods can show that the trade mark owner is not entitled to prevent the goods being placed on the market in the country of the good's final destination¹²⁴.

¹¹⁹ The OHIM will now be called the European Union Intellectual Property Office (EUIPO). Community Trademarks will now be called European Union Trade Marks (EUTMs).

¹²⁰ Ashley Roughton, 'The New Customs Regulation On Border Controls Concerning Counterfeit, Pirated And Bootleg Goods' (2014) 4 Queen Mary Journal of Intellectual Property 156.

¹²¹ Alexander von Mühlendahl, Dimitris Botis, Spyros M Maniatis, and Imogen Wiseman, *Trademark Law in Europe* (3rd edn, Oxford University Press 2016).

¹²² Alexander von Mühlendahl, *EU Trade Mark Reform* (International Trademark Association (INTA) 2015).

¹²³ L Cassidy and B Potts, 'Major Reforms To EU Trade Marks Law – Fieldfisher' (Fieldfisher.com, 2015) <<http://www.fieldfisher.com/publications/2015/07/major-reforms-to-eu-trade-marks-law>> accessed 6 July 2016.

¹²⁴ T Little, 'Breaking: European Parliament Approves European Trademark Reform Package - Blog - World Trademark Review' (World Trademark Review, 2015) <<http://www.worldtrademarkreview.com/Blog/detail.aspx?g=2b498112-cb13-4ca9-8931-9e55b3866cd1>> accessed 6 May 2016. For discussion on the new Regulation 608/2013 concerning customs enforcement of intellectual property rights, please see Ch. 7, section 7.5.

2.3.4 Definition under the GCC Trademark Law

The GCC was originally a Customs Union that became a Common Market comprising the United Arab Emirates (UAE), Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia. These states are all members of the main treaties, agreements, and conventions relating to the protection of IP, primarily the Paris Convention and the TRIPS Agreement.¹²⁵ The GCC was created following an economic agreement on 25 May 1981 that provided for the harmonisation of the laws of the signatory states and enactment of unified regulations governing trade, tourism, finance, customs, administration, and law. However, the GCC Common Market was only officially launched in 2008.¹²⁶ The GCC Patent Office was established in 1992 and began operations in 1998 with the objective of facilitating the recognition and enforcement of patents across all of the GCC states. Two years before the Patent Office went into operation, a Unified Trademark law was passed.

In May 2014, the governments of the GCC approved the revised draft of the Trademark Law of the Custom Union. The law had been originally adopted in 2006. The draft was published in the GCC Gazette. It comprises 52 articles and provides general guidelines on trademark registration, renewal, assignment, and cancellation procedures. It was stated that the law would come into force six months after the GCC Trade Cooperation Committee (composed of the trade ministers of each member state) promulgates the implementing regulations. However, the law will not be self-executing, as the member states are required to enact statutes that will implement the law within their respective jurisdictions.

This law is not a unitary law like the GCC Patent Law, since it does not provide a single registration and enforcement system, nor provide for the establishment of a single GCC trademark office or enforcement authority for the resolution of trademark disputes. Thus, registering a trademark in all GCC member states will still require filing six separate national trademark applications. Moreover, the domestic courts are likely to adopt diverse interpretations of the law in the absence of a central court or other arbiter tasked with ensuring the consistent interpretation of the provisions of the law. However, the law is a unifying instrument, given that

¹²⁵ AH Khoury, 'The Development of Modern Trademark Legislation and Protection in Arab Countries of the Middle East' (2003) 3 JL & TECH 233; AH Khoury, 'Measuring the Immeasurable – The Effects of Trademark Regimes: A Case Study of Arab Countries' (2006) 26 Journal of Law and Commerce 11; AH Khoury, 'Trademark Policy: The Case Of Arab Countries', in Daniel Gervis (ed) Intellectual Property, Trade and Development: Strategies to optimize Economic Developments in a TRIPS-Plus Era (Oxford University Press 2007).

¹²⁶ L Low and LC Salazar, 'The Gulf Cooperation Council: A Rising Power and Lessons for ASEAN' (ASEAN 2010) 22.

it sets out a single set of provisions that will apply uniformly across all GCC states with regard to the registration and enforcement of trademark rights. Article 51 of the law provides that the GCC Trade Cooperation Committee has the power to interpret the law.

The law seeks to combat the counterfeiting of both registered and unregistered trademarks. Thus, Article 42 allows action to be taken against the use of identical and similar trademarks in relation to the same or similar products or services. Counterfeiting in this context is defined in light of Article 51 of TRIPS which, as noted above, provides that counterfeit trademark goods constitute any goods bearing without authorisation a trademark that is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark.¹²⁷ Articles 42, 3.11 and 3.12 of the Trademark Law restrict the use of trademarks that would indicate a connection with the goods or services of the holder of a registered trademark, and which would affect negatively the interests of the right holder or diminish the value of the associated goods or services.

The law provides for both the criminal enforcement and civil enforcement of IP rights. Criminal sanctions (fine and imprisonment) may be imposed on individuals who forge a registered trademark in a manner that misleads the public and affixes the mark to their products. Additionally, a fine and/or imprisonment may be imposed on an individual who knowingly sells goods which bear a forged, counterfeit, or unlawfully affixed trademark. Where the convicted person has a prior record of infringement, the penalty may not exceed double the maximum specified sanctions, and the premises where the goods are sold will be closed for fifteen days to six months. Damages may also be awarded in civil claims, including the recovery of profits from the infringer under Article 41. The latter may be required by the court to disclose the identity of any third parties involved in any aspect of the infringement. The right holders may also apply for a court injunction or other order to stop or prevent the infringement from occurring.

¹²⁷ Price, *The Development of Intellectual Property Regimes in the Arabian Gulf States* 291.

2.4 The Scale of Trademark Counterfeiting

To examine the scale of the counterfeiting problem, the data referred to in this thesis are based on statistical reports issued by non-governmental agencies, industry associations, individual companies, the press, and scholars.

The Centre for Economics and Business Research (CEBR) has classified the source of statistical data on counterfeiting into three categories: enforcement and judicial agencies, companies and industry bodies, and economic impact studies published by research consultancies.¹²⁸ The data used in the thesis are based on seizure by Customs or enforcement agencies, supported by press reports from various sources, and serve as a rough measure for comparing trends in the development of counterfeiting. For Customs and enforcement agencies, the reports chosen were issued by the WCO or the national authorities of the Gulf States and the EU.¹²⁹

Thus, the data presented below are based on calculations made by different researchers following the above criteria. Thus, the next subsection collates the results of different measures. The sources of the data include those recommended by the CEBR—namely, official statistics provided by judicial or Customs authorities, victimisation surveys, and consumer surveys. The official statistics provided by the judicial and/or Customs authorities relate to the number of arrests based on involvement in counterfeiting, the number of convictions for counterfeiting, and the number of injunctions or orders issued to stop or prevent the use of counterfeit goods.

2.4.1 The EU

The EU Customs report demonstrates a similar pattern to that of the WCO report on the increasing trend of counterfeit activities in the EU. Since Regulation 1383/2003 came into force, the number of cases where seizures were made has risen significantly.¹³⁰ The overall number of articles seized increased further in 2012, and they were mainly CDs/DVDs and cigarettes.¹³¹ In general, China continues to be the main source from where goods suspected of infringing IP

¹²⁸ CEBR, *Economic Impact of Counterfeiting in Europe* (CEBR 2000) 33.

¹²⁹ *ibid* 32.

¹³⁰ European Commission Taxation and Customs Union, 'Results at the EU Border' (European Commission 2009) <<http://www.iccwbo.org/Data/Documents/Bascap/Economic-Impacts/Econ-Impacts-Report-on-EU-2009/>> accessed 13 February 2016.

¹³¹ OECD, *The Economic Impact of Counterfeiting and Piracy* (OECD 2014) 13.

rights were sent to the EU, with 64% of the total number of articles seized. In specific product categories, other countries were the main source, such as Egypt for toys and the UAE for medicines.¹³²

The European Commission, Taxation and Customs Union (DG Taxud) publishes yearly statistical details of seizures of material infringing IP rights. The reports highlight the types of products seized as well as their value. They show that there were 91,245 cases registered in 2013 and 90,473 in 2014. The postal and express carriers accounted for approximately 70% of all detentions in 2014, of which 23% related to medicines. Furthermore, goods made in China and Hong Kong comprised 87.1% of the market value of the articles seized.¹³³ This corresponds with the OECD report showing that the source of 69.7% of the total seizures around the world in 2014 came from Asia and the Middle East.¹³⁴

2.4.2 The GCC

The statistics on seizures of material infringing IP rights in the GCC are piecemeal. The Gulf Foundation reported that trade in counterfeit goods are estimated to be worth \$50 billion in the Arab world, of which 85% is in the Gulf region.¹³⁵ It reported in 2015 that the value of counterfeit goods seized in the GCC equated to approximately \$12 million. It is considered to be a controversial issue, since the region is an attractive destination for selling and re-exporting fake goods.¹³⁶ For example, 24.6% of the fake vehicles, parts, and accessories that were seized in Europe had been shipped from the UAE. The total value of these fake vehicles was €6.8 million. Furthermore, 5.3% of the cigarettes, 11.4% of other tobacco products, and 14% of perfumes seized had been shipped from Saudi Arabia, Kuwait, and the UAE. In Oman, 30,000 fake parts were seized, and 115 million articles were seized in total with a value of almost €1.2 billion. The total number of articles seized, however, had reduced by 50% as compared to 2009, although the value of the articles had almost doubled.¹³⁷

¹³² European Commission Taxation and Customs Union, 'Results at the EU Border' (European Commission 2009) <<http://www.iccwbo.org/Data/Documents/Bascap/Economic-Impacts/Econ-Impacts-Report-on-EU-2009/>> accessed 13 February 2016.

¹³³ Interpol, *Against Organized Crime: Interpol Tracking and Counterfeiting Casebook 2014* (Interpol 2014) 16–17.

¹³⁴ OECD, *The Economic Impact of Counterfeiting and Piracy* (OECD 2014) 13.

¹³⁵ Omar Shteivi, 'Counterfeiting Perspectives: Time to Push through Unified Trademark Law in Gulf Region' (Worldtrademarkreview.com, 2009) <<http://www.worldtrademarkreview.com/Magazine/Issue/20/Columns/Counterfeiting-perspectivesTime-to-push-through-unified-trademark-law-in-Gulf-region>> accessed 13 February 2016.

¹³⁶ Aparna Shivpuri, 'Dealing with Counterfeit Goods – The Next Step' (bq Magazine, 2014) <<http://www.bq-magazine.com/industries/2014/07/dealing-counterfeit-goods-next-step>> accessed 13 February 2016.

¹³⁷ M Atkinson, *Counterfeiting: A Dangerous Game* (Gulf Business 2011).

With the rise of trade in counterfeit goods, it is critical for the GCC states to move forward in implementing the GCC Trademark Law. It offers complete coverage in terms of trademarks and more punitive sanctions, and is the next important step to take to combat counterfeiting activities. This will be dealt with in more detail in the following chapters.

2.5 Causes and Motivation of Counterfeiting

The section at hand discusses the causes and motivation of counterfeiting—an appropriate examination requiring a preliminary semantic consideration of these issues. To infer a set of ‘causes’ is to understand the problem of counterfeiting as being the effect of some prior agency on the part of various actors. This occurs within a system of cause and effect and veers into a positivist claim on the specific reasons why counterfeiting occurs. To consider the issue qualitatively, then, centring upon the issue of motivation, is to acknowledge some set of psychological or otherwise external forces that regulate the desire to undertake counterfeiting and subsequently exercise agency in its actualisation. Economic reasons are overwhelmingly the primary motivations that drive counterfeiters to engage in such illicit practices, but caution should be taken so as to not overlook conducting a critical treatment of this issue.¹³⁸

The primary critical reflection that is required concerns the manner in which the economic reasons for counterfeiting emerge within a contextual system of value. We cannot uncritically presuppose the legitimacy of the value of such goods, but this problem should be viewed as divided into two streams—the first being theoretical in nature and the second being pragmatic. It is worthwhile devoting some brief attention to both of these issues. With respect to the first—the theoretical problem with the contextual system of value upon which IP rights are premised—it is arguable that outside this contextual sphere, these objects of IP rights (e.g. luxury brand name goods) do not in themselves bear value. However, in according them a registered mark, together with the associated value that the mark then bears on the grounds of the value of the luxury good, there occurs a form of universal value attribution. Thus, the necessary case arises where this value must be accepted, and on the grounds of this acceptance of value, there arises the

¹³⁸ Gregory F Treverton and others, *Film Piracy, Organised Crime, and Terrorism* (RAND Corporation 2009) 27.

negative value of any transgression of such IP rights, together with the associated economic gains for both the IP rights holder and, indeed, the counterfeiter who successfully counterfeits the goods in question. This theoretical issue then leads to a pragmatic one that accepts the fact that this contextual system for the emergence of value does exist, and it is on the grounds of this basic acceptance that the economic motivation for counterfeiting arises.¹³⁹

As is detailed in the aforementioned OECD report, counterfeit practices are driven by market forces and dynamics, in accordance with the principles of supply and demand.¹⁴⁰ As was mentioned briefly earlier, parallel markets¹⁴¹ arise in this matter—one being that which is classified as legitimate, in accordance with the acceptance of the value of registered marks, and the other being its illegitimate counterpart. The OECD qualifies the drivers of illicit trade as follows: ‘the decision of a party to become a counterfeiter or pirate of a product is driven by... market opportunities’.¹⁴² This is accompanied by additional relevant variables, such as ‘high unit profitability; large potential market size; and genuine brand power’, together with other environmental factors that permit the ease of a counterfeiting operation.¹⁴³ The combination of these variables enables economic gain, with an additional relevant variable being the issues of globalisation and lowered trade barriers, as examined by Chaudary and Zimmerman.¹⁴⁴ On this latter point, the authors remark on the manner by which these variables support the motivation of would-be counterfeiters and pirates, facilitating the ease with which they can conduct their illicit operations. A key additional incentive is the existence of free trade zones.¹⁴⁵ It is important to note this, as this serves as a variable that widens the space for the market dynamics, as it were, with more scope for illicit trade. Thus, the economic motivation of counterfeiting is not simply a real reason for the same; it allows for seeing counterfeiting as *viable* and as something that can be navigated and actualised on the grounds of the various weaknesses associated with the free trade zones. Some additional comments are offered by Hetzer with respect to the variables of an expansion of the means of communication and the emergence of new technologies, all of which

¹³⁹ Peggy E Chaudhry and Michael G Walsh, ‘An Assessment of the Impact of Counterfeiting in International Markets: The Piracy Paradox Persists’ (1996) 31 *The Columbia Journal of World Business* 34.

¹⁴⁰ OECD, *The Economic Impact of Counterfeiting and Piracy* (OECD 2014) 39.

¹⁴¹ In contrast with parallel imports, which are legitimate branded goods, but imported into a market and sold there without the consent of the owner of the trademark in that market. Furthermore, the goods are “genuine” goods (as distinct from counterfeit goods), in that they have been manufactured by or for or under license from the brand owner. However, they may have been formulated or packaged for a particular jurisdiction, and then are imported into a different jurisdiction from that intended by the brand owner.

¹⁴² *ibid.*

¹⁴³ *ibid.*

¹⁴⁴ Peggy Chaudhry and Alan Zimmerman, *The Economics of Counterfeit Trade: Governments, Consumers, Pirates, and Intellectual Property Rights* (Springer 2009).

¹⁴⁵ *ibid.* 21.

add to the view that economic gain is possible by way of the relative ease of the illicit trade of counterfeit goods.¹⁴⁶

An additional remark must be made on another form of IP rights infringement that does not simply involve stereotypical conceptions of crime and smugglers transporting illicit goods. Counterfeiting and piracy can also be driven by economic motivations not hitherto mentioned—namely, those of consumers who desire a particular product, but lack the means to obtain it.¹⁴⁷ Thus, the market forces that emerge and result in counterfeit trade are complex and analogous to the operation of any market in which the contextual relations of supply, demand, and value occur.

¹⁴⁶ Wolfgang Hetzer, 'Godfathers and Pirates: Counterfeiting and Organised Crime' (2002) 10 *European Journal of Crime, Criminal Law and Criminal Justice* 303.

¹⁴⁷ Catherine Colston and Jonathan Galloway, *Modern Intellectual Property Law* (Routledge 2010) 36.

2.6 The Effects of Counterfeiting

As shown above, counterfeiting comprises illicit activities in which criminal networks and organised crime engage. These activities undermine innovation, which is *sine qua non* for economic growth. Innovation has been held to be the main driver of economic growth via the exploitation and implementation of ideas for new processes and solutions to developmental problems. The ideas of innovators are protected through IP rights, such as copyrights, trademarks, design rights, and patents. Thus, where they are not fully protected and/or enforced, the motivation to develop new ideas and processes is seriously dampened. This is especially the case in industries such as the pharmaceutical industry, where the research and development costs associated with new products are relatively high when compared to the costs of manufacturing the end products. The trade structure is also distorted by counterfeiting. Studies have shown that counterfeiting may influence the types of goods that are imported or exported.

According to the OECD¹⁴⁸, the effects of counterfeiting are more pronounced in developing economies. This may be due to the fact that IP rights are not fully enforced and the bulk of the infringing activities are perpetrated in these countries. The counterfeited articles are often substandard or dangerous, posing serious health and safety risks to consumers. Thus, only the criminals gain financially. Economic rents are transferred to the latter, who use a large portion of these funds to sustain further illegal activities. Consequently, the environment, consumers, and workers are worse off. The large volume of seized articles raises environmental issues, since their destruction creates considerable waste. In addition, the substandard counterfeit products may simply damage the environment. A good example is the counterfeit fertilisers used on soil.¹⁴⁹ Workers are worse off because jobs shift from the IP rights holders to the criminal groups producing and distributing counterfeit articles. Moreover, the workers often work in appalling conditions in relation to their employment rights.

2.6.1 Economic Effect

The most obvious issue permeating the questions surrounding IP rights and infringement is economics, where an IP rights infringement leads to a loss of income. As is detailed by the International Trademark Association (INTA), ‘Trademark owners are not the only ones who

¹⁴⁸ Wolfgang Hetzer, ‘Godfathers and Pirates: Counterfeiting and Organised Crime’ (2002) 10 European Journal of Crime, Criminal Law and Criminal Justice 303.

¹⁴⁹ OECD, The Economic Impact of Counterfeiting and Piracy (OECD 2014) 39.

suffer when countries lack strong protection for trademark rights. A country's economic growth is affected by the degree to which companies feel confident that their valuable intellectual property assets will be protected'.¹⁵⁰ Nia and Zaichowsky consider the extent to which counterfeiting devalues the ownership of luxury brands, but one wonders about the manner by which this challenges the uncritical endorsement of the value of such brands in the first place.¹⁵¹ What this means is that while we can support the preservation of a mark on the grounds of this devaluation, this does nothing to engage in the more pressing question of the legitimacy of such values in the first place¹⁵². This issue aside, though, such devaluation is a pertinent matter.

Briefly, the figures in a 2000 report by the Global Anti-Counterfeiting Network are rather grim with respect to economic losses in the EU—though this is tempered by our earlier criticisms of the possibility of a simple acceptance of quantitative data on counterfeiting.¹⁵³ This reveals losses of €1,266 million annually in clothing and footwear; €555 million annually in perfumes and cosmetics; €627 million annually in toys and sports equipment; and €292 million annually in pharmaceuticals.¹⁵⁴

In the GCC States, there are no integrated data to show losses resulting from counterfeiting activities despite efforts to strengthen intellectual property protection among Member States, most notably with the introduction of the Trademark Legislation. However, in individual countries, such as the UAE, the total seizure value equates to over \$1.2 million a year according to statistics issued by the Ministry of Commerce. Although the numbers tend to fluctuate annually, such an amount could potentially have a negative impact on the country's economic growth as a whole¹⁵⁵. Neighbouring countries such as Saudi Arabia and Oman also experience large losses in various economic sectors¹⁵⁶. Counterfeit trade constitutes a relatively significant

¹⁵⁰ International Trademark Association, 'The Economic Impact of Trademark Counterfeiting and Infringement' [1998] <<http://www.inta.org/Advocacy/Documents/INTACounterfeitingEconomicImpact1998.pdf>> accessed 4 April 2014.

¹⁵¹ A Nia and JL Zaichowsky, 'Do Counterfeits Devalue the Ownership of Luxury Brands?' (2000) 9 *Journal of Product and Brand Management* 485.

¹⁵² C Fink, K Maskus and Y Qian, 'The Economic Effects Of Counterfeiting And Piracy: A Review And Implications For Developing Countries' [2015] *World Bank Res Obs*.

¹⁵³ Centre for Economics and Business Research, 'The Impact of Counterfeiting on Four Key Sectors in the EU' (CEBR 2000) <<http://www.gacg.org/Content/Upload/Documents/eucebrFinal.doc>> accessed 27 October 2015.

¹⁵⁴ *ibid* 3.

¹⁵⁵ OECD/EUIPO, 'Trade In Counterfeit And Pirated Goods: Mapping The Economic Impact' (*European Observatory on Infringements of Intellectual Property Rights*, 2015) <https://euiipo.europa.eu/tunnelweb/secure/webdav/guest/document_library/observatory/documents/Mapping_the_Economic_Impact_study/Mapping_the_Economic_Impact_en.pdf> accessed 5 July 2016

¹⁵⁶ Ahmed A, 'Counterfeiting: A Dangerous Game' (*Gulf Business*, 2015) <<http://gulfbusiness.com/counterfeiting-a-dangerousgame/>> accessed 31 August 2016

challenge for industries across the GCC. The UAE, Bahrain, and Qatar are examples of emerging economies that recognise the harm counterfeiting production and distribution has on foreign investments, including stakeholders¹⁵⁷. For domestic stakeholders, this has not been the case as demand for counterfeit goods in domestic markets are rife due to its affordability and accessibility¹⁵⁸. In fact, there are cases where locals have been involved in the production and manufacturing of counterfeit goods themselves. This is further discussed in chapter four as much of it is related to cultural and societal attitudes. For now it is worth noting that domestic stakeholders are not effected by counterfeit trade as foreign stakeholders.

Generally, in the GCC, stronger statutory protection, particularly enforcement has been sporadic and with little drastic measures taken against producers of counterfeit goods. Thus, foreign right holders face challenges when dealing with GCC courts and customs officials to take action against counterfeit actors and goods passing through. The reluctance of the GCC is particularly applied in situations where the consumers' health and safety are not directly at stake, counterfeit producers have gradually become important regional employees, and when their output is of value for the domestic market¹⁵⁹. As discussed earlier, appropriate measures are by no means without effect as seen in the case of Pfizer and its anti-counterfeiting efforts in the region. Foreign companies have developed anti-counterfeiting strategies to better understand the market mechanism of counterfeit trade. Cooperation by some GCC governmental institutions such as the Interior Ministry and Ministry of Commerce has somewhat helped to reassure foreign companies in this regard. For the GCC, companies with a well-defined monitoring and reaction processes, and strong collaboration with external stakeholders would result in less of a need to adjust their market and brand positioning, and thus remain in the GCC. On the other hand, companies with no adequate measures in place are more likely to consider drastic steps, including withdrawal from certain markets.

Presently across all the GCC States, the relevant authorities continue to work alongside brands such as HP and Pfizer by integrating them in their anti-counterfeiting efforts. Seizures of pharmaceuticals have decreased from more than 2.7 million in 2009 to approximately 1.5

¹⁵⁷ *ibid*

¹⁵⁸ Staake T and Fleisch E, *Countering Counterfeit Trade* (Springer 2013) p. 185

¹⁵⁹ *ibid* p. 187

million in 2014¹⁶⁰. Despite this, counterfeiters are becoming more resourceful and sophisticated, and although ‘legitimate brands have won some major battles, the war is far from over.’¹⁶¹ Chapter four will discuss some of the strategies the GCC is implementing but one of the main practices prevalent in the region is seizures and raids. This seems to work with foreign companies and external stakeholders as high seizure rates have the potential to severely change the investment-risk return considerations of counterfeit producers¹⁶². This is to an extent where an illicit actor’s business to reproduce and sell protected products becomes less promising than engaging in other illegal or legal activities¹⁶³. Although the GCC has not suffered severe market withdrawals by foreign stakeholders, it may do so in the future if it does not continually increase its efforts, particularly with seizures and raids. In this regard, it constitutes one of many promising approaches to disrupt the flow of counterfeit goods and protect the integrity of the supply chain.

The following sub sections will provide an overview of some of key areas where the economic impact of counterfeiting could have a potentially negative effect as a whole and across the GCC.

2.6.1.1 Innovation and Growth

Innovation is a key driver of economic growth through the development of ideas for new products and services. These innovations are protected through IPRs and without adequate protection of those rights, the incentive to develop new ideas and products reduces¹⁶⁴. Pharmaceutical products are an example whereby counterfeiters undermine the efforts of innovators and can therefore have a negative impact on research and eventually, growth. In the UAE, Kuwait, and Saudi Arabia, Pfizer has witnessed significant growth in the production and distribution of counterfeit medicines¹⁶⁵. These products are made in locations across the GCC States that are unlicensed, unregulated, and unsanitary. Another example noted by Scott Butler,

¹⁶⁰ Agaj I, 'The Fight Against Counterfeit Pharmaceuticals: Innovative Technologies To The Rescue?' (*Al Tamimi & Company*, 2017) <<http://www.tamimi.com/en/magazine/law-update/section-15/august-3/the-fight-against-counterfeit-pharmaceuticals-innovative-technologies-to-the-rescue.html>> accessed 4 September 2017

¹⁶¹ Ahmed A, 'Counterfeiting: A Dangerous Game' (*Gulf Business*, 2015) <<http://gulfbusiness.com/counterfeiting-a-dangerousgame/>> accessed 31 August 2016

¹⁶² Staake T and Fleisch E, *Countering Counterfeit Trade* (Springer 2013) p 200

¹⁶³ *ibid*

¹⁶⁴ OECD/EUIPO, 'Trade In Counterfeit And Pirated Goods: Mapping The Economic Impact' (*European Observatory on Infringements of Intellectual Property Rights*, 2015) <https://euipo.europa.eu/tunnelweb/secure/webdav/guest/document_library/observatory/documents/Mapping_the_Economic_Impact_study/Mapping_the_Economic_Impact_en.pdf> accessed 5 July 2016

¹⁶⁵ Ahmed A, 'Counterfeiting: A Dangerous Game' (*Gulf Business*, 2015) <<http://gulfbusiness.com/counterfeiting-a-dangerousgame/>> accessed 31 August 2016

CEO of the Arabian Anti-Piracy Alliance, that the high level of counterfeiting in the region presents a major threat to the development of intellectual property by impairing creativity which as a result has a negative impact on the economy. He states, “In the US, the copyright industry provides 11% of GDP through companies such as Disney or Pixar. The pan Arab region could enjoy the same economic benefits from creativity, but is impaired because of the larger countries such as Saudi Arabia, Egypt and those in the Levant that do not adequately protect copyrights. These same countries have over 90 % piracy rates. We have yet to see a single copyright offender imprisoned for a single day, despite millions of pirated CDs being seized and multiple offences from the same parties.”¹⁶⁶

2.6.1.2 Foreign Direct Investment (FDI)

As discussed above, international firms would have to consider intellectual property rights with respect to investing abroad. The level of counterfeiting and piracy may be relatively important to some industries such as beauty products, pharmaceuticals and auto parts. In 2015, Pfizer’s anti-counterfeiting programme has prevented more than 65 million counterfeit medicines from reaching consumers in the MENA region and this includes some GCC States namely, the UAE and Saudi Arabia¹⁶⁷. It is arguable whether counterfeiting and piracy would serve a limited role in explaining FDI behaviours. A study conducted by the OECD shows that FDI from Germany, Japan, and the USA was higher in economies with lower rates of counterfeiting and piracy¹⁶⁸. From this perspective, the GCC region may be affected by this and foreign companies may less likely invest as much as they would in other regions. Arguably, China is one of the key sources of counterfeit goods but is also one of the largest recipients of foreign direct investments¹⁶⁹. Therefore, despite the above, it is likely that other factors may still outweigh the negative effect of counterfeiting on FDIs.

¹⁶⁶ *ibid*

¹⁶⁷ *ibid*

¹⁶⁸ OECD/EUIPO, 'Trade In Counterfeit And Pirated Goods: Mapping The Economic Impact' (*European Observatory on Infringements of Intellectual Property Rights*, 2015)

<https://euipo.europa.eu/tunnelweb/secure/webdav/guest/document_library/observatory/documents/Mapping_the_Economic_Impact_study/Mapping_the_Economic_Impact_en.pdf> accessed 5 July 2016

¹⁶⁹ *ibid*

2.6.2 Health and safety

We earlier touched on the issue of the health risks associated with counterfeiting, and the present section details this further. It would be futile to simply lament the deleterious effects of counterfeiting without outlining the specific normative criteria that inform such effects. The issue of health and safety can be manifested in multiple capacities, with one being the issue of the manufacturing of counterfeit goods from inferior materials, or where a counterfeit item purports to bear the merits or positive qualities of the true product.¹⁷⁰ A White Paper by the International Anti-Counterfeiting Coalition (IACC) states that ‘one area that has always been of particular concern to the IACC and its members is the increasing availability of substandard counterfeit products that have already caused injuries and deaths and continue to present a grave threat to the public health and safety’.¹⁷¹ The IACC’s concerns with respect to the health and safety problem have only increased. An example of such a case is the recall of counterfeit Colgate toothpaste that contained anti-freeze.¹⁷² The example of the pharmaceutical industry is also a pertinent one, where counterfeit pharmaceuticals may pose serious health risks.¹⁷³ The WHO estimates that ‘counterfeit drugs account for ten percent of all pharmaceuticals. That number can rise to as high as 60% in developing countries’. Furthermore, ‘16% of counterfeit drugs contain the wrong ingredients, 17% contain incorrect amounts of the proper ingredients and 60% have no active ingredients whatsoever’.¹⁷⁴ These are obvious issues associated with counterfeiting, but the problem can also extend to other diverse areas that bear upon issues of health and safety. Where counterfeiting may involve terrorist or criminal activity (as outlined, for instance, by the OECD), the dire consequences of such activity are self-evident.

Bush et al. succinctly detail an additional set of issues.¹⁷⁵ According to the authors, considering the ‘legitimate producers and society as a whole’ depends on the extent to which we wish to expand our normative criteria for harm or health.¹⁷⁶ Though this question could be rationalised in diverse ways, such as arguments about the damage to the psychological health of the mark

¹⁷⁰ IACC, ‘The Negative Consequences of International IP Theft: Economic Harm, Threats to the Public Health and Safety, and Links to Organized Crime and Terrorist Organisations’ (White Paper 2005)
<[http://www.iccwbo.org/uploadedFiles/BASCAP/Pages/IACC.WhitePaper\[1\].pdf](http://www.iccwbo.org/uploadedFiles/BASCAP/Pages/IACC.WhitePaper[1].pdf)> accessed 27 October 2015.

¹⁷¹ *ibid* 7.

¹⁷² Health News, ‘Counterfeit Colgate Toothpaste Recalled: Antifreeze Ingredient Found in Fake Colgate’
<http://www.associatedcontent.com/article/281323/colgatepalmolive_issues_warning_about.html> accessed 27 October 2015.

¹⁷³ IACC 7.

¹⁷⁴ *ibid*.

¹⁷⁵ Ronald F Bush, Peter H Bloch and Scott Dawson, ‘Remedies for Product Counterfeiting’ [1989] *Business Horizons* 59.

¹⁷⁶ *ibid* 59.

holders. Appealing to less abstract examples, though, Bush et al. remark on cases where Kenya and Zaire lost two thirds of their cash crops due to the use of counterfeit fertilizer, and a case where fourteen airplane crashes were attributed to counterfeit airplane parts.¹⁷⁷ The auto industry has also been especially vulnerable to this issue, and there have been numerous well-documented cases of auto failure and death on the grounds of counterfeiting.¹⁷⁸ As such, these examples detail the fact that counterfeiting has deleterious effects on several matters of health and safety, and which are not necessarily and simply of an economic nature (unless, of course, we are to liberally construe that which is ‘economic’). Nonetheless, the economic variable is equally as pertinent an issue, and so we will turn our attention to this now.

2.6.3 Social variable

Some comments will be made here on the social variable in relation to counterfeiting. We earlier reflected on the devaluation of luxury brands, but where we accept the contextual system that upholds such brands, we are also compelled to accept the losses associated with a devaluation of the brands by way of counterfeiting. This is the first social implication of such illicit trade. The other issues that have been considered also have a self-evident effect on the societal variable, insofar as criminal activity is fostered by counterfeiting, thereby creating a parallel stream of trafficking that relies on covert and dangerous methods of trade. In a recent report by the United Nations Interregional Crime and Justice Research Institute (UNICRI), Director Sandro Calvani declares that:

‘counterfeiting is an extremely dangerous criminal activity which has enjoyed a sort of impunity, thanks to the belief that it is a victimless crime. This is far from the truth. Counterfeiting entails serious consequences for the entire society. Entrepreneurs lose profits, the reward for their creative activity and for the investments made to ameliorate their products. Consumers’ health and safety is threatened by counterfeit products. Because of counterfeiting jobs are lost every year and States collect fewer revenues’.¹⁷⁹

¹⁷⁷ *ibid.*

¹⁷⁸ IACC, ‘The Negative Consequences of International IP Theft: Economic Harm, Threats to the Public Health and Safety, and Links to Organized Crime and Terrorist Organisations’ (White Paper 2005)

<[http://www.iccwbo.org/uploadedFiles/BASCAP/Pages/IACC.WhitePaper\[1\].pdf](http://www.iccwbo.org/uploadedFiles/BASCAP/Pages/IACC.WhitePaper[1].pdf)> accessed 27 October 2016.

¹⁷⁹ *ibid.*

According to the OECD, counterfeiting causes job losses across many sectors effected by this illicit trade. According to a report issues by the United Nations Interregional Crime and Justice Research Institute (UNICRI)¹⁸⁰, more than 100,000 jobs are lost every year in the EU and in comparison, about 600,000 in the GCC on account of counterfeiting activities. At the national level, about 30,000 jobs were lost in the UAE, and 70,000 in Qatar in 2016¹⁸¹. There are no estimated figures for the other GCC States to date.

2.7 Conclusion

This chapter examined the concept and scale of trademark counterfeiting in the EU and the GCC. It noted that a ‘counterfeit trademark good’ may generally be held under the TRIPS Agreement and EU law to include any goods, including packaging, that bear without authorisation a trademark which is identical to a trademark that has been validly registered in regard to such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringe the exclusive rights of the owner of the trademark in question under the law of the country of importation. Nonetheless, this broad specification does not achieve the WTO’s attempt to create a coherent body of law to govern the protection and enforcement of IP rights. It raises questions about what is meant by ‘identical’ and ‘distinguished’ amongst others. Thus, the enforcement courts of the signatory states seem to maintain complete sovereignty over the enforcement process and will determine what constitutes ‘identical’, ‘distinguished’, and ‘confusion’, and consequently whether a trademark has been infringed. The courts of the member states of the GCC retain even more power and face greater uncertainty, because there is no clear-cut definition under the GCC Trademark Law, given that this law does not provide a single enforcement system and no attempt has been made to harmonise and replace the national laws of the member states. Thus, in both the EU and the GCC, the expectations of the signatory states under the principle of international comity and good faith are still very high. This may also be attributed to the fact that there are no punitive sanctions at the regional level. The judicial authorities may order the person found to have

¹⁸⁰ UNICRI, ‘Counterfeiting: A Global Spread, A Global Threat’ (UNICRI 2007) <<http://counterfeiting.unicri.it/report2008.php>> accessed 31 August 2016

¹⁸¹ *ibid*

infringed an IP right to pay damages in reparation of the total (reasonable and proportional) loss incurred by the right holder.

It was also shown that the number of cases has reduced, as well as the total number of articles seized in both regions. Nonetheless, the sale of counterfeit goods remains a lucrative source of income for criminals and is deemed to be a serious threat to the economies of the countries that have developed a system for protecting IP rights. It is a threat to these economies because it comprises illicit activities undertaken by criminal networks and organised crime that undermine innovation, which is the main driver of economic growth via the exploitation and implementation of ideas for new processes and solutions to developmental problems. In addition, the counterfeit articles are often substandard or dangerous, posing serious health and safety risks to consumers. Hence, only the criminals gain financially. Economic rents are equally transferred to the latter, who use a large portion of these funds to sustain further illegal activities, and the environment, consumers, and workers are worse off.

Chapter 3 – The Role of Shariah Law in the Protection of Trademark Rights in the Gulf Cooperation Council

3.1 Introduction

As discussed broadly in the introduction chapter, *Shariah* law does not cover intellectual property rights as such, providing detailed and precise rules. But much of its sources contain principles to help draw a connection between the protection of intellectual property rights and *Shariah* law. Earlier discussion highlighted the progression of *Shariah* principles over time, and presently very few Muslim scholars advocate against IP rights. This chapter aims to go beyond the analysis provided earlier by examining the practical application of *Shariah* law in the Gulf States. This is because although legislation is secular in those states, ‘the sources of reference and the consciences of its interpreters are innately religious.’¹⁸²

In meeting their obligation towards various international agreements, this chapter will provide context and a rationale for the Gulf States’ progress in this area by critically discussing religious and socioeconomic factors that have played an important role in the region. This could provide recommendations on how the West approaches the Gulf States’ to support stronger intellectual property protection in the future. As chapter three will discuss, the GCC had to shift towards creating codified laws designed to address IP issues. This shift is seen as a move away from a concept whereby trademark protection rights exist in order to facilitate the unbridled expansion and profit of Western multinational companies to a concept that takes into account the public good—or *Maslaha*. Mohammad¹⁸³, among other scholars, highlighted the disposition of capitalist markets to gross inequalities, and emphasised the significance of striking a balanced approach that would take both of the issues above into consideration.

Although the concept of IP protection existed informally in the Arab world long before Islam, Gana argued that Western intellectual property protection, though created with the intention of being universal, does not tend to take into account the different religious, socioeconomic, and cultural factors of the region¹⁸⁴. It is in this context that one needs to assess the extent to which *Shariah* law weaves its influence across the GCC States. This could explain the slow progress

¹⁸² S Rayner, *The Theory Of Contracts In Islamic Law* (Graham & Trotman 1991).

¹⁸³ Noor Mohammed, ‘Principles of Islamic Contract Law’ (1988) 6 *Journal of Law and Religion* 115.

¹⁸⁴ Ruth L. Gana, ‘The Myth Of Development, The Progress Of Rights: Human Rights To Intellectual Property And Development’ (1996) 18 *Law & Policy* 315.

the Gulf States are undertaking in the development of their intellectual property laws despite their readiness to do so.

3.2 IP Protection and Islamic Jurisprudence

In the Arab world, preserving public order and morality is a significant aspect of *Shariah*. In order to fit *Shariah* into the TRIPS framework, an understanding of Islamic Jurisprudence in the area of IP is necessary. In the case of the Gulf States, the development of IP law protection illustrates the contradiction that exists between the *Shariah* and codified laws. The concept of IP and its protection and acceptability in *Shariah* law is an ongoing discussion among contemporary Muslim scholars.¹⁸⁵ The nature of IP as an intangible object is a recent concept not expressly mentioned in either the *Qur'an*, the *Sunnah*, or early Islamic jurisprudence. Therefore, its acceptability must be inferred from the general principles laid down by the *Shariah*.

3.2.1 The Holy *Qur'an*

The *Qur'an* levels strong moral injunctions against the accumulation and hoarding of excessive personal wealth, though the right to acquire, possess, and exchange goods abundantly and for profit is recognised. It is therefore part of the business of the state to protect personal property, whilst recognising the ultimate ownership of all things by God. Massive generation of profits through the use of brands and trademarks may be regarded as disproportionate or even as gambling amounting to the production of profit without work.¹⁸⁶ In light of the above, while trademark protection is not *prima facie* outside the scope of protection of *Shariah* law, there nonetheless exists a certain tension arising from the existence of a fine line between what is perceived as a social need and what is perceived as disproportionate private profit-making. Needless to say, the incorporation of the TRIPS and TRIPS-Plus agreements within the GCC domestic orders does not come close to *Shariah's* perception of protectable assets. This becomes all the more evident once the imposed global IP harmonisation in the interests of global hegemonic powers is taken into account. Perhaps what is needed is a radical shift in the mentality that conceives trademark protection as a private economic right. As far as this is possible within the framework of TRIPS-compliant laws, the GCC states need to emphasize the

¹⁸⁵ Mufti Usmani, 'Copyright According to Shariah' (Al-Balagh Webzine) <<http://www.islamic-finance.net/research/tagi4.html>> accessed 24 February 2015.

¹⁸⁶ Noor Mohammed, 'Principles of Islamic Contract Law' (1988) 6 Journal of Law and Religion 115

importance of regarding trademark protection as beneficial to society as a whole, rather than profiteering by multinational companies and businesses.

In most Muslim countries, the individual's right to property is considered to be sacred.¹⁸⁷ In fact, it has been noted that Ibn Taimiya considered the protection of property as the state's foremost duty.¹⁸⁸ This may be attributed to the fact that expropriation is deemed to be a transgression or violation of the principles of *Shariah* and may only be justified by a court judgement against the debtor.¹⁸⁹ In this light, the *Qur'an* states the following:

And do not consume one another's wealth unjustly or send it to the rulers in order that they [might help] you to consume a portion of the wealth of the people in sin, while to you it is unlawful.¹⁹⁰

Equally, the Holy Prophet stated the following during his farewell pilgrimage:

No property of a Muslim is lawful to his brother except what he gives him from the goodness of his heart, so do not wrong yourselves.¹⁹¹

Moreover, the *Fatwa*, considered by some scholars to be the most respected Sunni authority, noted in 1988 that the Muslim owner is free to dispose of his property in the manner he wishes, and no other person may copy, use, or appropriate such property, whether for compensation or not, without the owner's prior consent.¹⁹²

However, it is uncertain whether IP may be deemed to be property as defined and protected under *Shariah* law. Reference may be made to diverse principles of the *Shariah* that proscribe the infringement of property rights, as shown in the following statement in the *Qur'an*:

¹⁸⁷ BH Malkawi, 'The Feasibility of Alternative Dispute Resolution to Resolve Intellectual Property Disputes in Jordan' (2013) 8 *Journal of Intellectual Property Law & Practice* 146.

¹⁸⁸ Richard Vaughan, 'Defining Terms in the Intellectual Property Protection Debate: Are the North and South Arguing Past Each Other When We Say Property—A Lockean, Confucian, and Islamic Comparison' (1996) 2 *LSA J. Int'l & Comp. L* 307

¹⁸⁹ BH Malkawi, 'The Feasibility of Alternative Dispute Resolution to Resolve Intellectual Property Disputes in Jordan' (2013) 8 *Journal of Intellectual Property Law & Practice* 146

¹⁹⁰ The Holy Quran, Verse 2: Surat L-Baqarah (The Cow) (Corpus.quran.com) <<http://corpus.quran.com/translation.jsp?chapter=2&verse=188>> accessed 28 February 2015.

¹⁹¹ Abu Hamid al-Ghazali, TJ Winter and T Mayer, *Letter to a Disciple* (Islamic Texts Society 1997).

¹⁹² Bashar Malkawi, 'The Alliance Between Islamic Law and Intellectual Property: Structure and Practice' (2013) 10 *University of St. Thomas Law Journal* 618.

And do not eat up your property among yourselves for vanities, nor use it as bait for the judges, with intent that ye may eat up wrongfully and knowingly a little of other people's property.¹⁹³

Reference may also be made to the abovementioned command by the Holy Prophet during his farewell pilgrimage that a Muslim's property may only be lawfully used by another person when the former willingly grants the latter permission to do so. The *Fatwa* Committee of Al-Azhar specifically noted that 'copying others' writings and presenting them as one's own thoughts is a kind of plagiarism that is unlawful both in the *Shariah* and man-made laws'.¹⁹⁴ Therefore, it may be contended that IP is deemed to be a type of property under *Shariah* law, and IP rights are protected and enforced like other property rights.

The *Fiqh* (Islamic jurisprudence) provides that harm should be remedied.¹⁹⁵ Thus, harm caused by violating a person's IP rights must be sanctioned. Generally, the sanction that may be imposed must be in the list of *Hadd* (limited) punishments and *Tazir* (discretionary) punishments provided for in the *Qur'an* and the *Sunnah* of the Holy Prophet. It must simply be proved that the accused is sane, an adult, and was not compelled to commit theft.¹⁹⁶ However, the *Qur'an* also provides that the hands of the thief should be cut off, and it is uncertain whether the same punishment may be meted out to a person who violates another's IP rights.¹⁹⁷ The stolen property must be in the accused's custody.¹⁹⁸ Moreover, in order for the punishment to be imposed, there must be a specific provision in the *Qur'an* or *Sunnah* authorising such an imposition of this punishment for the theft in question.¹⁹⁹ Given that there are no provisions authorising the punishment of IP theft, Davies argues that the violation of IP rights should fall

¹⁹³ The Holy Quran, Verse 2: Surat L-Baqarah (The Cow) (Corpus.quran.com) <<http://corpus.quran.com/translation.jsp?chapter=2&verse=188>> accessed 28 February 2015.

¹⁹⁴ The Islamic Workplace, 'Islam Forbids the Violation of Copyrights and Laws Regarding Intellectual Property' (2008) <<http://theislamicworkplace.com/2008/09/03/islam-for-bids-the-violation-copyright-laws-and-laws-regarding-intellectual-property>> accessed 28 February 2015.

¹⁹⁵ B Malkawi, 'The Alliance Between Islamic Law and Intellectual Property: Structure And Practice' (2013) 10 University of St. Thomas Law Journal 618.

¹⁹⁶ MA Naser and WH Muhaisen, 'Sharia: Intellectual Theft or Intellectual Infringement?' (2009) 4 Journal of International Commercial Law and Technology 71.

¹⁹⁷ The Holy Quran, Verse 5: sūrat l-māidah (Corpus.quran.com) <[http://corpus.quran.com/wordbyword.jsp?chapter=5&verse=38#\(5:38:1\)](http://corpus.quran.com/wordbyword.jsp?chapter=5&verse=38#(5:38:1))> accessed 28 February 2015.

¹⁹⁸ MA Naser and WH Muhaisen, 'Sharia: Intellectual Theft or Intellectual Infringement?' (2009) 4 Journal of International Commercial Law and Technology 71.

¹⁹⁹ B Malkawi, 'The Alliance Between Islamic Law and Intellectual Property: Structure and Practice' (2013) 10 University of St. Thomas Law Journal 618.

under *Tazir* and be punished with fines and imprisonment, where appropriate.²⁰⁰ This follows from the *Hadith*—essentially, a firm is prohibited from inflicting damages or grief to others while engaging in economic and business activities.²⁰¹

If the violation of IP rights constitutes a harm that must be remedied, whether under *Hadd* or *Tazir*, the important question is how to determine the appropriate remedy. It has been argued that compensation should be paid only where the holder of the IP rights has suffered damages as a result of the breach or where the party in breach has gained profit from the infringement.²⁰²

Since there is no provision for the punishment of a violation of IP rights in the *Qur'an* or *Sunnah*, it may be contended that this would depend on the interpretation of the relevant passages of the *Qur'an*, such as verse 2:188 that proscribes the unjust or sinful consumption of another's wealth. The interpretation would usually guide legislation or the decisions of *Fatwa* Committees or other duly designated authority. This implies that the protection and enforcement of IP rights largely depends on the state. In this light, the next section briefly discusses the perspective of Muslim scholars.

3.2.2 Perspectives of Muslim Scholars

The views of scholars and Islamic jurists differ on the issue of the application of these principles in new situations; hence, it follows that there are differences of opinion in relation to the ownership and protection of IP.

Some scholars reject the concept of IP on the basis that the concept of ownership in the *Shariah* is confined to tangible objects only.²⁰³ They argue that there is no precedent in the *Qur'an*, the *Sunnah*, or the views of early Muslim jurists for an intangible object, such as knowledge, to be subject to private ownership or to sale and purchase. Furthermore, they contend that since it originates from or owes its origin to God, knowledge is the common heritage of all mankind.²⁰⁴

²⁰⁰ Davies C, 'Protection of Intellectual Property—A Myth—A Consideration of Current Criminal Protection and Law Commission Proposals' (2004) 68 *Journal of Criminal Law* 398.

²⁰¹ Abu Umar Faruq Ahmad and others, 'Shari'Ah Maxims and Their Implications on Modern Financial Transactions' (2010) 6 *Journal of Islamic Economics, Banking and Finance (JIEBF)* 75.

²⁰² Sina Ali Muscati, 'Late Payment in Islamic Finance' (2006) 6 *UCLA J Islamic & Near EL* 47.

²⁰³ *ibid* 99.

²⁰⁴ Ida Abdul Ghani Azmi, 'Basis for the Recognition of Intellectual Property in the Light of the Shariah' (1996) 27 *International Review of Intellectual Property and Competition Law* 664.

Therefore, it cannot become the exclusive property of one individual nor be prevented from being acquired by others. Accordingly, a concept of IP which leads to monopoly over knowledge by an individual could not be acceptable in Islam.²⁰⁵

Yet other scholars argue that IP and its exclusive ownership are acceptable, as there is no express provision in the *Qur'an* or in the *Sunnah* that restricts the rights of ownership to tangible objects only.²⁰⁶ IP protection does not necessarily hinder the acquisition of knowledge, since IP law does not prevent an individual from accessing or utilising knowledge and enjoying some form of protection as offered by that law. On the other hand, the law may prohibit a third party from gaining commercial advantage from the work without the permission of the individual who, through intellectual labour, has produced the work and is therefore most entitled to enjoy the commercial benefits that derive from it.

Jamar is of the view that although the *Shariah* does not specifically address IP matters, it certainly does not prevent the enactment or enforcement of intellectual property laws.²⁰⁷ Since IP protection is neither prohibited nor mandated, its legal protection is fully consonant with the *Shariah*. In any Islamic state, every citizen enters into an express agreement to abide by its laws to the extent that they do not compel compliance with anything that is not permissible in the *Shariah*.²⁰⁸ Accordingly, if the state promulgates a law in favour of IP protection without violating a provision of the *Qur'an* and the *Sunnah*, then that law is binding for all its citizens and must be respected. In this sense, IP law is no different from criminal or commercial law in its relationship to the *Shariah*.

Other supporters of this line of reasoning further argue that ownership of IP is justified on the basis of economic gain through labour. The creation of IP through the efforts of mental labour brings with it an entitlement to its exclusive exploitation. As is the case with movable and immovable property, any creative idea of a person expressed in written, technical, or graphical terms should be respected in Islam.²⁰⁹ While it may be intangible, IP may still be considered to

²⁰⁵ Mufti Usmani, 'Copyright According to Shariah' (Al-Balagh Webzine) <<http://www.islamic-finance.net/research/tagi4.html>> accessed 24 February 2015.

²⁰⁶ SH Amin, *Law of Intellectual & Industrial Property in Developing Countries* (Scottish Institute of International and Comparative Law 1993).

²⁰⁷ Steven Jamar, 'The Protection of Intellectual Property under Islamic Law' (1992) 21 *Capital University Law Review* 1090.

²⁰⁸ Mufti Usmani, 'Copyright According to Shariah' (Al-Balagh Webzine) <<http://www.islamic-finance.net/research/tagi4.html>> accessed 24 February 2015.

²⁰⁹ SH Amin, *Law of Intellectual & Industrial Property in Developing Countries* (Scottish Institute of International and Comparative Law 1993).

have a value quantifiable in a market context, and therefore can be traded, transferred, and transacted.²¹⁰ This is further accepted by writings of Muslim jurists who deal with the prohibition of unjust enrichment and the discouragement of certain types of commercial transactions, such as those involving misrepresentation, fraud, and trickery.²¹¹

Khoury states that some commentators have gone so far as to contend that Islamic law comprises ‘enough inconsistencies to make predictability in certain matters a serious concern’.²¹² The disagreements arising thus are best explained in the following:

‘The very nature of Islamic law as a jurist’s law and differences of opinion even within individual schools means that it is not possible to provide firm answers to many of the questions that arise. As usual in the *Shariah*, which proceeds by way of example rather than principle, it is only possible to evaluate the general risks involved through isolation and investigation of the particular issues arising in connection with the legal issue.’²¹³

It’s been argued that *Shairah* fails to keep abreast of the needs of increasingly complex economies and commercial practices, and that this failure constitutes a criticism against the functionality of the *Shariah* as a viable IP regime.²¹⁴ Therefore, the Arab world has moved away from *Shariah* law towards contemporary Western-derived law where commercial laws are concerned. Indeed, one commentator suggests that the bulk of commercial law in the Middle East reads as a direct transportation of European law, while the case law is perceived as a direct translation of Western terminology.²¹⁵ This trend is also quite apparent with respect to IP laws generally. The *Shariah* may provide basic principles and rules that promote the protection of IP; however, in view of the lack of comprehensive certainty and agreement, the states appear to opt for a direct adoption of Western legal norms and standards of protection.

According to Khoury, those who may argue that there is a gulf between the *Shariah* concepts and practice in Islam ignore the fact that the *Shariah* includes clear norms and teachings

²¹⁰ Ida Abdul Ghani Azmi, ‘Basis for the Recognition of Intellectual Property in the Light of the Shariah’ (1996) 27 International Review of Intellectual Property and Competition Law 664.

²¹¹ SH Amin, Law of Intellectual & Industrial Property in Developing Countries (Scottish Institute of International and Comparative Law 1993).

²¹² Amir Khoury, ‘Ancient and Islamic Sources of Intellectual Property Protection in the Middle East’ (2003) 43 IDEA 151

²¹³ WM Ballantyne, ‘The Constitutions of the Gulf States: A Comparative Study’ (1986) 1 Arab Law Quarterly, 121–2.

²¹⁴ Amir Khoury, ‘Ancient and Islamic Sources of Intellectual Property Protection in the Middle East’ (2003) 43 IDEA 151.

²¹⁵ SH Amin, Law of Intellectual & Industrial Property in Developing Countries (Scottish Institute of International and Comparative Law 1993).

concerning fair trade and the rejection of unfair competition.²¹⁶ Furthermore, while *Shariah* law is an ancient law which does not provide clear-cut answers to modern legal issues, such as those surrounding IP, the answers to these modern questions may still be formulated by religious scholars through reasoning based on the underlying Islamic principles. The *Shariah* is not the only legal system not to have a binding precedent system; the civil law system does not have one, and therefore this shouldn't become a hurdle to the development of consistent and fair rules relating to IP protection. Finally, where conflict does arise, it is not in respect of inner conflicts between the principles within Islamic law but, rather, a balance between principles and conflicting interests.²¹⁷

The *Shariah* may not directly address the issues relating to IP rights, but the principles provided therein clearly indicate that the *Shariah* does not stand neutral on the question of IP protection. The Islamic legal and general principles of equity, prohibition of unjust enrichment, and of misleading and dishonest representation can still be applied, particularly in respect of passing-off and trademark infringement. Where the secular law of the West and the *Shariah* are philosophically opposed on this point is that the secular law is concerned with the rights of the IP right holder and is designed to protect their exploitative interests. The *Shariah*, however, is concerned with obligations, and it aims at condemning dishonesty by the deceiver and protecting the consumer.²¹⁸

IP law is not the only area of law where the Gulf States need to promulgate civil or secular laws. Indeed, the *Qur'an* is silent or at least vague on a wide range of commercial issues, including modern commercial transactions, financing arrangements, and limited liability commercial entities, such as corporations. While the *Qur'an* addresses the subjects of poverty, conventional commercial transactions, honest dealings, testimony, and association, it does not provide systematic rules; rather, it exhorts the believer with words of wisdom, admonition, and guidance amounting to mandatory injunctions.

²¹⁶ Amir Khoury, 'Ancient and Islamic Sources of Intellectual Property Protection in the Middle East' (2003) 43 IDEA 151.

²¹⁷ *ibid.*

²¹⁸ SH Amin, *Law of Intellectual & Industrial Property in Developing Countries* (Scottish Institute of International and Comparative Law 1993); Ida Abdul Ghani Azmi, 'Basis for the Recognition of Intellectual Property in the Light of the Shariah' (1996) 27 *International Review of Intellectual Property and Competition Law* 664.

3.3 IP Protection in the Gulf States: The Shariah Framework

According to Ballantyne, the *Shariah* weaves its influence throughout the constitutions of the Gulf States. However, the extent of its influence varies in significance from state to state.²¹⁹ Whilst it is significant and primary in all states, it is not always paramount. In this regard, the states can be categorised into three groups:

- Bahrain, Kuwait, and the UAE are based largely on a Western style constitution.
- Qatar and Oman's constitutions consist of a mixture of quasi-Western and traditional styles.
- Saudi Arabia bases its constitution solely on *Shariah* law.²²⁰

The constitutions of Bahrain, Kuwait, and the UAE are based on a model drawing from the French, US, and Egyptian constitutions. Having received its constitution a decade before Bahrain and the UAE, Kuwait formed a useful model and precedent. Moreover, its constitution remained unchanged since its introduction more than 40 years ago, while Bahrain and the UAE have since introduced new constitutions and significant changes in recent times. Finally, in the case of Saudi Arabia, the country enacted a 'Basic Law', which is distinct from others' constitutions, recognising formally the higher status of the *Shariah* within the state.²²¹

The constitutions of the Gulf States share common elements, such as the fact that the state is a sovereign independent and Islamic state with a hereditary constitutional monarchy.²²² Furthermore, Islam is the religion of the state and Arabic is the official language.²²³ Each member state places a certain degree of primacy on *Shariah* law within its constitution. For example, Bahrain, Kuwait, and the UAE provide that the *Shariah* is a main source of law; however, Saudi Arabia declares that the *Qur'an* and the *Sunnah* of the Prophet are the sole sources of the law and the constitution of the state, therefore making the *Shariah* the only source of law.²²⁴

²¹⁹ WM Ballantyne, 'The Constitutions of the Gulf States: A Comparative Study' (1986) 1 Arab Law Quarterly 121–2.

²²⁰ Price, The Development of Intellectual Property Regimes in the Arabian Gulf States.

²²¹ *ibid.*

²²² S Jamar, 'The Protection of Intellectual Property Under Islamic Law' (1992) 21 Capital University Law Review 1079.

²²³ *ibid.*

²²⁴ *ibid.*

In all the GCC states, the supreme executive, legislative, and judicial authority is vested in the central government and, ultimately, the ruler and his family; although, in the case of the UAE, the authority is divided between the federal government and the seven constituent Emirates.²²⁵ The states generally separate the executive and legislative branches of government, although the latter does not necessarily enjoy autonomy and independence. The following section deals with the *Shariah* and its influence on the judicature in more detail to provide a more thorough account of the nature of the *Shariah* and its influence in the jurisdictions of the Gulf States.

3.4 The *Shariah* and the Gulf States' Judicial Systems

The constitutions of the Gulf States generally dictate that the courts are independent and that judges shall not be subject to any authority or interference. As mentioned in the previous section, while the principles of the *Shariah* are still the primary basis for all laws, most states have secular courts to deal with civil, criminal, and commercial cases for which codified laws have been established or to which the *Shariah* cannot always be applied.

The Bahraini legal system is a mixture of the English common law model and the *Sunni* and *Shia Shariah* traditions, with influences from the British India system. The judicature in Bahrain is divided into the civil courts and the *Shariah* courts with *Sunni* and *Shia* (Jafari) jurisdictions. The civil courts are empowered to settle all commercial, civil, and criminal cases and all matters related to the personal status of non-Muslims. Therefore, the *Shariah* court system is limited to the personal status cases of Muslims.²²⁶ The Kuwaiti and Qatari legal systems are based on a diverse number of sources. The commercial and criminal laws are derived from Ottoman and several modern Arab sources, notably Egyptian, and also reflect elements of the French legal code and the English common law. However, unlike in Kuwait, Qatar has maintained a *Shariah* court system which has full jurisdiction in all civil and criminal disputes over nationals and Muslims from other countries.²²⁷

²²⁵ Price, The Development of Intellectual Property Regimes in the Arabian Gulf States.

²²⁶ Nicholas Angell, 'An Overview of Legal Structures in the GCC Countries' (2002) 3 Legal 500 Research Paper <http://www.legal500.com/devs/emirates/cc/uacc_010.htm> accessed 24 February 2015.

²²⁷ *ibid.*

The Saudi judicial system retains the traditional form of the *Shariah* courts, with courts of first instance, courts of appeal, and the high *Shariah* court. Within this *Shariah* system, the Board of Grievances exists to act as a civil court with jurisdiction over commercial matters which fall within the terms of reference of codified laws.²²⁸ On the other hand, the Omani legal system is based primarily on the *Shariah* traditions of the *Ibadi* school²²⁹. Oman was the last of the GCC states to overhaul its judicial system, with major changes in 1999 bringing the judiciary into line with the dictates of the Basic Law. A ternary court system replaces the earlier separate *Shariah*, commercial courts, and criminal courts. The *Shariah* courts had jurisdiction over all criminal and civil matters, but presently its jurisdiction is limited to personal cases involving Muslims in both parties, and then as a court of first instance. Appeals against decisions of the *Shariah* court are made to the general courts of appeal.²³⁰

The UAE is considered unusual for the Arab world because of its federated structure. The federal constitution permits each Emirate to have its own legislative body and judicial authority, thereby allowing the existence of both federal and local courts. Alongside this structure exists another division between secular and *Shariah* judiciaries, giving the UAE a fairly complex judicial system. The UAE is essentially a civil law jurisdiction that is heavily influenced by the Egyptian legal system which, in turn, had its source in French and Roman law. It has also been influenced by Islamic law codified in the *Shariah* and embodied in the UAE civil, criminal, and commercial codes.²³¹

In general terms, the result is essentially a dual legal system in which a civil law orientation exists in parallel with the *Shariah*. In practice, the *Shariah* courts the body of *Shariah* law are becoming increasingly restricted to personal status matters of Muslims, such as family matters, divorce, inheritance, succession, property and charitable donations, some limited torts, and a few criminal matters.²³²

²²⁸ Howard Stovall, 'Table of Intellectual Property Laws in Arab Countries' (2000) 15 Arab Law Quarterly [add page nos].

²²⁹ A sect of Islam that emerged in the 7th century and is Oman's official religion today. See Valerie J Hoffman, *The Essentials Of Ibadi Islam* (Syracuse University Press, 2012).

²³⁰ Nicholas Angell, 'An Overview of Legal Structures in the GCC Countries' (2002) 3 Legal 500 Research Paper <http://www.legal500.com/devs/emirates/cc/uacc_010.htm> accessed 24 February 2015.

²³¹ Peter W Hansen, *Intellectual Property Law and Practice of the United Arab Emirates* (Oxford University Press 2009).

²³² Price, *The Development Of Intellectual Property Regimes In The Arabian Gulf States*.

While Ballantyne sees *Shariah* as a ‘golden thread running through the legal and judicial systems of the Gulf and Arab world beyond’²³³, he suggests that the key characteristic of the *Shariah*’s position within these systems of the Gulf is one of uncertainty.²³⁴ Although the secularisation and codification of the laws within each state continues, with the exception of Saudi Arabia, the *Shariah* may still intervene to a lesser or greater degree in most jurisdictions.

²³³ WM Ballantyne, ‘The Constitutions of the Gulf States: A Comparative Study’ (1986) 1 Arab Law Quarterly 121–2.

²³⁴ *ibid.*

3.5 Conclusion

The *Shariah* need not hinder the protection of IP laws of foreign origin with any great conflict. The conflict may arise when the application of Western-based law conflicts with the principles of the *Shariah*. For example, while all states exclude from patentability inventions which are in violation of public order or morals, the GCC patent regulation extends that provision to exclude inventions which conflict with or violate the principles of the *Shariah*.²³⁵ The Saudi patent law includes a similar provision, but narrows it by confining the exclusion to inventions whose commercial exploitation (instead of the invention itself) violates the *Shariah*.²³⁶ Therefore, the GCC and Saudi positions appear to be at odds with the Western liberal philosophy established by the US Supreme Court generalisation that ‘anything under the sun can be patentable’.²³⁷

Even more subtle, yet of much greater application, is the *Shariah*’s position on the consumption of alcohol by Muslims, which is prohibited. This is manifested in most Gulf States in the prohibition of the registration of trademarks and geographical indications relating to wines, spirits, and other alcoholic beverages. While the domestic IP laws are generally silent on this matter, the universal practice is that such types of trademarks and geographical indications are not protectable.

It is worth noting that one cannot assume that the support for the preservation of *Shariah* law in commercial context is not being continually eroded. The recent decision of the Saudi Board of Grievances to rule against a longstanding *Shariah* prohibition on the registration of trademarks depicting pictures or drawings of living animals, despite strident opposition from traditionalists, illustrates how that erosion continues on a number of fronts.²³⁸ In arriving at its decision, the Board ruled that the principles on which the original prohibition was based were disputable and more importantly, in this context, that the prohibition was against the public policy of Saudi Arabia and the interests of consumers and the owners of the genuine trademarks. It could be argued that the Board ruling reinforces the argument that the *Shariah* is irrelevant in the modern context when it confronts the commercial/legal imperative. Jamar reflects on this progression by stating the following:

²³⁵ GCC, Unified Patent Regulation 2000, art. 2.

²³⁶ Saudi Arabia, Royal Decree No. M/27 of 1425 AH (2004), art. 4.

²³⁷ See *Diamond v Chakrabarty* (1980) 447 US 303.

²³⁸ Board of Grievances Decision No. 9/1424 of 23 August 2003. Reported in Abu-Setta & Co, Legal Attorneys Saudi Arabia, ‘Letter to Clients’, September 2003, available at <<http://www.abu-setta.com>> accessed 24 February 2015.

‘Regardless of whether Islamic law moves in the direction of modern reformist theoreticians or toward more fundamentalist traditionalists, there is no compelling reason to anticipate dramatic enhancement or reduction in the protections of intellectual property based solely on the desire to make them fit within the shari’a. Other political concerns may result in sweeping changes or a particular zealot’s view of the proper interpretation of the Quran and the shari’a could result in dramatic changes, but such changes are not compelled by either traditional or modern understanding of the shari’a.’²³⁹

In this regard, the underlying principles might appear to be not all that dissimilar to the rationales of IP protection as interpreted in modern Western legal systems. Although the *Shariah* is considered a major source of law across the GCC states, the increasing codification of the law in respect of commercial aspects has acted to reduce its former primacy and will most likely continue to do so in the future. As commercial law continues to develop along Western lines, the position and influence of the *Shariah* will continue to be eroded and the customary laws and remnants of the common law systems will become extinguished.²⁴⁰

In this context, it is imperative to look at the development of intellectual property regimes in the states themselves, The next chapter will explore the legislative framework available in the GCC states and critically examine the reasons for effective protection and enforcement in the fight against counterfeiting. It will also assess the types of enforcement mechanisms available at the international and national levels and whether they are adequate and effective in dealing with this phenomenon.

²³⁹ S Jamar, ‘The Protection Of Intellectual Property Under Islamic Law’ (1992) 21 Capital University Law Review 1079.

²⁴⁰ WM Ballantyne, Commercial Law in the Arab Middle East (Lloyd’s of London Press 1986).

Chapter 4: The Legislative Framework for Trademark Rights in the GCC

4.1 Introduction

In line with the transformations of the global political landscape, the nature and rationale of regionalism, understood in functional terms, have evolved. The emergence of regionalism in the early post World War II era was initially accompanied by the idea that regional integration would foster sovereignty and autonomy. This was especially so in the developing world, where regionalism was seen as a step towards ‘collective economic and political self-reliance’.²⁴¹ It was thus conceived as an instrument directed towards shielding national interests and independence from hegemonic powers and alliances.²⁴² This mode of thinking was behind the institution of the Arab League after the end of World War II, concurrent with the Arab post-independence era. Given the continuing dominance of colonialism in many Asian countries at the time of the League’s formation, the latter’s focus on national independence rather than on economic integration is easily justifiable.²⁴³ Regionalism was thus introduced, at least in its embryonic form, as a tool bound up with security and sovereignty concerns.

The rationale behind the institution of the GCC in 1981 can, to a large extent, be explained in reference to the above understanding of regionalism. The period in question was marked by the demise of regional agreements of the type of the Arab League and the emergence of sub-regional entities. The GCC falls within the latter category. Yet, despite their differences in terms of form, sub-regional entities remained committed to the same ends as their precursors. Thus, although it was founded towards the end of the Cold War, when the political landscape was already different from the early post-war era, the GCC’s objectives were equally security-oriented,²⁴⁴ hence the description of the GCC as a response to the threats posed by Iraq and Iran in the wider region.²⁴⁵ Still, sub-regional agreements, even if they are initially limited to security

²⁴¹ A Acharya, ‘Regionalism and the Emerging World Order: Sovereignty, Autonomy, Identity’ in S Breslin, CW Hughes, N Phillips, and B Rosamond (eds), *New Regionalism in the Global Political Economy* (Routledge 2002) 21.

²⁴² *ibid.*

²⁴³ LH Miller, ‘The Prospect for Order through Regional Security’ in RA Falk and SH Mendlovitz (eds) *Regional Politics and World Order* (WH Freeman 1973) 58, as cited in A Acharya, s 2.

²⁴⁴ A Acharya, ‘Regionalism and Regime Security in the Third World: Comparing the Origins of the ASEAN and the GCC’ in BL Job (ed) *The (In)security Dilemma: National Security of Third World States* (Lynne Rienner 1991) 143–64.

²⁴⁵ G Escribano, ‘Euro-Mediterranean versus Arab Integration: Are They Compatible?’ Paper presented at the International Conference on Arab Development Challenges of the New Millennium held in Rabat, 26–28 June 2000, organised by The Arab Planning Institute (API), Kuwait and the University of Mohammed V.

and the management of conflict within the broader neighbouring area, or perhaps especially when they are directed towards such a goal, are bound to result in the elimination of trade barriers and the deepening of economic integration. In any event, the declared objectives of the GCC at the time of its formation were predominantly economic. The formulation of ‘similar regulations in various fields including [...] economic and financial affairs, commerce, customs and communications, education and culture’ was among the GCC’s major concerns.²⁴⁶ Indeed, the GCC was initially formed as a common trade union in 1981, it initiated a common market in 2008, and currently also aims at establishing a common currency. In practical terms, however, a shift from conflict management towards economic integration did occur. Indeed, this shift, so typical of many regional agreements, characterises the GCC.²⁴⁷

One could argue in rather broad terms that the change occurred after the end of the Cold War era. At the risk of being overly simplistic, one could describe the shift in the nature and objectives of regionalism as contemporaneous with the emergence of economic globalisation.²⁴⁸ In addition to the above, one should not forget the various characteristics particular to the Arab region that would inevitably further influence both the nature and objectives of the GCC. The recent Arab Spring may have left the countries of the Arab Gulf relatively unaffected compared to other Arab countries. Still, the major political significance of the events could not but have a bearing on the GCC, which has dealt with problems ‘based on the fundamental principles of internal stability, security, and a positive relationship with major world powers’.²⁴⁹

With the above objectives and general socio-political context constituting the background of the Gulf region in general and of the GCC in particular, the present chapter provides an analysis of the GCC member states’ accession to the TRIPS Agreement as well as the legal and cultural issues arising therefrom. The above description reveals that there is a certain tension between

²⁴⁶ K Al Sayed, *GCC and Arab Spring* (Dar Al Sharq Printing Press 2013).

²⁴⁷ See, however, S Fawzy, ‘The Economics and Politics of Arab Economic Integration’ in A Galal and B Hoekman (eds), *Arab Economic Integration: Between Hope and Reality* (Brookings Institution Press 2003) 15, who claims that the original objectives of regional entities such as the Arab Gulf were not security-oriented but, rather, aimed at achieving economic integration. The reason why they failed was because ‘Arab politicians focused more on political and military cooperation and did not pay enough attention to economics, considering business and commerce to be effects, not causes, of political action’. According to Fawzy, the GCC emerged as an alternative to previous unsuccessful attempts at economic integration.

²⁴⁸ Concurring with Susan Strange’s view that “‘globalisation’ [is] a term which can refer to anything from the Internet to a hamburger [and that all] too often, it is a polite euphemism for the continuing Americanisation of consumer tastes and cultural practices’, the term is here used mainly to signify increased global interdependence and economic cooperation, albeit without disregarding that the phenomenon of global interdependence, in fact, occurred long before the end of the Cold War era. See S Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (CUP 1996) xiii; see also B Fischer, ‘Globalisation and the Competitiveness of Regional Blocs’ (1998) 33(4) *Intereconomics* 164.

²⁴⁹ MA Ramady, ‘Political, Economic and Financial Country Risk: Analysis of the Gulf Cooperation Council’ (Springer 2014) 4.

regional circumstances and interests on the one hand and global priorities on the other. To what extent are they compatible? The main question that emerges as a result of the above is whether the GCC states' accession to TRIPS should be captured in terms of regional ends and ambitions or in terms of global interests. The sections that follow seek to throw some light on this normative question.

4.2 Historical Development of Trademark Protection in the GCC

In the early 1970s, there were few provisions in place for the protection of IP rights, especially ones concerning the protection of trademarks.²⁵⁰ This is because the Gulf States were still in the process of establishing their IP laws, let alone establishing specific ones concerning trademarks.²⁵¹

Although Saudi Arabia introduced trademark protection in 1939, making it the first in the region, Kuwait was setting the regional benchmark in respect of protection standards, especially with the introduction of its patent and industrial design statute, which also gave some measures of trademark protection.²⁵² By the mid-1970s, both Kuwait and Bahrain had already introduced and upgraded their trademark laws, which were mainly based on UK trademark laws, while Qatar was in the process of introducing its own trademark laws.²⁵³ Oman and the UAE were the only two states with no specific IP legislation and little else by way of civil and commercial codes.²⁵⁴

Nonetheless, trademarks were the only form of IP that was considered most familiar to the states, especially the business communities in the Gulf region. For practical and legal reasons, foreign merchants often had to appoint a local commercial agent in order to do business in an Arab state²⁵⁵; therefore, the agent enjoyed a local monopoly to import and distribute the foreign merchants' goods or services, and trademarks provided the means by which those goods and services were identified. Furthermore, trademark protection was actively pursued by the local

²⁵⁰ M Maguire and D Maguire, 'Unified GCC Trade Mark Law', Clyde & Co. <<http://www.clydeco.com/knowledge/articles/unified-gcc-trade-mark-law.cfm>> accessed 18 July 2015.

²⁵¹ *ibid.*

²⁵² *ibid.*

²⁵³ *ibid.*

²⁵⁴ *ibid.*

²⁵⁵ *ibid.*; Price, *The Development of Intellectual Property Regimes in the Arabian Gulf States.*

agent, as it was considered to be an essential requirement in the protection of one's own trading territory.²⁵⁶ Local authorities, such as ministries of commerce, helped to give effect to the local monopoly concept. These authorities were mainly constituted by 'well-connected' families that used their position and capacity in order to give effect to the protection of trademarks.²⁵⁷

Trademark infringement cases at the time were considered rare occurrences; however, what is interesting to note is that when such infringement cases did appear, they focused on the protection of commercial rights and the elimination of the threat to monopoly rather than the recognition and protection of trademarks.²⁵⁸ For example, the Dettol case in Saudi Arabia was not filed under the trademark laws in place but under the laws of commercial transactions.²⁵⁹ Such is the fate of all cases of a similar nature. A thorough critical discussion of case law presented in the courts of some of the Gulf States is provided in section 4.7.4 below.

Kuwait was the first state to become a signatory to the General Agreement on Tariffs and Trade (GATT) shortly after independence, and it remained the sole signatory in the Gulf until Bahrain, Qatar, and the UAE also became signatories 30 years later.²⁶⁰ Despite Qatar and the UAE joining WIPO in the 1970s, none of the Gulf States was a signatory to any of the international treaties and conventions administered by WIPO at the time, specifically the Berne, Paris, and Rome Conventions.²⁶¹ Furthermore, they did not make use of the model laws devised by WIPO for developing countries—namely, those covering unfair competition and trade names.²⁶²

Saudi Arabia was the first country in the Gulf to introduce any provisions related to the protection of trademarks in 1939. Its trademark decree provided for local trademark registration and protection for a period of 10 years, with provision for renewal.²⁶³ It also provided for criminal and civil liability and the ordering of measures for sanctions which were considered

²⁵⁶ A Khoury, 'The Effects of Trademark Regimes: A Case Study of Arab Countries' [2005] *Journal of Law and Commerce* 26.

²⁵⁷ *ibid.*

²⁵⁸ *ibid.*

²⁵⁹ Saba & Co. Attorneys, 'Trademark Case Law' <<http://www.sabaip.com/bulletinwww.sabaip.com>> accessed 13 July 2015.

²⁶⁰ B Malkawi, 'Anatomy of the Case of Arab Countries and the WTO' (2006) 20, 2 *Arab Law Quarterly* 110.

²⁶¹ *ibid.*

²⁶² R Ali and L Haddad, 'WTO Membership and Compliance in the Middle East Countries: Extensive Efforts Still Needed' *Middle East Executive Reports* 12, (1999); C Correa, 'The WTO Dispute Settlement Mechanism: Trips Rulings and the Developing Countries' (2001) 4 *Journal of World Intellectual Property* 251.

²⁶³ A Khoury, 'The Effects of Trademark Regimes: A Case Study of Arab Countries' (2005) 26 *Journal of Law and Commerce* 11

substantial for the region at the time. Interestingly the decree did not address any other forms of IP.²⁶⁴

Bahrain was still a protected state as part of the British Persian Gulf and Trucial States' interests; therefore, most of its trademark laws were based on UK trademark laws.²⁶⁵ The country had issued a 1955 omnibus patents, industrial design, and trademarks statute that was believed to provide limited trademark protection.²⁶⁶ The statute reflected the UK trademark laws and subsequently allowed local registration of trademarks which were already protected by way of registration in the UK and extended to them the same level of protection enjoyed locally in the UK.²⁶⁷ Furthermore, it allowed the registration of trademarks of local origin for which protection was only granted in Bahrain, Kuwait, Qatar, Oman, and the UAE.²⁶⁸

Although Kuwaiti trademark laws were similar to those of Bahrain, as both states were protected states as part of the British Persian Gulf and Trucial States' interests, Kuwait did not translate and reissue the British statute as a Kuwaiti local statute.²⁶⁹ Kuwait saw itself moving towards independence and was well advanced in preparing a constitution of a post-independence nature, and so it decided against bringing colonial-era regulation into effect.²⁷⁰ Although the kind of protection that its trademark laws offered is unclear, it did incorporate protection provisions within its new commercial code which, at the time and by regional standards, was considered advanced and progressive.²⁷¹

Qatar ratified its first law on trademark protection late in the 1970s. The law regulated the protection of trade and service marks, group marks, commercial indications, and indications of source and origin, but it did not go as far as including industrial designs.²⁷² Unlike Bahrain and Kuwait, its laws were derived from the League of Arab States²⁷³ model law on trademarks, trade

²⁶⁴ *ibid.*

²⁶⁵ *ibid.*

²⁶⁶ *ibid.*

²⁶⁷ *ibid.*

²⁶⁸ *ibid.*

²⁶⁹ *ibid.*

²⁷⁰ *ibid.*

²⁷¹ *ibid.*

²⁷² *ibid.*

²⁷³ The Gulf States were members of the League of Arab States referred to in section 4.1.

names, commercial indications, and unfair competition, and were influenced by sections of the Kuwaiti commercial code.²⁷⁴

Omani and UAE businesses, local authorities, and courts have considered their states to be free markets in which any licensed business can import goods without any form of regulatory control, such as restrictions on the sale of counterfeit merchandise.²⁷⁵ Therefore, both states lacked any statutory form of trademark protection which resulted in trademark owners having no statutory means available to protect their interest against infringement.²⁷⁶

4.3 The Development of IP Protection in the GCC

The most rational method of providing a record of the evolution of IP protection laws within the member states of the GCC is by referring to their accession to the WTO and the need for compliance with TRIPS.²⁷⁷ This is so mainly for two reasons: a general reason pertaining to the harmonisation objective of TRIPS and a more specific reason pertaining to the special legal characteristics of the area. At one level, TRIPS seeks to establish minimum levels of IP protection within each WTO member state. This aspiration needs to be placed within the context of the aim for international uniformity of IP rules pursued by the TRIPS Agreement. The need to comply with the standards set by TRIPS has marked an unprecedented breakthrough for IP protection within the GCC states. This breakthrough was brought about by the obligation of the latter to transform their IP protection regimes in ways that would comply with Western standards.²⁷⁸ At another level, it has to be pointed out that the degree of IP protection prior to TRIPS was extremely limited in the Gulf States. However, the deficiencies of the local legal regimes in the field of IP protection are not inexplicable. First, the area was based on an agrarian economy, thus rendering the protection of IP rights largely unnecessary.²⁷⁹ Second, IP rights were not explicitly foreseen by Shariah law and, accordingly, IP protection prior to TRIPS was

²⁷⁴ A Khoury, 'The Effects of Trademark Regimes: A Case Study of Arab Countries' (2005) 26 *Journal of Law and Commerce* 11.

²⁷⁵ *ibid.*

²⁷⁶ *ibid.*

²⁷⁷ TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 Apr. 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

²⁷⁸ D Price, 'Politics, Piracy and Punishment: Copyright Protection in the Arabian Gulf' (2011) 14(3/4) *The Journal of World Intellectual Property* 276; A Khoury, 'The Effects of Trademark Regimes: A Case Study of Arab Countries' (2006–07) 26 *Journal of Law and Commerce* 11; N Shehzad, 'Developing Intellectual Property Regimes in the Gulf: Utilising Intellectual Property for Positive Economic Growth' (2012) 2(6) *Journal of Social Sciences* 231.

²⁷⁹ A Khoury, 'The Effects of Trademark Regimes: A Case Study of Arab Countries' (2006–07) 26 *Journal of Law and Commerce* 16.

practically non-existent.²⁸⁰ Therefore, the importance of TRIPS in transforming the relevant legal regime cannot be overstated.²⁸¹ This subsection will describe the evolution of IP protection in general, and of trademark protection in particular, in the states of the GCC, by reference to the pre- and post-TRIPS eras. It must be noted at the outset that even the limited protection accorded to IP rights at the stages that predated TRIPS was, by and large, due to the intervention of foreign actors. Suffice it to say for now that this foreign intervention has, to a great extent, shaped the levels of suitability of the IP protection laws with the special needs and characteristics of the area, and has concomitantly affected the levels of compliance and the effectiveness of the enforcement.

The period predating the introduction of TRIPS was characterised by a scarcity of special IP laws in the Gulf States, even though IP rights were protected to some extent through the general framework set out by the social and moral commands of the divine sources of Islamic law—namely, the *Qur'an* and the *Sunnah*.²⁸² However, while copyright protection was in effect non-existent, patents and trademarks did enjoy some specialised protection even before TRIPS came into effect in 1995. This pre-TRIPS era was marked by two extra characteristics concerning IP protection. On the one hand, the existing laws at this stage were already strongly influenced by Western models of protection. As a commentator puts it, the laws of Bahrain and Kuwait were ‘directly subordinate’ to the corresponding laws of Western states.²⁸³ On the other hand, the protection targeted mainly foreign traders and consumers, instead of the local IP right holder.²⁸⁴

The TRIPS era brought about ground-breaking changes to the above regime. TRIPS is one of the five agreements to which all WTO member states are bound, and it establishes a uniformly applicable framework of IP rights protection. Especially concerning the protection of trademarks, TRIPS is directed towards countering trade in counterfeit goods through the establishment and enforcement of minimum standards of protection as well as through the introduction of dispute settlement bodies.²⁸⁵

²⁸⁰ *ibid.*

²⁸¹ See e.g. WIPO (ed), *Introduction to Intellectual Property: Theory and Practice* (Kluwer Law International 1997).

²⁸² D Price, ‘The GCC Intellectual Property Regimes: Global Harmonization or Regional Integration?’ in MA Ramady (ed) ‘The GCC Economies: Stepping up to Future Challenges’ (Springer 2012) 132.

²⁸³ *Ibid*; A Khoury, ‘The Effects of Trademark Regimes: A Case Study of Arab Countries’ (2006–07) 26 *Journal of Law and Commerce* 11.

²⁸⁴ *ibid.*

²⁸⁵ AH Khoury, ‘The Development of Modern Trademark Legislation and Protection in Arab Countries and the Middle East’ (2002) 16 *Transnational Lawyer* 249.

The second stage in the evolution of IP protection in the GCC area is characterised by a major legal reform on the part of the Gulf States in order to comply with the standards set by TRIPS. At the outset, the process of reform was not uniform throughout the region. Thus, for example, the states for which the pre-TRIPS stage had provided very limited levels of protection, such as Oman, would establish a full-fledged framework of protection, as opposed to Bahrain and Kuwait, which largely adhered to their pre-TRIPS laws.²⁸⁶ At the same time, the need to render the relevant legislative frameworks TRIPS-compliant did not come without resistance. Already at the stage of the GATT IP negotiations in 1989, during the drafting of the TRIPS agenda, a group of 77 developing states (G77), including many of the Gulf States (Oman, Qatar, Bahrain, the UAE), criticised developed states for using IP protection in an effort to promote their own competitive interests as well as the interests of their Transnational Corporations (TNCs).²⁸⁷ Despite this, the Gulf States showed a considerable willingness to comply with TRIPS standards of protection.²⁸⁸ The current legal framework is, thus, indicative of a major shift towards the establishment of high levels of protection in line with the international obligations of the GCC countries.

As if the need to render the IP legal regime compliant with TRIPS was not already a major step for the GCC states to take, they are now confronting a further stage of legal reform, mainly characterised by the bilateral strategies of the US and other trading powers. The literature proposes no fixed definition of what the TRIPS-Plus system represents. Generally, however, the TRIPS-Plus agreements can be described as bilateral agreements which put forward obligations for IP protection that exceed the minimum standards laid down in TRIPS.²⁸⁹ Thus, the TRIPS-Plus phase is characterised mainly by bilateral free trade agreements (FTAs) between developing and developed states (notably the United States and the EU) which seek to remove

²⁸⁶ F Nesheiwat, 'The Compliance with Intellectual Property Laws and their Enforcement in Jordan – A post-WTO Review & Analysis' (thesis, Durham University 2012) 106, available at Durham E-Theses Online: <http://etheses.dur.ac.uk/3639/>.

²⁸⁷ C Deree-Birkbeck, 'Developing Countries in the Global IP System Before TRIPS: The Political Context for the TRIPS Negotiations' in CM Correa (ed), *Research Handbook on the Protection of Intellectual Property under WTO Rules: Intellectual Property in the WTO Volume I* (Edward Elgar 2010) 42; see also Khoury, 'The Development of Modern Trademark Legislation and Protection in Arab Countries and the Middle East' (2002) 16 *Transnational Lawyer* 249, on arguments and counterarguments about the propriety of enhanced trademark protection in developing countries; John H Jackson, William J Davey and AO Sykes, *Legal Problems Of International Economic Relations* (West Pub Co 1995).

²⁸⁸ D Price, 'The GCC Intellectual Property Regimes: Global Harmonization or Regional Integration?' in MA Ramady (ed) 'The GCC Economies: Stepping up to Future Challenges' (Springer 2012) 133.

²⁸⁹ F Nesheiwat, 'The Compliance with Intellectual Property Laws and their Enforcement in Jordan – A post-WTO Review & Analysis' (thesis, Durham University 2012) 106, available at Durham E-Theses Online: <http://etheses.dur.ac.uk/3639/>; D Price, 'The GCC Intellectual Property Regimes: Global Harmonization or Regional Integration?' in MA Ramady (ed) 'The GCC Economies: Stepping up to Future Challenges' (Springer 2012).

the flexibility and derogation options foreseen by TRIPS.²⁹⁰ Given that the latter are laid down in order to give individual states the opportunity to adapt the obligations arising from TRIPS to their national needs and objectives, FTAs arguably establish much higher and stricter standards than the TRIPS Agreement does, while removing almost any space for discretion on the part of developing countries.²⁹¹ Therefore, it is not surprising that this new phase has also transformed the public perception of TRIPS. Contrary to the early stages, when TRIPS was seen as serving the objectives of developed countries, it is now appreciated for the flexibility it offers, notably in sensitive public domains, such as public health and human rights.²⁹² However, the TRIPS-Plus agreements not only diminish a state's ability to adapt the rules for IP protection to its special needs and characteristics; they can also affect neighbouring countries, thus demonstrating the economic and political significance of FTAs. This is so, as one FTA can set a minimum barrier for future trade negotiations within a whole region.²⁹³ This is of particular relevance to the GCC, which, in the past, has urged Bahrain to denounce its FTA with the US, as this would informally impose minimum standards for future negotiations throughout the region.²⁹⁴

Thus, the implementation of FTAs by the US in the case of Oman and Bahrain have required stronger and broader standards of intellectual property protection and 'eliminated much of the legal permitted flexibility under TRIPS.'²⁹⁵ Already, the region had to proceed from the pre-TRIPS phase to the phase of TRIPS compliance in a very limited time. The TRIPS-Plus standards, thus, exacerbated an already intrusive and forced integration.²⁹⁶ The speed of the developments in conjunction with the foreign imposition thereof was naturally reflected in the implementation and execution of the newly established legal regimes. This is particularly obvious with regard to enforcement. As the next section will show, while the GCC states have managed to render their IP legal regimes compliant with TRIPS, there are significant shortcomings in the field of enforcement.

²⁹⁰ *ibid.*

²⁹¹ P Drahos 'Expanding Intellectual Property Empire: The Role of FTAs' (Grain Online 2003), available at http://www.grain.org/system/old/rights_files/drahos-fta-2003-en.pdf; M El Said, *The Development of Intellectual Property Protection in the Arab World* (Edwin Mellen Press 2008) 215.

²⁹² HG Ruse-Khan, 'The International Law Relation Between TRIPS and Subsequent TRIPS-Plus Free Trade Agreements: Towards Safeguarding TRIPS Flexibilities?' (2011) 18(2) *Journal of Intellectual Property Law* 1.

²⁹³ P Samuelson, 'Intellectual Property Arbitrage: How Foreign Rules Can Affect Domestic Protections' in KE Maskus and JH Reichman (eds), *International Public Goods and Transfer of Technology Under a Globalized Intellectual Property Regime* (Cambridge University Press 2005) 636.

²⁹⁴ D Price, 'The GCC Intellectual Property Regimes: Global Harmonization or Regional Integration?' in MA Ramady (ed) 'The GCC Economies: Stepping up to Future Challenges' (Springer 2012).

²⁹⁵ Susan K Sell, 'TRIPS Was Never Enough: Vertical Forum Shifting, FTAs, ACTA, And TPP' (2010) 18 *Journal of Intellectual Property Law* 447.

²⁹⁶ *ibid* 449.

4.4 The Application of TRIPS in the GCC States

TRIPS has been criticised for interfering with domestic legislation and for involving issues that the member states of the WTO might want to reserve for themselves. Related to the above observation is that the introduction of TRIPS was from the very beginning viewed more as the success of multinational companies in their effort to achieve minimum standards of IP protection at the international level than as an international agreement between equal and sovereign states. Thus, it should come as no surprise that many developing countries treated TRIPS with suspicion. The arguments against the introduction of TRIPS in developing countries ranged from concerns that the Agreement would eventually benefit corporate monopolies and developed countries to increasing unease that the minimum protection standards set by TRIPS would impede development in those countries.²⁹⁷ Without denying the importance of IP rights, economist Joseph Stiglitz points to the importance of balancing the interests of producers with those of users, but also with researchers in developing countries.²⁹⁸ This balance, according to Stiglitz, is not struck correctly in TRIPS, thus confirming the nature of the WTO as ‘the most obvious symbol of the global inequities and the hypocrisy of the advanced industrial countries’.²⁹⁹

To be sure, the accession of developing countries to TRIPS is not inexplicable. The above-described turn in the philosophy of developing countries in general, and of the GCC countries in particular, towards market orientation and economic openness easily accounts for the latter’s accession to the Agreement.³⁰⁰ However, aside from this general and almost universal turn in economic and political philosophy, there are also particular developments that took—and continue to take—place within the very system of the TRIPS negotiations. These developments can perhaps account for the accession of developing countries in a more comprehensive way. The so-called method of framing is, for example, strongly indicative of how the power of ideology incorporated into language managed to persuade policy-makers in developing countries not merely to adopt particular measures but, in some cases, to even go beyond the minimum protection provided by TRIPS.³⁰¹ Framing was used by developed countries,

²⁹⁷ C Deere, *The Implementation Game: The TRIPS Agreement and the Global Politics of Intellectual Property Reform in Developing Countries* (OUP 2009) 1.

²⁹⁸ JE Stiglitz, *Globalization and its Discontents* (W W Norton and Company 2002) 245.

²⁹⁹ *ibid* 244.

³⁰⁰ The general economic and political reasons for this turn are beyond the scope of this analysis. For a comprehensive account see S K Sell, ‘Intellectual Property Protection and Antitrust in the Developing World: Crisis, Coercion, and Choice’ (1995) 49(2) *International Organization* 315.

³⁰¹ For an analysis of language as an ideological mechanism, see, among others, Marxist philosopher L Althusser, ‘Ideology and Ideological State Apparatuses’ in *Lenin and Philosophy, and Other Essays* (Ben Brewster tr, New Left Books 1971) 127.

technocrats, and corporations as a tool to create a dominant language in debates, to assign preferred meanings to particular terms and, in the final analysis, to use a ‘soft’ method of persuasion in order to approach developing countries by manipulating the perceptions about the costs and benefits of IP reforms and TRIPS implementation.³⁰² What is more, framing was used as a tool to promote particular understandings of how the advance of IP protection was tantamount to ‘appropriate’ behaviour in the global economy.³⁰³

Still, trying to apply a one-size-fits-all approach to developing countries would be somewhat naïve. In any case, the GCC countries have particularly characteristics that would not allow for an equation with other developing regions, such as Sub-Saharan Africa or, for that matter, any other region. What is needed instead is a case-by-case analysis, which will also be able to account for the fact that some economies implemented TRIPS effectively while others are still short of complying with their international obligations. The above-mentioned language of modernisation and good governance, the promotion of a perceived ‘common good’, in effect equating the needs of developing countries with the benefits of developed ones³⁰⁴ and the idea that TRIPS-compliant IP protection amounts to increased security and to joining the global economy, was not chosen randomly. Rather, it was chosen to penetrate developing countries and match their perceived needs. Seen in this light, it is very unsurprising that this language strongly resembles the GCC countries’ declared fundamental principles of stability, security, and the building of relationships with leading global powers.³⁰⁵

Besides, the last objective of building relationships with global powers could in and of itself answer for the almost non-negotiable acceptance of TRIPS as an all-or-nothing package by the

³⁰² C Deere, *The Implementation Game: The TRIPS Agreement and the Global Politics of Intellectual Property Reform in Developing Countries* (OUP 2009) 12.

³⁰³ *ibid* 169.

³⁰⁴ DP Harris, ‘TRIPS’ Rebound: An Historical Analysis of How the TRIPS Agreement Can Ricochet back against the United States’ (2004) 25(1) *Northwestern Journal of International Law & Business* 99. Harris claims that ‘[the] developed countries can be equated with private interests and the developing countries with public interests. Of course, this is a broad generalization. But, without question, the developed countries are the major intellectual property exporting countries, and, in this sense, can be seen as private patent owners. The developing countries, lacking meaningful exportable intellectual property products, can be seen as public consumers. Many commentators have recognized the need for an international scheme to take into account countries’ different levels of economic development. Reichman, for example, states that “the norms of international economic law represent a delicate balance between the interests of states at different stages of development, and the absorption of intellectual property will have to accommodate these norms and that balance.... Premature efforts to accelerate the process of harmonization without due regard to these differences and to the social costs of overcoming them could boomerang against those countries pressing for rapid change and could even widen the initial differences in the end”’. JH Reichman, ‘The TRIPs Component of the GATT’s Uruguay Round: Competitive Prospects for Intellectual Property Owners in an Integrated World Market’ (2003) 4 *Fordham Intellectual Property Media & Entertainment Law Journal* 171, 255.

³⁰⁵ C Correa, ‘The WTO Dispute Settlement Mechanism: Trips Rulings and the Developing Countries’ (2001) 4 *Journal of World Intellectual Property* 251.

GCC countries. Participation in the international community and in the global trade community seems to come with a price for developing countries. On the one hand, the TRIPS Agreement and its agenda constitute a condition for membership in the WTO and the interests that it represents. On the other hand, the GCC countries' participation as full members in the international community more often than not necessitates surrendering to the pressures of hegemonic powers, notably the United States and to a lesser extent the EU.³⁰⁶

4.5 Current Legislative Background of Trademark Laws

Trademarks laws in the Gulf are considered to be the longest-standing IP protection despite facing scrutiny from both regional and international sources, and being subject to review processes. Therefore, all GCC states have upgraded and/or replaced their early trademarks laws since the introduction of TRIPS. Most of these enhancements have taken place since the expiration in 2000 of the TRIPS-permitted transitional period for developing countries, thereby bringing the states generally into compliance with the TRIPS requirements.³⁰⁷

Oman replaced its original 1996 law in 2000 as part of its accession to the WTO and has since incorporated trademark protection into a single comprehensive law encompassing all areas of industrial property.³⁰⁸ Qatar and Saudi Arabia replaced their original laws in 2001 and 2002. Kuwait and the UAE were content to retain their laws, but introduced a range of amendments in 2001 and 2002.³⁰⁹

Bahrain introduced a new law in 2006 to replace what had been the longest standing, and therefore the most conservative, trademark law of 1991 in the region. This 1991 law had been created by the exclusion of the trademark provisions from the original pre-independence omnibus regulation of 1955, as amended in 1977 into a new and specific trademark law.³¹⁰ As a result, the law still contains some minor elements from the 1955 and 1977 amendments. The

³⁰⁶ Price, 'The GCC Intellectual Property Regimes: Global Harmonization or Regional Integration?' in MA Ramady (ed) *The GCC Economies: Stepping up to Future Challenges* (Springer 2012) 136.

³⁰⁷ Price, *The Development of Intellectual Property Regimes in the Arabian Gulf States*.

³⁰⁸ Oman, Royal Decree No. 67/2008, the Law on Industrial Property Rights, Title II, Part 1.

³⁰⁹ Price, 'The GCC Intellectual Property Regimes: Global Harmonization or Regional Integration?' in MA Ramady (ed) *The GCC Economies: Stepping up to Future Challenges* (Springer 2012) 136; Peter W Hansen, *Intellectual Property Law And Practice Of The United Arab Emirates* (Oxford University Press 2009).

³¹⁰ Bahrain, Legislative Decree No. 11 of 2006, art. 2.

new law has provided an opportunity to address a number of inconsistencies and contradictions that arose from the past incomplete restructuring of the original 1955 legislation.³¹¹

Kuwait is considered a regional leader owing to the codification of its commercial law in the 1960s, but has since trailed behind the other Gulf States in the status of all its IP laws, including trademark law. It still incorporates its trademark protection into a dedicated chapter of its commercial code enacted in 1961. The trademark provisions of the commercial code have been amended a number of times, the most recent being in 2001.³¹² However, no changes were made to the nature of infringements or increases introduced to the level of penalties that existed in the original law. This has caused Kuwait to attract critical attention from within the WTO, and from the United States in particular, through its Special 301 reports for the inadequacy, laxity, and non-deterrent character of its trademark protection.³¹³

4.5.1 The GCC Trademark Law: Function and Scope of Operation

It has been a long-standing project for the six GCC States to harmonise their intellectual property laws and in the context of trademarks, a draft unified GCC trademark law was originally published in 2006 despite it not proceeding to the implementation stage. However, in 2013, a more revised version of the draft was published in the GCC Official Gazette which led to the GCC States making steps towards bringing the law into force³¹⁴.

The implementation process of legislation on a GCC-wide basis is similar to that of the European Union's concept of Directives. In the case of the GCC Trademark Law, the Supreme Council of the GCC³¹⁵ issued a resolution in December 2015 requiring all Member States to implement the law into their respective national laws within a six-month period. This is also set out in Article 52 of the GCC Trademark Law itself. As discussed earlier in chapter two, section 2.3.4, the issue with the GCC Trademark law is that it has thus far only been ratified by Saudi

³¹¹ SH Amin, *Law of Intellectual & Industrial Property in Developing Countries* (Scottish Institute of International and Comparative Law 1993); Price, *The Development of Intellectual Property Regimes in the Arabian Gulf States*.

³¹² *ibid.*

³¹³ The United States Trade Representative (USTR), 'Kuwait Elevated to Special 301 "Priority Watch List"' (Ustr.gov 2014) <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2014/November/Kuwait-Elevated-to-Special-301-Priority-Watch-List>> accessed 28 February 2015.

³¹⁴ Translated copy of the GCC Trademark law is available in Appendix 2

³¹⁵ The highest decision-making body of the GCC.

Arabia, Kuwait, Oman, and Bahrain³¹⁶. The regulation will be effective only when all the remaining two GCC Member States ratifies the law.³¹⁷ The GCC Trademark Law primarily introduces changes in four key areas not dealt with before: Customs' measures, provisional measures, remedies, and penalties for infringement.

4.5.1.1 Customs' Measures

Generally, the provisions of the GCC Trademark law supplement the GCC Unified Customs Law³¹⁸ which lacks express provisions on procedures for intellectual property infringements. Interestingly, Article 38 of the Trademark law which deals with goods in transit and is related to the notification and withholding procedures of goods suspected of infringing intellectual property rights is largely inspired by the EU Council Regulation 608/2013.

The changes introduced by Article 38 of the Law allows right owners to request the suspension of suspect shipment with Customs, including goods in transit. The right holder is entitled to lodge an application with the customs authorities of each GCC Member States. The customs authorities may at their own initiative or upon the application of the right holder, suspend the release of the goods imported, exported, or in transit as soon as they enter the customs territory. However, customs may release the goods if the right holder fails to inform them of the beginning of civil or criminal proceedings within ten days from the withholding of the goods.

Prior to Article 38, customs had no authority to seize counterfeit goods without a court order which often resulted in goods being returned to the port of origin. The law allows courts to order the destruction of any infringing goods at the expense of the importer. Currently the seizure of goods in transit are not practiced by customs officials in Bahrain and Kuwait. Furthermore, it is not authorised in the UAE and Qatar where the GCC Trademark law has not yet been implemented.

³¹⁶ Delnaud V and Fayek M, 'Enforcement Of IP Rights In The GCC: 2016 Highlights' (Gowling WLG, 2017)

<<https://gowlingwlg.com/en/global/insights-resources/enforcement-of-ip-rights-in-the-gcc-2016-highlights>> accessed 27 August 2017

³¹⁷ Since the Gulf crisis between Saudi, Bahrain, and the UAE on one side and Qatar on the other, the future of the GCC has been uncertain.

Despite this, it is unlikely to have a negative effect on the implementation of the GCC Trademark law. This is because the law is a unifying, not a unitary law in that it sets out a single set of provisions which will apply uniformly across all GCC States. Furthermore, the scope of application for the Trademark law is purely domestic. Qatar was already in the process of implementing the law prior to the diplomatic crisis in June 2017. On one hand, the GCC has the authority to interpret the law and propose amendments. However, Qatar can amend these GCC-related provisions if it chooses so in light of the current political climate. The undergoing crisis makes it impossible to predict at this stage and it remains to be seen the steps the GCC will be making towards the implementation of the GCC Trademark law.

³¹⁸ Translated copy of the GCC Unified Customs Law is available in Appendix 3.

4.5.1.2 Provisional Measures

Before the GCC Trademark Law, the local laws in each GCC country provides for precautionary measures in the form of attachment orders, allowing the seizure of the goods identified in a court order. However, such measures did not stop the infringement or prevent the infringement from taking place. Article 40 of the Trademark Law allows right holders to obtain an order from the court on an *ex parte* basis for a precautionary injunction to stop and/or prevent the infringement³¹⁹.

4.5.1.3 Remedies

The GCC Trademark Law provides for new remedies that were not available in most of the local laws in each GCC State. Article 41 gives power to courts in civil claims to award damages to the right holder to compensate for the direct injury suffered as a result of the infringement³²⁰.

A further example is courts may order an injunction against the infringer to stop the acts of infringement, including exporting or allowing imported infringing goods to enter trade channels. Prior to the new Trademark law, the courts were able to grant orders to stop, but most local laws in the GCC did not expressly provide for injunctions as part of the remedies that can be sought by claimants³²¹.

4.5.1.4 Penalties for Infringement

As will be discussed in chapter 5, traders of counterfeits remain undeterred as a result of low level of current penalties imposed by the GCC. Article 42 and 43 of the Trademark Law provides for a significant increase in the maximum sanctions to be applied in trademark infringement cases. Penalties include fines up to \$270,000 and imprisonment of up to five years³²².

Articles 42 and 43 extend further to include cases of a repeated offence where the penalty may not exceed double the maximum penalties and the business may be closed for up to six months. In the UAE, where the law has not been implemented yet, its law currently provides for a

³¹⁹ Delnaud V and Fayek M, 'Enforcement Of IP Rights In The GCC: 2016 Highlights' (Gowling WLG, 2017)

<<https://gowlingwlg.com/en/global/insights-resources/enforcement-of-ip-rights-in-the-gcc-2016-highlights>> accessed 27 August 2017

³²⁰ Iqbal A, Jomoa M and El-Abdeen T, 'The Gulf Cooperation Council (GCC) Trademark Law And Its Impact On Current Saudi Trademark Law And Practice' (2015) 6 Elsevier 1

³²¹ Kadasa N and Harper D, 'Trademark Litigation 2017: A Global Guide' (*World Trademark Review*, 2017) <http://www.cwblegal.com/wp-content/uploads/2017/01/STO-1279-TM-Lit-2017_Saudi-arabia.pdf> accessed 5 August 2017

³²² *ibid*

maximum imprisonment of one year and a maximum fine of \$2,275. Thus, the key issues the new Trademark law addresses is creating a harmonised and unified approach to penalties and sanctions currently in use across all GCC States³²³.

It is worth noting that all states affirm that any sign which is offensive to, or a violation of, public morals, or is contrary to public order, shall not be considered a mark and may not be registered as a trademark. The exclusion from registration applies in particular to marks owned by Israelis or Israeli companies, as part of the boycott of Israel adopted and implemented by the members of the League of Arab States as support for Palestine in the Israel–Palestine conflict.³²⁴ The earlier trademark laws of Kuwait, Oman, and Qatar specifically excluded from registration ‘marks which the boycott of Israel Office decides it is identical or similar to an Israeli mark, symbol, or emblem’.³²⁵ Interestingly, Qatar and Oman have since removed any reference to the non-registration of trademarks in the context of the boycott of Israel.³²⁶ The current Kuwaiti and Saudi trademark laws still include a similar exclusion, but the adherence seems to exist more in principle than in practice.

4.6 The GCC Enforcement Obligations

The GCC member states went on to apply the terms of the TRIPS Agreement in their domestic legal orders. The levels of compliance with the TRIPS provisions varied depending on the state. Thus, while Oman had introduced an all-encompassing series of new IP laws by 2000, other GCC members, notably Kuwait and Bahrain, held to the previous IP regime.³²⁷ Arguably, the reason for this variation was that the latter states already possessed a more developed IP regime at the pre-TRIPS stage, which they found no reason to amend extensively. That said, the current stage of IP law in the GCC can be characterised as satisfactory. Following from section 4.5 above, a glance at the IP regulatory framework of each state, at least as far as trademark protection is concerned, reveals a clear readiness on the part of the GCC member states to create

³²³ See section 5.4 for further discussion of the complexity and idiosyncrasies of penalties imposed across the GCC states.

³²⁴ The United States Trade Representative (USTR), ‘Kuwait Elevated to Special 301 “Priority Watch List”’ (Ustr.gov 2014) <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2014/November/Kuwait-Elevated-to-Special-301-Priority-Watch-List>> accessed 28 February 2015.

³²⁵ *ibid.*

³²⁶ The United States Trade Representative, ‘The Arab League (Boycott of Israel)’ (2003) <https://ustr.gov/archive/assets/Document_Library/Reports_Publications/2003/2003_NTE_Report/asset_upload_file580_6177.pdf> accessed 28 February 2013.

³²⁷ *ibid.* 133.

TRIPS-compliant legislation. Naturally, this is not to say that deficiencies do not continue to exist. However, they are limited to mere details of the recent legislative initiatives. Thus, all in all, the GCC states have incorporated TRIPS in their domestic legal orders, but this formal compliance, however important, only represents a small portion of the full picture. The application of TRIPS in the GCC involves many more controversial issues which mainly revolve around the application of bilateral TRIPS-Plus agreements and the way in which they have disarranged the interregional balance.

The first and rather straightforward repercussion of the TRIPS-Plus agreements in regionally integrated areas generally, and in the GCC in particular, is that they will inevitably result in disturbing the prospects of political and economic cooperation within the region. Any GCC state that goes on to enter into a bilateral agreement, be it with the United States or the EU, will necessarily force the remaining GCC countries to conform to its actions in order to be competitive. This, in turn, means that the GCC states, whether they are members of a bilateral TRIPS-Plus agreement or not, will have to further liberalise and open their IP regimes.³²⁸ The pressure exerted from the GCC on Bahrain to renounce its 2004 Free Trade Agreement with the United States is indicative of the above state of affairs.³²⁹ A year later, Oman entered into a similar bilateral agreement with the US, thus putting further pressure on the remaining GCC states to follow suit.³³⁰ While one could argue that there is nothing wrong with applying stricter standards of IP protection than those imposed by the TRIPS Agreement, there are several considerations that need to be taken into account with respect to the GCC countries. The TRIPS Agreement, despite being an instrument of global harmonisation, provided at least some space for manoeuvre and derogations. The less developed countries had the opportunity to use this space to their advantage to integrate cultural and local interests within their IP legislation. The TRIPS-Plus agreements reverse this advantage by imposing stricter obligations and by virtually cancelling out any potential for taking local factors into account. And, to be sure, the repercussions of this development are multiplied because one single bilateral TRIPS-Plus

³²⁸ MK El Said, 'The European TRIPS-Plus Model and the Arab World: Form Cooperation to Association – A New Era in the Global IPRs Regime?' (2007) 28 *Liverpool Law Review* 143; see also J-F Morin, 'Multilateralizing TRIPS-Plus Agreements: Is the US Strategy a Failure?' (2009) 12(3) *The Journal of World Intellectual Property* 175.

³²⁹ US–Bahrain Free Trade Agreement, 2004, available at <<http://www.ustr.gov/trade-agreements/free-trade-agreements/bahrain-fta/final-text>>. Saudi Arabia invoked Article 25 of the 2001 GCC Supreme Council economic agreement, which states that '[no] Member State shall grant any non-member state any preferential privilege exceeding that granted herein'. Saudi Arabia argued that the above fundamental principle was violated by Bahrain's entry into the agreement with the US. The agreement is available at <<http://www.worldtradelaw.net/fta/agreements/gccfta.pdf>>.

³³⁰ US–Oman Free Trade Agreement, 2005, available at: <<http://www.ustr.gov/trade-agreements/free-trade-agreements/oman-fta/final-text>>.

agreement signed by a GCC country will ultimately affect the legislative framework of the whole region, while it may also distort regional unity. In fact, a strong willingness to create TRIPS-compliant legislation has already been materialised, and as already stated, virtually all countries within the GCC have adequately complied with TRIPS, while Oman and Bahrain have gone beyond their TRIPS obligations, at least with respect to their copyright laws. At the same time, regional unity has been disrupted at least to some extent. Indicative of this disruption is the 2004 GCC summit which Saudi Arabia boycotted in response to Bahrain's denial to withdraw from its bilateral agreement with the US.³³¹

Therefore, it is evident that the currently dominant trend in the GCC region allows each member state to carry out semi-autonomous actions with respect to IP law and policy. There is no overarching IP framework at the regional level, and the GCC countries seem merely to be bound by a set of abstract and general principles laid down in several regional agreements. There are certainly a number of perils inherent in this practice—notably the disturbance of consensus and solidarity within the region, exemplified by the bitter dispute between Saudi Arabia and Bahrain over the latter's agreement with the US. In the face of this situation, the GCC has done little to integrate the member states' practices of IP protection. It has managed to establish a regional patent office, while it has agreed on a set of unified patent regulations. Yet the practical significance of the above initiatives remains uncertain. The regional patent office has been subject to the criticism that it has not worked (pro-) actively in the direction of regional integration concerning IP protection within the GCC, although it has to some extent facilitated regional networking.³³² Likewise, the common regional patent regulations, which were re-negotiated and amended in 2000, seek to establish regional cooperation in the field, however, without establishing common standards of enforcement.

4.7 Challenges for Effective Enforcement

The most challenging element, as perceived by both the Gulf States and developed countries, is the regional enforcement of the States' IP, in particular trademark protection obligations,

³³¹ For the closing statement of the summit, see <<http://www.gcc-sg.org/eng/index46be.html?action=Sec-Show&ID=127>>.

³³² Price, 'The GCC Intellectual Property Regimes: Global Harmonization or Regional Integration?' in MA Ramady (ed) *The GCC Economies: Stepping up to Future Challenges* (Springer 2012), 141–2.

consistent with international standards and bilateral agreements.³³³ Having the necessary trademark provisions that are relatively TRIPS-compliant is one thing, but being able to effectively enforce them is another matter. Indeed, there is a divide between the trademark legislative regimes and their practical application.³³⁴ Enforcing actions against infringing activities in respect of trademarks, well-known marks, and counterfeit goods, judicial actions, and penalties, has yet to reach the standards required by both TRIPS and developed countries.³³⁵

The enforcement regime addressed by TRIPS is found in Part III of the Agreement, and it applies equally to all IP rights listed in Part II. The regime is based in part on the Paris and Berne Conventions, which provide references in respect of seizures and appropriate remedies.³³⁶ Furthermore, the main provisions found in Part III are minimum standards for the protection of IP, effective enforcement of those standards both domestically and at state borders, and effective dispute-resolution settlement mechanisms to ensure that the member states comply with their obligations to provide those standards for their effective enforcement.³³⁷

Therefore, it is not surprising that the Gulf States have achieved only partial success in meeting the TRIPS Part III requirement.³³⁸ Although they have generally established legislative regimes and judicial frameworks that address the Part III requirements, they have not been successful in creating and bringing into effect essential infrastructural and administrative strategies and processes.³³⁹

According to a WIPO survey conducted in 2012 on counterfeiting and piracy, the ineffectiveness of enforcement systems in the Gulf States can be attributed to various cases. First, effective legislation is not being drafted extensively, and this is partly due to the lack of human resources, funding, and practical experience in the enforcement of IP law. Second, insufficient knowledge on the part of right holders and the general public, concerning their

³³³ M Leesti (2002); A Choudry, 'Bombarded by Bilateral Trade and Investment Agreements' <http://www.bilaterals.org/IMG/pdf/bombarded_by_bilatera_92909-2.pdf> (accessed July 9 2010).

³³⁴ Y Al-Riyami, Intellectual Property Protection, Enforcement in the Gulf States and Copyright Protection in the Middle East (Franklin Pierce Law Centre 2002).

³³⁵ A Hirst, 'The Role of the Government Authorities in the Enforcement of Intellectual Property Rights', WIPO Workshop on the Enforcement of Intellectual Property Rights for Judges, WIPO Document WIPO/IPR/JU/BEY/99/5B, Beirut, December 1999.

³³⁶ C Deere, The Implementation Game: The Trips Agreement and the Global Politics of IP Reform in Developing Countries (Oxford University Press 2009).

³³⁷ *ibid.*

³³⁸ P Thorpe, 'Study on Implementation for the Trips Agreement by Developing Countries' (2002) UK Commission on Intellectual Property Rights Study Paper 7.

³³⁹ *ibid.*

rights and remedies. Third, there exists a general lack of training of enforcement officials, including the judiciary. Finally, there are systematic problems resulting from insufficient national and international coordination, including lack of transparency.³⁴⁰ However, as the next section highlights, the reasons do not rest solely with the enforcement authorities or the judiciary; local societal, cultural, and commercial attitudes contribute to the development of this enforcement dichotomy.

4.7.1 A cultural perspective

The governments of the Gulf States recognise that being part of the global trading community through its membership to the WTO and adherence to the TRIPS Agreement is crucial for their economic growth.³⁴¹ Accordingly, they also recognise that they must apply the obligations that accompany such membership at the domestic level. In contrast, there still exists across the Gulf States a lack of public awareness of the Western concept of IP rights, and what constitutes an infringement and the implications of the infringing activity.³⁴² This lack of public awareness is commonly found within the older generations and shared by local merchants, for whom the everyday use of the English language is still not widespread.³⁴³

Even when an understanding of IP rights exists, there still prevails conservatism regarding the desirability and need for compliance with international and national protections of IP obligations, which may seem irrelevant in the local *souk* (marketplace).³⁴⁴ For example, the imitation of well-known marks is considered a legitimate practice, in addition to copying and re-selling, and the right to unlimited use and disposal.³⁴⁵ Furthermore, the protection of trademarks is considered a protection of Western commercial interests that comes at the expense of industrial and economic development that would benefit the local markets and communities.³⁴⁶ It

³⁴⁰ Michael Blakeney, 'Guidebook on Enforcement of Intellectual Property Rights' (European Commission 2012) <http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc_122641.pdf> accessed 25 February 2014.

³⁴¹ R Ali and L Haddad, 'WTO Membership and Compliance in the Middle East Countries: Extensive Efforts Still Needed' (1999) Middle East Executive Reports 12, no. 1.

³⁴² MR Hassanein, 'Bilateral WTO-Plus Free Trade Agreements in the Middle East: A Case Study of OFTA in the Post-Trips Era' (2007–2008) 8(2) Wake Forest Intellectual Property Law Journal 161.

³⁴³ J Carroll, 'Intellectual Property Rights in the Middle East: A Cultural Perspective' (2001) 11(3) Fordham Intellectual Property, Media & Entertainment Law Journal 555.

³⁴⁴ *ibid.*

³⁴⁵ *ibid.*

³⁴⁶ *ibid.*

reinforces the perception that the Western countries continue their exploitation as political and commercial bullies.³⁴⁷

Western culture is often seen as unethical and corrupt; therefore, the enforcement of IP rights in relation to goods and services that are of Western origin constitutes a governmental and religious sanction for these immoral and corrupting influences.³⁴⁸ The Gulf States' protection and enforcement of IP rights on behalf of Western right holders is seen as providing the governments with powerful tools for controlling cultural content and removing the commonplace and socially acceptable distributing mechanisms that have long been in place.³⁴⁹

One of the characteristics of an Arab community is the importance of treating a local dispute as confidential. Therefore, there is a cultural dilemma for the local population in the necessity to resort to public judicial procedures to settle a dispute.³⁵⁰ The public disclosure of these disputes, particularly one concerning a family company, could attract prejudice towards the personal and professional standing of the family.³⁵¹

Finally, the punishment of the infringing party and the imposition of financial penalties or imprisonment available in legislation may stop the infringement, but do not necessarily benefit the aggrieved party.³⁵² In fact, imprisonment of a family breadwinner is seen as creating a burden for the local community.³⁵³ Therefore, where a complaint regarding an IP infringement has been raised, a common practice throughout the state is for local officials in order to reach a solution that is satisfactory to both parties, to act as a mediator between the plaintiff and infringing party.³⁵⁴

³⁴⁷ *ibid.*

³⁴⁸ *ibid.*

³⁴⁹ *ibid.*

³⁵⁰ *ibid.*

³⁵¹ Price, 'The Dynamics of Intellectual Property Protection in the Arab Gulf States' (March 2007) 3(1) *International Review of Business Research Papers* 147.

³⁵² *ibid.*

³⁵³ *ibid.*

³⁵⁴ *ibid.*

4.7.2 Regional Piracy and Enforcement Response

The challenges for the effective enforcement of IP rights throughout the region are exacerbated by the fact that counterfeiting and piracy are still widespread and lucrative businesses. There is a constant demand for access to pirated goods which are much cheaper, more easily available, and often more up to date than their legitimate equivalents. In addition, all states experience a ready supply of illegal vendors, mainly low-paid workers from the Indian subcontinent and East Asia, for whom the chance of a quick reward outweighs the risks of seizure and deportation.³⁵⁵

The nature of an end-selling operation at the grassroots level is well described in regional media reports of raids and confiscations, with pirated software, video and audio material, printed material, brand name sportswear, cigarettes, and cosmetic lines being the most common targets.³⁵⁶ Generally, the raids are targeted towards wholesalers, resellers, street and *souk* traders, and end-user businesses. The raids are conducted on a regular basis and often with prior public warning, when they are meant to serve as part of a public awareness campaign on IP rights. According to Omani and Bahraini government officials, the following strategy is commonplace with respect to raids and inspections:

- Pre-raid: businesses in certain districts are given warning of the impending raid and warned to dispose of any possible infringing product;
- First infringement: confiscation of the offending goods and a formal warning against re-offending with future inspection listed to check against any re-offending;
- Second infringement: further confiscation and fine imposed by the Ministry, including premises closed for a few days or until the fine is paid;
- Third infringement: further confiscation, fines, and longer closure of the premises;
- Fourth infringement: formal criminal prosecution is initiated with possible permanent closure of the premises.³⁵⁷

³⁵⁵ Price, *The Development of Intellectual Property Regimes in the Arabian Gulf States*.

³⁵⁶ Andy Sambidge, 'Dubai Warehouse Raids Net over 1M Counterfeit Drugs, Cosmetics' (Arabian Business 2014) <<http://www.arabianbusiness.com/dubai-warehouse-raids-net-over-1m-counterfeit-drugs-cosmetics-563852.html>> accessed 18 February 2015; Neil Halligan, 'Police Seize Fake Goods Worth \$9.2M in 15 Days' (Arabian Business 2014) <<http://www.arabianbusiness.com/police-seize-fake-goods-worth-9-2m-in-15-days-558493.html>> accessed 28 February 2015.

³⁵⁷ *ibid.*

In most cases, raids serve as both an enforcement action and as part of a public awareness and education strategy. Hence, the local press frequently forms an integral part of a police/Ministry raiding party, and the details and success are reported at length. The presence of the media is also useful for displaying to the regional watchdog bodies and to the key authorities in Western countries, such as the USTR, that the local authorities are sincere and active in their attempts to stamp out piracy and counterfeiting.

Nevertheless, there are times when raids do occur without warning, particularly when a large-scale operation, such as a major international company or the regional office of an influential industry watchdog organisation like the International Intellectual Property Alliance (IIPA), is the right holder or initiator of the formal complaint.³⁵⁸ The infringements are then likely to be referred to the public prosecutor's office for the initiation of a criminal action. However, since the court lists in most Gulf States are very full, it may be a matter of years before the case is listed and then heard.

A commonly repeated argument from government officials in the Gulf States is that counterfeiting and the associated smuggling of counterfeit goods are not conducted by locals but mainly by expatriates, notably from the Asian and Indian subcontinents, in collaboration with foreign importers often of the same ethnic origin.³⁵⁹ This subtle ethnic distinction is often highlighted in the media reports on raids. As part of the public awareness promotion of Qatar's new trademarks and copyright laws in mid-2002, the Qatari Chamber of Commerce blamed foreign merchants for the existence of imported counterfeit products circulating in Qatar and claimed that such acts as the importation of pirated goods are 'new and peculiar to the Qatari business community'.³⁶⁰ Taking into consideration that all foreign merchants are required by the state to have a local partner or commercial agent, the accusations do not stand up to scrutiny. This is due to the below media reports which clearly point to local involvement at the highest levels, and by the following reports on enforcement activity which indicate counterfeiting on a scale of such magnitude that would not seem feasible without active local involvement:

³⁵⁸ *ibid.*

³⁵⁹ The Arab News, 'Designer Product Dealers Angry at Flood of Fakes' (Arab News, 2011) <<http://www.arabnews.com/?m=10&d=1&y=2011>> accessed 28 February 2015.

³⁶⁰ The Peninsula (Qatar), 'Counterfeit Products Seized and Destroyed in Recent Campaign in Doha' (27 July 2002) 3.

- Reports of seizures by Saudi police of more than 2.6 million fake watches in Jeddah in June 2012. The watches had come by road from Dubai and had already been allocated for distribution to 37 regional retail outlets.³⁶¹
- Reports of Dubai police in January 2012 seizing more than 120 million counterfeit cigarettes, including 90 million counterfeit Marlboro cigarettes, having a reported street value of US \$7.5 million.³⁶²
- Three warehouses in Saudi Arabia were raided in January and February 2012, resulting in the seizure and confiscation of more than 1.2 million counterfeit Panadol tablets, constituting one of the largest destruction exercises of fake pharmaceuticals in the region. The tablets came in packages carrying the mark ‘Panadole’ that was nearly indistinguishable from the genuine product.³⁶³
- Saudi enforcement agencies closed down a factory that produced fake Dettol brand detergents. The raid ‘uncovered 20,000 empty bottles ready for refilling, 2,000 bottles ready for sale, 15,000 empty cartons and 40,000 counterfeit caps bearing the Dettol trademark, owned by UK firm Reckitt Benckiser’.³⁶⁴

The above reports illustrate that the counterfeiting operations which surface in the states are becoming increasingly international in character, are growing in their level of sophistication, and are occurring on a much greater scale. As some states already acknowledge, it appears that organised crime is becoming increasingly involved in the production, distribution, and marketing of counterfeit goods. As one regional response to this emerging trend, the Saudi Ministry of Commerce and Industry recently moved to establish a national investigation group responsible for large-scale counterfeiting and piracy, the role of which will include research into the nature of the organised crime activities and intelligence gathering, as well as specialised enforcement.³⁶⁵

³⁶¹ Arab News (8 June 2013) available at <<http://www.arabnews.com/?page=1§ion=0&article=46470>>, accessed 25 February 2015.

³⁶² Al-Tamimi & Co Legal Advocates (UAE), 136 Law Update 9, July 2012, available at <http://www.tamimi.com/catalog/1998_2004/pdf/issue136july2012> accessed 25 February 2015; Neil Halligan, ‘Dubai Customs Seize Fake Goods Worth \$4.7M’ (Arabian Business 2014) <<http://www.arabianbusiness.com/dubai-customs-seize-fake-goods-worth-4-7m-561672.html>> accessed 28 February 2015; Haya Farouk Al Ras, ‘Bid to Smuggle Fake Cigarettes Foiled’ (Gulfnews.com 2012) <<http://gulfnews.com/news/uae/general/bid-to-smuggle-fake-cigarettes-foiled-1.376243>> accessed 28 February 2015.

³⁶³ *ibid.*

³⁶⁴ Securingindustry.com, ‘Brief: Saudi Authorities Close Fake Dettol Factory’ (2016) <<http://www.securindustry.com/cosmetics-and-personal-care/brief-saudi-authorities-close-fake-dettol-factory/s106/a2686/#.VtLm5pOLRbU>> accessed 28 February 2016.

³⁶⁵ Reported in Saba & Co., Trademark & Patent Agents & Attorneys (Saudi Arabia), Bulletin, September 2011, available at <<http://www.sabaip.com/bulletin>> accessed 25 February 2015.

4.7.3 Administrative issues

In examining the institutional structures and framework in the Gulf States for the enforcement of trademark rights, a number of common elements can be seen despite the fact that each state has its own distinctive organisational features to best its particular needs. The common model is to have two or more ministries responsible for administration and enforcement. However, in some states, the administration and enforcement mechanism requires the involvement of agencies across six discrete government ministries. The responsibility for the administration of industrial property rights involving trademarks and patents resides within a ministry whose terms of reference may include some or all of commerce, finance, industry, and trade. Customs and border control matters relating to the movement of goods generally lie within the purview of a Ministry of Trade, while internal enforcement involving police force actions requires the authority of the Ministry of Internal Affairs or Internal Security.

Qatar and the UAE have the most straightforward and integrated organisational structure. Both states incorporate all responsibility for the implementation and administration of IP within a single Ministry. Within the Ministry, subordinate departments administer trademarks, patents, and copyright affairs. Another state moving to a similar model is Oman, which recently enacted the responsibilities of its Ministry of Commerce and Industry in the administration and enforcement of both industrial property and copyright issues. However, it is worth noting that with regard to counterfeit software and piracy, Oman's Ministry of Culture still plays a role.

Bahrain and Kuwait share very similar structures, where the responsibility for IP enforcement has evolved across ministries—namely, a commerce ministry for industrial property matters and a trade-related ministry for Customs, police, and border controls. Saudi Arabia has a four-ministry model for the administration and enforcement of IP rights and its structures are still undergoing development and change. The Saudi Commerce Ministry is responsible for implementing the trademark law and for ensuring compliance with national standards in respect of products and goods that come within the purview of trademarks and patents. A further Finance and Interior Ministry is responsible for supervising the respective Customs Authority, which is charged with implementing the Customs law. Finally, a quasi-ministry, the King Abdul Aziz City for Science and Technology (KACST), is responsible for implementing the patents

law. KACT is an independent scientific organisation that reports to the Prime Minister. Its function includes policy making on science and technology, funding external research, data collection, and patent services. Since Saudi Arabia's accession to WIPO, all matters related to patents were referred to KACST as it was considered to be the scientific body qualified for this mission³⁶⁶.

The description of the organisational infrastructures responsible for IP governance across the GCC states provides a unique and apt picture of the extent to which it is considered dynamic. This is especially in light of the fact that these systems are constantly changing and developing. It appears that the assignment of ministerial responsibilities for IP rights is shifting away from being based on traditional notions of control towards an economic rationalism and exploitation. Therefore, its structure at the operational level is still evolving. Effective enforcement seems to be hampered by a shortage in the ministries, enforcement agencies, and the judicial system for personnel with expertise in interpreting and understanding IP legislation and trained in enforcement strategies and practice. Prior to its accession to the WTO in 2000, Oman indicated that it would take a full transitional period of seven to 10 years to effectively implement the minimum standards of TRIPS, and in particular, its enforcement provisions, because the country did not have appropriate and effective enforcement laws, procedural laws, the institutional machinery for enforcement, or the trained and experienced personnel to implement the laws.³⁶⁷

The complex divisions of authorities and responsibilities for the management of IP rights is often a source of frustration for those developed countries with commercial interests and ambitions in the Gulf States. The involvement of several ministries in the enforcement structures is often perceived as a fundamental cause for the states' inadequate enforcement performance. Developed states have been prompted to pressure other states to legislate for a single comprehensive IP rights enforcement law and to establish a single administration, monitoring, and enforcement agency under the supervision of one government ministry.³⁶⁸ All of the states have responded to this pressure with some degree of resistance, although some states have

³⁶⁶ M. A Ramady, *The Saudi Arabian Economy* (Springer 2010).

³⁶⁷ This is still the case for Oman following a report by the USTR and WIPO in 2012. See WTO Working Party on the Accession of the Sultanate of Oman, 'Accession of the Sultanate of Oman: Communication from the Sultanate of Oman', Document WT/ACC/SPEC/OMN/5 (98-0272), (January 1998).

³⁶⁸ Michael Blakeney, 'Guidebook on Enforcement of Intellectual Property Rights' (European Commission 2012) <http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc_122641.pdf> accessed 25 February 2014.

established inter-ministry coordination agencies, yet not always with complete success. According to the IIPA, the story of Saudi's trademark enforcement performance is a tale of three ministries.³⁶⁹ The Commerce Ministry continues to receive good cooperation from the Ministry of Finance's Department of Customs in intercepting pirated shipments at the borders, with reports in November 2014 of some impressive raids. Yet the Ministry of Interior, which is responsible for the Saudi police force, and even Customs, remains unable to take the *ex-officio* action necessary to defeat counterfeiting and piracy in Saudi Arabia. The IIPA argues that Saudi Arabia should establish a specialised IP rights unit within the police force in order to have a permanently operational law enforcement body with trained officers who can carry out immediate raids as and when information about counterfeiting and piracy becomes available. It has also been critical of the performance of a much publicised Saudi inter-ministry task force established in 2000 between the Ministries of Commerce, Interior, Customs, and the Public Prosecutor, suggesting that the task force was 'mired in red tape and bureaucracy and may in fact be hindering enforcement in Saudi Arabia'.³⁷⁰

As seen above, while the government structures that have been adopted have contributed to some of the coordination and performance problems that the Gulf States experience, they are not the only key issues. In each case, one ministry at least appears to be gaining a leading role in the administration of the laws and the enforcement of IP rights. As with the judicial system, the key problem confronting the respective ministerial departments involved in IP management and enforcement has been the lack of expert human resources and institutional capacity. While the processes for the registration and administration of patents are generally well-established, having been in operation for a number of years, the same cannot be said of trademarks. While all states have signed and ratified the Unified Trademark Law, it will generally serve to establish filing offices only, with none of the states carrying out searches, raids, or substantial and technical examinations.

³⁶⁹ Mart Leesti and Tom Pengelly, *Institutional Issues for Developing Countries in Intellectual Property Policymaking, Administration and Enforcement* (Commission on Intellectual Property Rights 2002).

³⁷⁰ *ibid*; Reported in Saba & Co., *Trademark & Patent Agents & Attorneys* (Saudi Arabia), *Bulletin*, September 2011, available at <<http://www.sabaip.com/bulletin>> accessed 25 February 2015.

4.7.4 Judicial processes

Saif rightly argues that the enforcement of IP rights in many cases cannot be achieved in meaningful or effective ways in developing countries without the support of government authorities, and this seems to be the case in the Gulf States.³⁷¹ Where there is a major violation of IP at the street level, as occurs in the Gulf States, the government must take the initiative through the Attorney General to investigate criminal cases, and commit to the elimination of infringement on a larger scale.³⁷² Without this support, it is difficult for the private right holders to achieve control of the situation using the civil remedies alone.³⁷³

Oman, Qatar, and the UAE have radically restructured their judicial systems in recent years as an integral part of their constitutional, political, and administrative reforms.³⁷⁴ These radical changes, although crucial for the establishment of effective judicial systems, may have a negative impact on the enforcement of IP rights.³⁷⁵ The necessary changes and rate of change created a struggle for the judicial systems to be able to integrate such changes, and the ability of the community to understand, adopt, and respond properly to them.³⁷⁶ Arguably, the negative impact of the legislative changes and judicial reforms is the enshrinement of unfamiliar legal concepts in the new laws. It has been argued that some of the TRIPS enforcement procedures found in Part III have no place in the Gulf States' civil laws and their terminology has no natural counterpart in modern legal Arabic.³⁷⁷ For example, judges who have the authority to issue orders to prevent the infringements taking place are usually unwilling to make an order early in a case.³⁷⁸ They would usually require evidence that the damages threatened by infringement would not be sufficient by awarding monetary compensation.³⁷⁹ In addition, local judges and officials are unfamiliar with the nature of IP itself, such as copyright and trademarks, including the laws enshrined in TRIPS.³⁸⁰

³⁷¹ A Saif, 'Arab Gulf Judicial Systems and Structures' GCC Research Program - GCC Judiciaries Gulf Research Centre, Dubai, UAE (December 2004).

³⁷² *ibid.*

³⁷³ *ibid.*

³⁷⁴ A El-Nafie, 'Oman Reforms Its Judicial System' (1997) 20(3) Middle East Executive Reports 10

³⁷⁵ *ibid.*

³⁷⁶ *ibid.*

³⁷⁷ S Ghias, 'A Theoretical and Political Analysis of the WTO Appellate Body' [2006] International Judicial Lawmaking 534.

³⁷⁸ *ibid.*

³⁷⁹ Price, 'The Dynamics of Intellectual Property Protection in the Arab Gulf States' (March 2007) 3(1) International Review of Business Research Papers 147.

³⁸⁰ A Hirst, 'The Role of the Government Authorities in the Enforcement of Intellectual Property Rights', WIPO Workshop on the Enforcement of Intellectual Property Rights for Judges, WIPO Document WIPO/IPR/JU/BEY/99/5B, Beirut, December 1999.

The principle of *stare decisis* is not recognised in Islamic states, where the main source for legal judgement is either the *Shariah* or statute law, depending on the particular jurisdiction.³⁸¹ A documented opinion from a judge as a legal precedent would be to deny the authority of the *Shariah* and place the opinion of the judge above Islamic law.³⁸² The extent that previous judicial decisions would be taken into account would depend in part on the degree of Islamic conservatism within the state.³⁸³ For example, in Saudi Arabia, adherence will be strictly to the *Shariah*, whereas in the UAE, the decisions of a superior court, although not binding on a lower court, might be persuasive. Hence, the quality of records of judicial proceedings and judgements across the States varies markedly, but in any case, does not approach the standard assumed in Western countries.

Despite the above, the Gulf States that are seen as making an effort in reducing incidents of trademark infringements, especially to internationally accepted levels, are Bahrain and the UAE.³⁸⁴ The UAE has experienced a decrease in trademark violations and has established a number of precedents for the region.³⁸⁵ However, as will be seen in the next section, this level of commitment has not ensured that maximum or severe sanctions are comprehensive and consistent.³⁸⁶ Furthermore, even when the lower courts have imposed sanctions that are considered locally as severe, it seems that there is a common trend by the courts of appeals to act in the defendant's favour by mitigating the severity of the punishment by reducing or rejecting one or more of their elements.³⁸⁷

In a case, for example, the Dubai Court of First Instance convicted a dealer of copying satellite TV smart cards illegally, which allowed free access to encrypted pay television without subscription. The Court imposed a fine of AED 50,000, sentenced him to one month's imprisonment, and ordered that he be deported once he serves his sentence. The court further ruled for all illegal material and equipment used to be confiscated. In Ajman (a neighbouring

³⁸¹ H Olssen, 'Difficulties in the Enforcement of Intellectual Property Rights and Possible Solutions', WIPO National Workshop for Judges, WIPO/IP/JU/RD/04/3, Riyadh, Saudi Arabia, December 2004.

³⁸² Y Al-Riyami, Intellectual Property Protection, Enforcement in the Gulf States and Copyright Protection in the Middle East (Franklin Pierce Law Centre 2002).

³⁸³ *ibid.*

³⁸⁴ M Al-Kandari, 'Infringement of Copyright and Trade Marks in Electronic Commerce: A Kuwaiti and Comparative Approach' (2002) 17 Arab Law Quarterly 3.

³⁸⁵ *ibid.* 5

³⁸⁶ *ibid.* 6

³⁸⁷ *ibid.* 8-9

Emirate), the court considered a similar case against the owner, an Emirati nation, of a local satellite receiver and electronics shop, but merely fined him and his salesman AED 10,000 each and ordered the confiscation of the infringing material. Furthermore, no references were made to the closure of his premises or any other sanctions imposed. Not only does this illustrate the inconsistencies that exist across the UAE where enforcement of IP is considered, but also it is interesting to note the difference in rulings with respect to the foreign national in the first case against a local Emirati national in the second case.

4.7.5 Relevant Case law

As discussed in the section above, the pursuit of protection of IP rights through the region's judicial system has been a mixed success. This is as a result of deficiency of qualified and experienced judges familiar with the concepts of IP rights and its interpretations. As the concept of *stare decisis* is not adhered to in the *Shariah* or civil court system, it has contributed to a variety of problems in respect of consistency of application and enforcement. To illustrate this inconsistency, in 1977, the owners of the trademark *Brylcreem* brought an action in the Dubai courts against a local manufacturer of an identical product under the trademark name *Berylcream*. The Dubai court held that prior use and registration in a foreign country were persuasive elements in confirming ownership of a trademark, and fraudulent use of a well-known and original mark constituted unfair competition³⁸⁸. It further held that 'as to proving damage and fraud to the public through the use of the imitation trademarks, the Court is of the opinion that it is not necessary to prove the actual occurrence of misrepresentation, but it is sufficient to say that there is a probability of such an imitation misleading the public.'³⁸⁹ In contrast, an action brought by the owner of the *TIDE* trademark in 1982 against a local manufacturer of a similar product offered under the trademark *TIPE*, the Dubai appellate court held that in the absence of trademark laws in Dubai, imitating a trademark does not constitute an offence³⁹⁰. It overturned the decision of the lower court that was in favour of granting protection to the *TIDE* trademark and further held that it would be 'contrary to the principles of justice and equity to impose any restrictions upon free trade in the absence of government legislation.'³⁹¹

³⁸⁸ Peter W Hansen, *Intellectual Property Law And Practice of The United Arab Emirates* (Oxford University Press 2009).

³⁸⁹ Mohamed Al-Kamali, 'Development Of Intellectual Property Law In The UAE' (unpublished PhD Thesis, University of Exeter 1994), 151.

³⁹⁰ Dubai Court of First Instance Case No. 3/1981, decided January 1982; Dubai Court of Appeal Case No. 17/1982, decided May 1982; discussed in Mohamed Al-Kamali, 'Development Of Intellectual Property Law In The UAE' (unpublished PhD Thesis, University of Exeter 1994).

³⁹¹ Maren Hansen, 'Taking A Realistic Approach To Trade Mark Protection In The Gulf Countries' (1993) 16 Middle East Executive Reports 12.

The following section introduces in chronological order trademark cases decided in various courts of the Gulf States to provide a practical insight into the judicial process. These cases focus exclusively on trademark infringements rather than counterfeiting. This is for the sole purpose of creating a clear picture of the current idiosyncrasies that exist in imposing fines/penalties and enforcing court rulings with regards to trademark infringement cases. As will be shown through the cases below, there is a noticeable pattern of similarities amongst all States in respect of leniency of imposing penalty or fines, and imprisonment. As seen above in the cases of Dettol and Tide, there are inconsistencies within the federates themselves, in particular cases decided differently in Dubai and Abu Dhabi both of which are located in the UAE³⁹².

4.7.5.1 McDonald's v Hassan Arzouni (UAE) 1985

McDonald's filed a lawsuit against Mr Arzouni in three Emirates within the UAE for trademark infringement and fraudulent use of their trademark³⁹³. The Abu Dhabi Appeal court held that registration of a well-known mark merely served to confirm than establish the right to protection. In other words, the court was satisfied that although McDonald's³⁹⁴ was not registered in the UAE at the time, it was so well-known internationally that local use of an identical or confusingly similar mark was likely to be fraudulent and to cause confusion. Interestingly, in the absence of trademark laws in the UAE at that time, the decision in favour of McDonald's was based on *Shariah*, the local civil codes and the general principles of justice and equity³⁹⁵.

4.7.5.2 Reckitt and Colman v Al-Jazirah (Saudi Arabia) 1992

The Case of Reckitt and Coleman has been recognised in its time as a landmark decision where it concerns the production of locally counterfeit products in Saudi Arabia³⁹⁶. This was the first case to come under the 1984 Saudi Trademark law.

Reckitt & Colman, a UK manufacturer, filed a lawsuit in the Saudi courts against Al-Jazirah, a Saudi based manufacturer, for sale of disinfectant detergents bearing the mark *Bettol*.³⁹⁷ The

³⁹² *ibid*.

³⁹³ Sharjah Court of First Instance, Case No. 823/1985, decided January 1986; discussed in in Mohamed Al-Kamali, 'Development Of Intellectual Property Law In The UAE' (unpublished PhD Thesis, University of Exeter 1994).

³⁹⁴ In a landmark case in early 1996, McDonald's filed suit against six companies in Riyadh and Jeddah (Saudi Arabia) for violations of trademark legislation. McDonald's had registered all its trademarks and promotional logos with the Ministry before entering the Saudi market.

³⁹⁵ David Price, *The Development Of Intellectual Property Regimes In The Arabian Gulf States* (Routledge-Cavendish 2009).

³⁹⁶ Saudi Board of Grievances Case No. 206/T/M 1992. The final decision came after four years of legal proceedings. See SH Amin, *Law of Intellectual & Industrial Property in Developing Countries* (Scottish Institute of International and Comparative Law 1993); AH Khoury, 'The Development of Modern Trademark Legislation and Protection in Arab Countries of the Middle East' (2003) 3 *JL & TECH* 233.

mark constituted an illegal imitation of the *Dettol* mark which is owned and used by Reckitt & Colman. Initially, the Saudi Ministry of Commerce successfully appealed the original judgement in favour of the defendant, Al-Jazirah. The Ministry further appealed despite the decision being its favour on the grounds that the Ministry considered the penalty to be disproportionate to the gravity of the infringement.

The Board of Grievances reversed the earlier decision and ordered the defendant to pay a fine of SR 50,000, which was the maximum allowed under the Saudi Trademark law. It also ordered that all products, signs, and materials bearing the trademark '*Bettol*' be destroyed. However, the Saudi courts did not impose any obligation on Al-Jazirah to pay any compensation, damages, or costs.³⁹⁸ A civil case was reportedly settled satisfactorily out of court.

This was not the end of the matter for Reckitt and Coleman in protecting its *Dettol* mark. According to a local media report in 1993, there were more than 35 imitations of *Dettol* found in Saudi Arabia, a year after the case was decided in its favor³⁹⁹. Shortly after, Reckitt and Coleman filed a lawsuit in Ras Al-Khaimah (UAE) against a local producer of counterfeit *Dettol* trying to register the trademark *Dollen*. The application for registration was rejected after Reckitt and Coleman lodged an objection. This resulted in the local producer moving production to Qatar where he successfully registered and exported *Dollen* to other Gulf States, including the UAE⁴⁰⁰.

4.7.5.3 Harrods Limited v Harrods Tourism (UAE) 2007

Harrods Limited brought a lawsuit against a local company, Harrods Tourism, located in the UAE for registering an identical trademark and using it as a trade name.⁴⁰¹ The UAE court ruled in favour of Harrods Limited on the grounds that Harrods Tourism is an imitation of a world-famous mark and it does not carry an element that makes it different from the Harrods trademark.⁴⁰² The court ordered for the trademark, Harrods Tourism, to be cancelled⁴⁰³. The court rejected any requests for imposing fines, compensation, damages, or costs.

³⁹⁷ *ibid.*

³⁹⁸ *ibid.*

³⁹⁹ *ibid.*

⁴⁰⁰ PW Hansen, *Intellectual Property Law and Practice of the United Arab Emirates* (Oxford University Press 2009).

⁴⁰¹ 'HARRODS ... Everywhere!' (Wptn.com, 2007) <http://www.wptn.com/wptnin/mailling/Mar_2007_4/details/trademarks/uae.html> accessed 13 March 2016.

⁴⁰² *ibid.*

⁴⁰³ D Behaz, 'Dubai Court Of Cassation Rules On Trademark Registration Of Names' (International Law Office, 2008) <<http://www.internationallawoffice.com/Newsletters/Intellectual-Property/United-Arab-Emirates/Al-Tamimi-Company/Dubai-Court-of-Cassation-Rules-on-Trademark-Registration-of-Names#decision>> accessed 8 April 2015.

4.7.5.4 Orange Communications Ltd v Qatar Orange Mobile Co. (Qatar) 2007

Orange Personal Communications Service Limited, owner of trademark ‘Orange’, filed a lawsuit in the civil court of Qatar against Qatar – Orange Mobile Co., for use of the mark ‘Orange’ as its trade name without the authorisation of the original owner of the trademark ‘Orange’.⁴⁰⁴

The civil court ruled in favour of Orange Personal Communications and ordered the defendant to stop the ‘use of the name “Orange”, remove all signs carrying the “Orange” trade name, and destroy all goods and materials referring to the trade name’.⁴⁰⁵

Although the civil court of Qatar recognised the trademark ‘Orange’ as a well-known mark, the court made no reference to imprisonment or fines imposed on the defendant in respect of the damages that Orange Personal Communications Service Limited had suffered.⁴⁰⁶ Some elements of TRIPS Part III were enforced, such as the destruction of goods and materials referring to the trade name; however, other provisions, such as Article 61, were not.⁴⁰⁷

4.7.5.5 Escada Ag v Escada Salon (Qatar) 2007

In Qatar, the courts have recently affirmed established principles in respect of the protection of well-known marks, including well-known marks that are not registered locally.⁴⁰⁸ In an action brought by the company ESCADA against a local chain of barber shops trading under the name ESCADA, the courts held that ESCADA Ag had established an international reputation and the services that represent this mark are recognised regionally and locally.⁴⁰⁹ Therefore, the court found that the use of the identical trade name by the local company would cause the public to reasonably assume an association between the two marks, which was contrary to Articles 8(8), 36, and 37 of Trademark Law No. 9 of 2002.⁴¹⁰ Similar to the Orange case, there seems to be recognition of well-known marks; however, the enforcement measures are evidently lenient.

⁴⁰⁴ ‘Intellectual Property Disputes. QATAR: The Future’s Bright, The Future’s Orange’ (Wpntn.com, 2007) <http://www.wpntn.com/wpntn-in/mailling/Mar_2007_3/details/trademarks/qatar.html> accessed 13 March 2016.

⁴⁰⁵ *ibid.*

⁴⁰⁶ *ibid.*

⁴⁰⁷ *ibid.*

⁴⁰⁸ David Price, *The Development of Intellectual Property Regimes in the Middle East: Infidels at the Gate* (Routledge 2009) 169.

⁴⁰⁹ *Ibid* 170-171.

⁴¹⁰ INTA, ‘The Fifteenth Yearly Review Of International Trademark Jurisprudence’ (2008) 98 *The Law Journal of the International Trademark Association* 309

4.7.5.6 Intel Corporation v Inteltec (Saudi Arabia) 2007

The Saudi Board of Grievances was required to decide on a case involving similar marks in the same class but in different languages. Intel Corporation appealed to the Board against the decision to allow a local company to register the trademark *INTELTEC* in Arabic and Latin in class 42. Intel Corporation has already registered its *INTEL* mark in class 42 and other classes.

The Board held that, despite the registration were in different languages, the respondent's marks were confusingly similar to the *INTEL* mark contrary to Article 2 of the Saudi Trademark Law. The Board took the view that the registration of the marks for goods and services in the same class would reinforce likelihood of public confusion. Therefore, the Board ordered that the registration of the *INTELTEC* mark be cancelled.

4.7.5.7 Little Caesar Enterprises, Inc. v AbulJadayel Beverages Inc. (Saudi Arabia) 2008

The owner of the trademark 'Little Caesar', Little Caesar Enterprises, brought an action in the Saudi courts for trademark infringement and unfair competition against the Saudi company AbulJadayel Beverages Inc.⁴¹¹ The Saudi court ruled in favour of Little Caesar Enterprises and recognised that the registration of 'Caesar and Device' by the defendant caused damage to the interests of Little Caesar Enterprise, as it indicated a connection with 'Little Caesar' and would lead to consumer confusion.⁴¹²

As a result, the Saudi courts ordered the cancellation of the 'Caesar and Device' trademark, but made no reference to remedies or sanctions, especially in light of the damages Caesar Enterprises had suffered as a result of the initial registration of 'Caesar and Device'.⁴¹³

4.7.5.8 Jacker v Locker (Qatar) 2009

A Malaysian food company filed a trademark application to register the name 'Jacker' in September 2005. The application was accepted and later published in the official gazette in 2008. An Italian company, A. Locker, filed an opposition against the trademark 'Jacker' on the grounds of previous registrations in Qatar and abroad, and that 'Jacker' is confusingly similar to their well-known mark, 'Locker'.⁴¹⁴

⁴¹¹ Saba & Co. Attorneys, 'Trademark Case Law' <<http://www.sabaip.com/NewsArtDetails.aspx?ID=352>> accessed 13 July 2014.

⁴¹² *ibid.*

⁴¹³ *ibid.*

⁴¹⁴ Firas Qusmieh, 'Qatar – Conflict Between JACKER Vs. LOCKER' (NJQ & Associates, 2009) <<http://njq-ip.com/newsletters/2009/08/qatar-conflict-between-jacker-vs-locker/>> accessed 15 July 2016.

The Qatar court of appeal ruled in favour of A. Loacker and ordered the cancellation of the mark ‘Jacker.’ Furthermore, A. Loacker submitted evidence of ‘Jacker’ being traded in the Qatar markets, the courts did not find it necessary to impose remedies or sanctions.

4.7.5.9 Rosher v Roshen (UAE) 2015

Ferrero Spa, the owner of the trademark ‘Rosher’ filed an opposition against the trademark ‘Roshen’ based on the following points:

- Similarity of pronunciation, appearance, and designated goods
- ‘Roshen’ will mislead the public regarding the origin of the product
- ‘Rosher’ is a well-known trademark worldwide⁴¹⁵

The Dubai court of Cassation found that the names ‘Rosher’ and ‘Roshen’ is not considered confusingly similar and consumers are able to distinguish between both marks. Interestingly, the courts took this position partly because of the argument that despite ‘Roshen’ being registered in 40 countries worldwide, it has not received any objections by the trademark offices in those countries.

4.7.5.10 ‘So CHIC...’ v ‘SOCHI’ (Saudi Arabia) 2016

The registered owner of the trademark ‘So CHIC...’ in Saudi Arabia filed an opposition against the trademark ‘SOCHI’ which was filed for registration in September 2014 and published in the official gazette in February 2015⁴¹⁶.

The Saudi Board of Grievance ruled in favour of ‘So CHIC...’ based on the following grounds:

- The mark ‘So CHIC...’ was registered in Saudi Arabia since 2011 and enjoyed widespread recognition within the Kingdom.
- ‘SOCHI’ was found to be similar to ‘So CHIC...’ in terms of pronunciation, appearance, and designated class.
- Prior use of the mark ‘So CHIC...’ in Saudi Arabia since 2011⁴¹⁷

⁴¹⁵ Firas Qusmieh, ‘UAE – Conflict Between ROSHEN And ROSHER’ (NJQ & Associates, 2015) <<http://njq-ip.com/newsletters/2015/05/uae-conflict-between-roshen-and-rosher/>> accessed 15 July 2016.

⁴¹⁶ Firas Qusmieh, ‘Saudi Arabia – “So CHIC...” VS. SOCHI’ (NJQ & Associates, 2016) <<http://njq-ip.com/newsletters/2016/04/saudi-arabia-so-chic-vs-sochi/>> accessed 15 July 2016.

⁴¹⁷ *ibid.*

The Board ordered the cancellation of the mark ‘SOCHI’ based in similarity and prior use. However, there was no reference made to penalties or sanctions.

4.8 A Note on Obtaining Trademark Judgements in the GCC

The case law presented above aimed to provide an exclusive insight into the current legislative enforcement procedures in place for trademarks, particularly how courts decide and rule on penalties/sanctions or imprisonment. Normally, data on court activities are compiled and published by the Ministry of Justice and the Judicial Council in each of the Member States, and data on specific enforcement agencies like the Customs Department and the Ministries of Commerce are available only through those agencies. Nonetheless, obtaining court records and decisions from the court archives on trademark infringements and counterfeiting proved challenging in many respects. Court records were requested in person in three different Gulf States: Bahrain, the UAE, and Qatar. All requests were met with rejections or silence. The various agencies and departments in those States are largely reluctant to offer any access to case law, especially if those pertain to areas that are considered problematic or in which the official data could be used in potentially unflattering ways, such as in IP laws.

The problem is magnified further by the lack of the principle of *stare decisis* in that the careful recording of the legal argument and the explanation of the basis for judicial decision is absent.⁴¹⁸ Legal practitioners complain that court records are incomplete or missing and judgements often record the decision without reference to any reasoning or arguments, are not always available publicly and are at best published haphazardly.⁴¹⁹ In Kuwait, for example, court proceedings and rulings are only made publicly available at the discretion of the court. In Bahrain, judgements made by the Court of Cassation are made public only in the Official Gazette and of course, in Arabic, while *Shariah* judgements and rulings are not publicly available. However, it should be noted that almost all IP laws (with the exception of the UAE) allow for the court’s judgement to be published in a local Arabic newspaper at the expense of the guilty party. In many cases, this

⁴¹⁸ Trowers & Hamblins, ‘Publications (Bahrain, Oman, UAE)’ <<http://www.trowers.com/site/default.asp?=10>> accessed 23 June 2014; E Al-Tamimi, ‘The Framework for Litigation in the United Arab Emirates’ <http://www.tamimi.com/site_1024/pdf/litigati.pdf> accessed 17 July 2014.

⁴¹⁹ Y Al-Riyami, *Intellectual Property Protection, Enforcement in the Gulf States and Copyright Protection in the Middle East* (Franklin Pierce Law Centre 2002).

is considered as a form of public record of sorts. This practice is often seen to serve as a form of public awareness and admonition of the guilty party but falls short of providing any information or insight into the court proceedings themselves.

As a result of the above issues, especially where case law is concerned, the researcher had to rely on information obtained first hand through an online questionnaire⁴²⁰ and data published by well-known law firms specialising in IP matters in the GCC region. Those were Saba IP, Abu-Ghazaleh IP (AGIP) and Al-Tamimi & Co law firm. A methodical discussion on the challenges faced with regards to obtaining data on counterfeiting activities in the GCC, including case law is discussed in chapter one, seven and eight.

4.9 Critical Evaluation of Enforcement Levels

It is worth commenting on the challenges in obtaining reliable data and case law from authoritative sources within and between the Gulf States on the performance of the states and the region in enforcing their trademark laws and protecting individual rights. Moreover, it is difficult to obtain data on the success of raids and judicial activity in controlling the prevalence of counterfeiting and piracy and other forms of illegal IP activity in the Gulf.

When information does appear, it is often second-hand, anecdotal, and lacking in consistency that would allow for a comparative analysis across sectors or years. Hence, such reports that do appear should nonetheless be read against the specific context of their political environment. It has also been suggested that there is another explanation for the difficulty in obtaining reliable statistics, due to the ‘clandestine and mobile nature of the facilities used to manufacture pirate and counterfeit goods, and of the persons involved in producing and distributing such goods’⁴²¹, the apparent implication being that such ‘persons’ are likely to be well-connected.⁴²² Hence, the absence of reliable and independent data collection structures and processes in and across the Gulf States and the absence of public access to such data, if and where they are collected, present a challenge when measuring the extent of the problem. Second, there seems to be a

⁴²⁰ Discussed further in Chapters 1 and 8.

⁴²¹ Y Al-Riyami, Intellectual Property Protection, Enforcement in the Gulf States and Copyright Protection in the Middle East (Franklin Pierce Law Centre 2002)..

⁴²² Reported in Saba & Co., Trademark & Patent Agents & Attorneys (Saudi Arabia), Bulletin, September 2011, available at <<http://www.sabaip.com/bulletin>> accessed 25 February 2015

sense of laxity and uncertainty in the procedures and practices in the secure, control, monitoring, and destruction of infringing goods, thereby allowing confiscated illegal and counterfeit goods to remain in, or to return to, the marketplace. Third, where raids are publicly reported, they are usually linked to another political agenda or strategic objective process and are thus often presented in a manner best suited for that particular agenda or initiative.

Nevertheless, in the absence of authoritative and verifiable reports and statistical data, it should not be assumed that the states are not making progress in this area. The Gulf States have attracted praise from some sectors for the progress they have made to date in a remarkably short period of time by international standards. Using the USTR's Annual Special 301 report as a measure, the Gulf States have made commendable progress, although Saudi Arabia lags behind the other GCC member states.⁴²³ In 1995, when the GCC member states were first examined by the USTR, it placed all states on either its Priority Watch List or its Watch List. In its latest report, the USTR has retained only Kuwait on its Watch List.⁴²⁴ This may be justifiable on the grounds of its outmoded IP laws, which are still in essence of a pre-TRIPS standards, and its less than committed enforcement performance.

The Gulf States have yet more work to do in the construction of their IP regimes. Enforcement and infrastructure issues will continue to require attention in the mainstream areas of trademarks, copyright, and patents, as mainly external forces continue to pressure the Gulf States to conform to the international 'norm' of the TRIPS-Plus standards. The UAE and Saudi Arabia constitute the largest of the Gulf economies and the states with the greatest profile in terms of counterfeiting activity and need for effective enforcement strategies and performance. Bahrain, Oman, and Qatar represent the middle position in respect of activity and performance. Kuwait is considered the least compliant of the GCC member states and will continue to attract critical attention and pressure to improve its performance, as indicated by the USTR, with Kuwait occupying its Priority Watch List in 2014.

⁴²³ United States Trade Representative, '2015 Special 301 Report' (2015) <<https://ustr.gov/sites/default/files/2015-Special-301-Report-FINAL.pdf>> accessed 31 May 2015.

⁴²⁴ *ibid.*

4.10 Conclusion

This chapter discussed the issues of trademark law enforcement in the GCC member states. The tension between TRIPS-compliant legislation on the one hand and low levels of enforcement on the other can be explained by reference to three particular factors. First, the GCC countries lack any legal tradition of IP protection, and this renders the respective legal regimes susceptible to malfunction. It is all the more so because IP protection developed rapidly within the region with no simultaneous training of judges and administrative bodies. Second, due to the need for harmonisation, relevant legislation has, in most cases, been transplanted from the legal systems of the region's Western counterparts, leaving no room for the consideration of the region's special needs and characteristics. Thus, there are elements, internal but crucially also external, of the IP system that must be taken equally into consideration. This chapter argued that a number of characteristics shape the issues of enforcement in the GCC countries such as reliability and independence of data, laxity and uncertainty in the procedures and practices of customs officials, and the public reporting of raids with a political agenda attached. Finally, the complex nature of the administration and enforcement of IP rights across the Gulf States and the competition between ministries for resources and status, including governmental departmental reports which are often on restricted circulation and concentrates on the positives presents a much wider problem. This has been a source of much criticism from developed countries. However, it should not be assumed that, in the absence of authoritative and verifiable reports and statistical data, the states are not making progress in their fight against counterfeiting, piracy, and other IP enforcement. As discussed throughout the chapter, the Gulf States are constantly undergoing change and transformation of their IP laws, including trademarks.

The next chapter will provide an overview of the civil remedies available to right holders and critically evaluate the extent to which they provide adequate remedies and punishment mechanisms in the Gulf States' efforts to fight counterfeiting.

Chapter 5: Civil Proceedings for the Protection of Trademarks

5.1 Introduction

In order to effectively contain the infringement of IP rights, it is not only important that such activities are covered within the scope of protected rights pursuant to the relevant substantive laws; it is also necessary to ensure that the right holders access the prescribed procedures and remedies. In both the GCC and the EU, the rights conferred by the law to trademark proprietors entitle them to bring actions against any persons who infringe those rights, either through civil or criminal proceedings, administrative actions, or combinations thereof. The availability of procedures and remedies for infringement in some respects drives the entire IP rights system.⁴²⁵ However, if remedies are too easily granted, they may lead to abuse by the IP holders or the over-use of the system, which may drain judicial resources and cause tension with other areas of the law. Conversely, remedies that are inadequate or too difficult to obtain will prevent the substantive law from being used and its balances achieved. In this regard, the standard offered by TRIPS plays an important role in achieving a balance of rights and obligations in the enforcement of IP rights.

Therefore, this chapter examines and identifies the relevant proceedings and remedies that are available to right holders in the EU and the GCC by using the provisions of TRIPS as a framework. It assesses the regulations and principles that apply to each case and highlights the shortcomings in the balancing of the rights and obligations of the parties. It begins with a brief analysis of the remedies that are available to right holders in some jurisdictions such as the EU, as well as the remedies available to right holders in the GCC to provide a comparative picture.

5.2 Remedies: General Matters

The owners of IP, and trademarks in particular, can seek civil remedies also to protect their trademarks. In some instances, governments may impose criminal sanctions on the violators of

⁴²⁵ Peter Birks, *English Private Law* (Oxford University Press 2000).

those rights.⁴²⁶ Although the parties may use alternative dispute resolution (ADR) mechanisms to determine their rights and duties, these alternative forms of settlement are not comparable to the court's adjudication; parties in breach cannot be deprived of property or freedom via the ADR mechanisms.⁴²⁷ In most legal systems, the right holder may also seek pre-trial remedies or judicial relief. This is the most effective form of protection as an immediate effect of an injunction is more valuable than a post infringement compensation. The proceedings in a civil court may be divided into two phases: first, ascertaining the rights of the parties, and second, identifying the remedies that should be granted. The remedies available to the parties may include damages, declarations, or statements of the rights and obligations of the parties, injunctions (interim or perpetual) requiring or refraining the defendant from performing a specified act, account of profits or orders requiring the defendant to account for or surrender any unjust benefits, and costs or orders to contribute to the claimant's expenses in bringing the claim or the defender's expenses in defending the claim.⁴²⁸ In many jurisdictions, the court may also impose a fine or imprisonment. It may also authorise the seizure of the counterfeit goods or the deduction of the defendant's income stream or the placing of a charge over his property.⁴²⁹

Diverse legal systems perform different instrumental functions and express different norms, it is often difficult to compare them and determine the most effective system. It may be contended that the system that offers more remedies for different types of infringement is more effective⁴³⁰. Equally, in many legal systems, there is an attempt to achieve justice by balancing the rights and obligations of the parties, and this may also be said to be an indication of the effectiveness of the system. For example, in some systems, actual damages are recoverable for both copyright infringement and trademark infringement, but under the latter regime, the claimant must show that the defendant wilfully infringed the trademark in order to obtain monetary damages.⁴³¹ The main objective is to restore the claimant to the position he would have had, had the defendant not infringed his right.⁴³² In addition, the defendant must disclose all relevant information, such as financial records, in order to show that he has not unjustly enriched himself at the claimant's

⁴²⁶ Jane Lambert, *Enforcing Intellectual Property Rights* (Gower 2009).

⁴²⁷ Xandra Ellen Kramer and CH van Rhee, *Civil Litigation in a Globalising World* (TMC Asser Press 2012); R Glenn Hubbard, *Essentials Of Economics* (Pearson 2013).

⁴²⁸ Jane Lambert, *Enforcing Intellectual Property Rights* (Gower 2009).

⁴²⁹ Janice Denoncourt, *Intellectual Property Law* (Routledge 2010).

⁴³⁰ Leon Friedman, *The Supreme Court* (Chelsea House 1987).

⁴³¹ Jennifer A Segal and Gregg Ivers, *Inside The Judicial Process* (Houghton Mifflin 2006).

⁴³² *Norman & Anor v Sparling* [2014] EWCA Civ, 1152 (EWCA Civ).

expense. Where the alleged infringement is a copyright infringement, the claimant is barred from seeking exemplary damages if he elects for an account of profits.⁴³³ Furthermore, in order to achieve a fair outcome, the civil court is required to take into account the circumstances of the specific case before it. Hence, where the infringement of an IP right is established, but the infringement has not ceased by the time the trial begins, an injunction would be the most equitable form of remedy. This is because the injunction protects the claimant from the continuous infringement of his rights.⁴³⁴

5.3 Civil Remedies in the International and Regional Contexts

The development of IP laws is at different stages in the different member states of the GCC. However, as discussed in chapter 3, the GCC states, despite the diverging development of IP laws at the national level, have all sought to depart from the course established under Shariah law, which was to rely on the discretionary exercise of the relevant authority, rather than codified laws⁴³⁵. IP rights had been established loosely in the Islamic world during the Translation Movement that started during the second century of Islam (719 AD – 816 AD), when many Greek and Persian books were translated into Arabic and a special market for books and publishing was established.⁴³⁶ It was the publisher's responsibility to ensure that the contents of publications were not distorted or plagiarised, and it was believed that anyone who had breached these regulations was liable to be sanctioned by God. This is evidenced in Masoudy's statement at the beginning of one of his books:

‘If anyone distorts a statement from my book, or takes a part of it which effects a point or changes the biography or somebody, or wrote (add) a part by himself, or summarized it, or attributed my book to someone else, or showed that someone was involved in the writing of this book, let him take the anger of God. I declare this statement at the

⁴³³ *ibid.*

⁴³⁴ *ibid.*

⁴³⁵ YK Kim, ‘Appropriate Intellectual Property Protection and Economic Growth in Countries at Different Levels of Development’ (Elsevier Science B V 2012).

⁴³⁶ Hassan Soleimani, ‘Intellectual Property Law: Islamic Law Approach, with the Case Study of the Iranian Intellectual Property Law’ (2012) 1 AALCO Journal of International Law 61.

beginning of this book to prevent anybody who wishes or in animosity wants to do this; he must know that God is watching what he is doing...⁴³⁷

Ayati also talks of rights similar to IP rights being enforced at the time, although they were largely moral, and not economic, rights.⁴³⁸ The enforcement of these rights, therefore, naturally depended on the discretion of the relevant Islamic authority. That is why chapter 3 noted that there has been a strong motivation in many Islamic states for some time now to move towards codified laws. The need to bring IP laws on par with international standards was an additional motivating factor. However, it is uncertain whether this deviation from Islamic law has necessarily enhanced the protection of IP. This is because the majority of the scholars from the influential Hanbali, Hanafi, Jafari, Maliki, and Shafi⁴³⁹ have noted that copyright laws are generally consistent with Islamic principles.⁴⁴⁰ Thus, in turning their focus away from Islamic law, the GCC states only wanted to ensure that their IP laws were compliant with the provisions of TRIPS. In addition, the GCC and the EU agreed on a three-year Joint Action Programme in 2010 to enhance cooperation between both blocs in a number of areas—namely, trade, investment, clean energy, nuclear safety, and IP rights. With regard to IP rights, they agreed that their various patent offices would continuously exchange views and experiences, and enable the GCC to benefit from the expertise and technical assistance of the EU in areas such as capacity building and training.⁴⁴¹ This facilitated the creation of the Intellectual Property Training Centre (GCC-IPTC) by the GCC Secretary General's Resolution No. 6/79 of 12 February 2011 to support joint scientific and technical cooperation between the GCC member states and encourage applied research in the region. The GCC-IPTC focuses on a number of key IP areas, including trademarks and illegitimate competition, business secrets, copyrights and relevant rights, industrial patterns, geographical indicators, integrated electronic circuits, and traditional know-how and patents.⁴⁴²

⁴³⁷ A. A. H. Al Masoudy, 'Moravejo Alzahab va Ma-adeno Al-jovhar' (Arabic) (Vol.1, Beirut: Dar Al-Aondolos, 1965) in Hassan Soleimani, 'Intellectual Property Law: Islamic Law Approach, with the Case Study of the Iranian Intellectual Property Law' (2012) 1 AALCO Journal of International Law 63.

⁴³⁸ H Ayati, 'Hghogh Afereinash Hai Fekri ba Takid bar Hghogh Aferinesh Hai Adabi va Honari' (Persian), 'Intellectual Creativities Right: With Emphasis on Literary and Artistic Right' (Tehran: Nashr Hghogh Dan, 1375 Iranian Calendar, 1996) in Hassan Soleimani, 'Intellectual Property Law: Islamic Law Approach, with the Case Study of the Iranian Intellectual Property Law' (2012) 1 AALCO Journal of International Law 63-65.

⁴³⁹ These are considered schools of Islamic thought (madhahib), founded after the death of the Prophet.

⁴⁴⁰ Hassan Soleimani, 'Intellectual Property Law: Islamic Law Approach, with the Case Study of the Iranian Intellectual Property Law' (2012) 1 AALCO Journal of International Law 66.

⁴⁴¹ *ibid.*

⁴⁴² 'GCC Commerce Ministers Decide to Form Technical Committee on Intellectual Property' (2014) Saudi Press Agency (SPA) <<https://www.highbeam.com/doc/1G1-370745323.html>> accessed 28 February 2015.

The above notwithstanding, the enforcement mechanisms enshrined in most international treaties, such as TRIPS, rely on the judicial systems of the member states to enforce their regulations. Al-Dajani notes that despite the sophistication of TRIPS, its provisions are not effective in the Middle East because they are simply not being enforced in the way in which a popular law would.⁴⁴³ Several years earlier, Pechman pointed out that many Middle Eastern countries often featured on the Special 301 list of uncooperative countries (regarding the enforcement of IP rights) issued annually by the USTR under section 301 of the United States Trade Act 1974.⁴⁴⁴ Kuwait, for example, remains on the USTR's Watch List and an out-of-cycle review was even planned in September 2014 to determine whether Kuwait should be placed on the Priority Watch List.⁴⁴⁵ Kuwait is on the list because it has not drafted and passed any amendments to its IP law in order to meet international standards over the past 14 years. Furthermore, it is deemed that it maintains obstacles to the effective protection and enforcement of IP rights. Some of the obstacles include the failure to impose deterrent penalties against those in breach, inadequate enforcement efforts by the government, and the absence of *ex officio* authority for the Kuwait Customs IP Rights Office.⁴⁴⁶ The fact that most Muslim countries are neither on the Watch List nor on the Priority Watch List defeats the argument that IP law is not fully developed in Islamic countries because the conception of property under international IP law is entirely different from that under Islamic law. This argument has been put forward by many commentators, who have also established a link between this supposed incongruity and the incompatibility between laws based on Western culture and those based on Islamic culture.⁴⁴⁷ Chapter 3 showed that IP rights were historically recognised in Islamic societies. Moreover, international IP treaties such as TRIPS provide that a country may refuse to provide patent protection to an invention where it is necessary in order to protect public order or morality. The measure is 'necessary' where there is no alternative measure that is consistent with GATT.⁴⁴⁸ A

⁴⁴³ Elizabeth Mirz Al-Dajani, 'Post Saddam Restructuring of Intellectual Property Rights in Iraq Through a Case Study of Current Intellectual Property Practices in Lebanon, Egypt, and Jordan' (2007) 6 *The John Marshall Review of Intellectual Property Law* 250.

⁴⁴⁴ Robert J Pechman, 'Seeking Multilateral Protection for Intellectual Property: The United States "Trips" Over Special 301' (1998) 7 *Minnesota Journal of Global Trade* 179.

⁴⁴⁵ USTR, 'Kuwait Elevated to Special 301 "Priority Watch List"' (2014) <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2014/November/Kuwait-Elevated-to-Special-301-Priority-Watch-List>> accessed 28 February 2015.

⁴⁴⁶ *ibid.*

⁴⁴⁷ J Carroll, 'Intellectual Property Rights in the Middle East: A Cultural Perspective' (2001) 11(3) *Fordham Intellectual Property, Media & Entertainment Law Journal* 555; Frederick V Perry, 'Shari'Ah, Islamic Law and Arab Business Ethics' (2007) 22 *Connecticut Journal of International Law* 357; Mosad Zineldin and Valaintisna Vasicheva, 'A New Mindset to Change the Arab/Islamic-Western Relations for Peace: A Political and Socio-Economic Integration Perspective' (2010) 15 *Journal of Peace, Conflict & Development* 74-77.

⁴⁴⁸ Timothy G Ackermann, 'Disorderly Loopholes: TRIPS Patent Protection, GATT, and the ECJ' (1997) 32 *The Texas International Law Journal* 489.

non-exhaustive list of acceptable derogations is also provided by TRIPS. The GCC may deviate from the international norm where it is deemed necessary to protect public order or morality. Countries may justify their derogation by arguing for the importance of protecting human, animal, or plant life or health, or that it is important for avoiding prejudice to the environment⁴⁴⁹. As such, the poor enforcement of IP laws in the GCC countries may be attributed to the absence of effective legislation and enforcement mechanisms. A major problem in this regard is the lack of effective remedies for infringements.

5.3.1 The TRIPS Agreement

As noted above, this Agreement requires member states to adopt policies for the protection of IP rights that meet certain minimum standard requirements including the following:

- Comply with Articles 1 to 12 and Article 19 of the Paris Convention (Article 2(1) of TRIPS)
- Comply with Articles 1 to 21 of the Berne Convention (Article 9(1) of TRIPS)
- Protect the creations of performers, sound recording studios, and broadcasters (Article 14 of TRIPS)
- Register trademarks in accordance with Articles 15 to 21 of TRIPS
- Protect geographical indications (Articles 22 to 24 of TRIPS)
- Protect industrial designs (Articles 25 and 26 of TRIPS)
- Issue patents for inventions in all fields of technology (Articles 27 to 34 of TRIPS)
- Protect undisclosed information (Article 39 of TRIPS)
- Provide civil remedies, criminal sanctions, and other provisions for the enforcement of IP rights (Part III of TRIPS)

This subsection seeks to determine whether these minimum standards effectively guide the resolution of disputes and balance the rights of claimants and defendants in a fair manner. It must first be noted that there are other dispute resolution mechanisms available at the international level for disputes over IP. At the time of the creation of the WTO, WIPO was already providing a neutral international dispute resolution forum offering different ADR options to parties. Moreover, WIPO administers 24 treaties related to IP and deals with a

⁴⁴⁹ Frederick V Perry, 'Shari'Ah, Islamic Law and Arab Business Ethics' (2007) 22 Connecticut Journal of International Law 357.

broader range of IP disputes. Article 9 of TRIPS, for example, provides that ‘Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of [the Berne Convention 1971] or rights derived therefrom’. Article 6bis of the Berne Convention governs the moral rights of authors to claim authorship and to object to certain alterations of their work and other derogatory actions. These claims are excluded from the scope of TRIPS by Article 9, but may be enforced under WIPO where both parties agree to refer to the WIPO ADR.⁴⁵⁰ In addition, unlike the WTO and TRIPS, disputes under WIPO are less politically charged, and litigants are subjected to limited media scrutiny.⁴⁵¹

However, there is no independent dispute resolution system within WIPO. The procedures for dispute settlement provided for by Article 28 of the Paris Convention (and Article 33 of the Berne Convention) have never been used in practice.⁴⁵² Furthermore, the contracting states enjoyed very broad discretion regarding the IP rights to protect and enforce. Countries could, for example, unilaterally limit the duration of patent terms.⁴⁵³ The drafters of WIPO erroneously believed that the principle of national treatment would motivate states to protect the IP rights of foreign nationals.⁴⁵⁴ The principle of national treatment is one of international law that requires a state to treat foreigners and locals equally. Within the context of an international agreement, the treatment is reciprocated by all participating states (Article 2 of the Paris Convention).⁴⁵⁵ However, this principle did not incentivise the participating states, since membership in the WIPO conventions was limited and some countries that were major sources of infringement, such as India, Singapore, and South Korea, were excluded.⁴⁵⁶ Due to these weaknesses, it was noted that during the Uruguay Round of negotiations, many countries with developed economies expressed a preference for the WTO as the forum for resolving international disputes over IP. This is because the enforcement mechanism of the WTO was deemed to be ‘stronger’

⁴⁵⁰ Marina Foltea, ‘The WTO-WCO: A Model of Judicial Institutional Cooperation?’ (2012) 46 *Journal of World Trade* 815.

⁴⁵¹ Frederick M Abbott, ‘Intellectual Property Rights in World Trade’, in *Research Handbook in International Economic Law* (Edward Elgar Publishing 2007).

⁴⁵² Yoshifumi Fukunaga, ‘Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements’ (2008) 23 *Berkeley Technology Law Journal* 868.

⁴⁵³ Frank Emmert, ‘Intellectual Property in the Uruguay Round-Negotiating Strategies of the Western Industrialized Countries’ (1990) 11 *Michigan Journal of International Law* 1317.

⁴⁵⁴ Yoshifumi Fukunaga, ‘Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements’ (2008) 23 *Berkeley Technology Law Journal* 870.

⁴⁵⁵ Loewenheim U, ‘The Principle of National Treatment In The International Conventions Protecting Intellectual Property’, *Patents and Technological Progress in a Globalized World* (Springer 2009)

⁴⁵⁶ Yoshifumi Fukunaga, ‘Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements’ (2008) 23 *Berkeley Technology Law Journal* 871.

than that of WIPO.⁴⁵⁷ The United States in particular insisted that an effective dispute settlement mechanism was imperative for ensuring that international minimum standards were set and enforced across the globe.⁴⁵⁸ However, despite the strong preference for the WTO settlement system and TRIPS, only three TRIPS disputes were submitted to the WTO forum between 2001 and 2007.⁴⁵⁹

5.3.1.1 Claims under TRIPS

There are generally three categories of claims that may be brought under TRIPS. These include claims on a statute in a member state, claims on the application of TRIPS, and claims on the ineffectiveness of domestic remedies. With regard to claims on a statute in a member state, the claimants may initiate proceedings on the grounds that the state has failed to meet its treaty obligations in its statutes, regulations, or decrees, which ought to contain the minimum standards requirements. As regards claims on the application of TRIPS, the claimants may bring an action on the grounds of the ineffective implementation of the provisions of the agreement. Shortly after TRIPS came into force, Dreyfuss and Lowenfeld noted that there were statutes that appeared to be conforming, but failed to fulfil the specified functions in fact.⁴⁶⁰ They then stated that it was inevitable that disputes would arise over the question of whether a state had enacted a statute that reflects ostensibly the minimum standards, but fails to provide any meaningful protection to the right holders.

With regard to claims on the ineffectiveness of domestic proceedings, Article 41 of TRIPS provides the following:

‘Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to

⁴⁵⁷ Frank Emmert, ‘Intellectual Property in the Uruguay Round-Negotiating Strategies Of The Western Industrialized Countries’ (1990) 11 *Michigan Journal of International Law* 1317; Jayashree Watal, *Intellectual Property Rights in the WTO and Developing Countries* (Kluwer Law International 2001).

⁴⁵⁸ *ibid.*

⁴⁵⁹ Yoshifumi Fukunaga, ‘Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements’ (2008) 23 *Berkeley Technology Law Journal* 871.

⁴⁶⁰ Rochelle Dreyfuss and Andreas F Lowenfeld, ‘Two Achievements of the Uruguay Round: Putting TRIPS and Dispute Settlement Together’ (1997) 37 *Journal of International Law* 275.

prevent infringements and remedies which constitute a deterrent to further infringements.⁴⁶¹

When read together with Article 61 that requires that member states impose criminal sanctions with sufficient deterrent effects, it may be said that one member state is entitled to initiate proceedings against another member state on the grounds that the domestic remedies of the latter do not provide sufficient deterrence to violators of IP rights. In other words, the statutes of the latter state are not measurably effective.

It must be noted, however, that although Articles 64(2) and (3) make non-violation complaints applicable to IP disputes under TRIPS, they have been subject to a special moratorium that is still in force. These complaints are based on the nullification or impairment by one member state of a legitimately expected benefit of another member state as a result of a law or regulation that is in conformity with TRIPS.⁴⁶² Many developing countries favour the extension of the moratorium or a permanent ban. This is because equating IP situations with the normal circumstances that apply under the WTO in the case of trade in goods would be detrimental to developing countries seeking to protect genetic resources and traditional knowledge and avoid their misuse or misappropriation by businesses located in developed countries.⁴⁶³ Thus, the exclusion of non-violation complaints in TRIPS favours many creators in developing countries. As such, this and other reasons discussed in the next subsection may explain the contradictory attitudes of developed and developing countries towards IP protection under TRIPS.

5.3.1.2 Attitudes towards TRIPS and IP protection

Although most developing countries have ratified TRIPS, they still have some reservations about the extent to which values such as biological diversity and public health are taken into account in the protection and enforcement of IP rights.⁴⁶⁴ As such, many developing countries have sought to modify TRIPS in order to supplement or eliminate IP protection obligations with regard to healthcare products. The fear is that a strict implementation of the Agreement would

⁴⁶¹ Peter van den Bossche and Marie Denise Prévost, *Essentials of WTO Law* (Cambridge University Press 2016).

⁴⁶² Hanns Ullrich, Reto M. Hilty, Matthias Lamping, Josef Drexl, *TRIPS Plus 20* (Springer Berlin Heidelberg 2016).

⁴⁶³ *ibid.*

⁴⁶⁴ Yoshifumi Fukunaga, 'Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements' (2008) 23 *Berkeley Technology Law Journal* 870.

result in higher prices for these products, especially the lifesaving drugs that are urgently needed, but are not readily available in these countries.⁴⁶⁵ Hence, the WTO adopted the Declaration on TRIPS and Public Health which reiterated the right of member states to protect health, and in 2003, the General Council of the WTO agreed to temporarily waive the obligations under Articles 31(f) and (h) of TRIPS that limited exports under compulsory licenses to countries that were unable to manufacture important pharmaceutical drugs. As such, although this Agreement has ensured that strong IP treaty obligations are enforced across all member states, the obligations have been supplemented in instances, such as healthcare, in order to enable the poorer states to replicate some important products without the necessary licenses. In this context, the GCC countries are opposed to the reinforced protection and enforcement of IP rights under TRIPS. This assumption is verified in chapter 4 examining the protection and enforcement of IP laws in the different GCC member states. To provide a comparative picture, the next subsection examines the relevant EU laws and their application.

5.3.2 IP protection and enforcement in the EU

The relevant international treaties or conventions here are the Treaty of Rome, the Treaty of Nice, the European Patent Convention (EPC), and the European Convention on Human Rights. Articles 95 and 295 of the Treaty of Rome empowered the then European Economic Community to harmonise the national laws of the member states in the field of IP. The objective was to ‘attain an internal market without frontiers’. The Treaty of Rome, therefore, provides for a harmonised system of laws that applies uniformly across the EU. The CJEU interprets and enforces EU laws on the basis of questions that are referred to it by national governments or national courts under Article 234 of the Treaty of Rome. Thus, two kinds of IP-related cases are generally referred to by the CJEU—namely, actions to overrule or amend decisions of the Office for Harmonisation in the Internal Market (OHIM) under Article 63 of the Community Trade Mark Regulation and references from the courts of the member states on the EU on the provisions of EU trade, competition, and IP law. The IP offices of most member states keep up-to-date information about the decisions and opinions of the CJEU.

⁴⁶⁵ *ibid*; Laurence Helfer, ‘Regime Shifting: The Trips Agreement and New Dynamics of International Intellectual Property Lawmaking’ (2004) 29 *Yale Journal of International Law* 3.

The Treaty of Nice amended the Treaty of Rome and the Maastricht Treaty (Treaty on European Union), empowering the European Commission to negotiate and conclude agreements on the commercial aspects of IP (Article 133). Moreover, Article 225a empowered the Commission to negotiate non-commercial aspects of IP where the European Council and Parliament agreed. It also provided for the creation of judicial panels or chambers by the Council to entertain cases in specific areas, including IP.

Article 21(1) of the EPC stipulates that the Boards of Appeal be competent to hear appeals against the decisions of the departments of the European Patent Office. The Boards of Appeal is the highest arbiter in matters relating to the EPC, and its decisions cannot be overruled by the CJEU, since the EPC is not EU law. In addition, the decisions of the Boards of Appeal cannot be reviewed by any national court.⁴⁶⁶ The draft European Patent Litigation Agreement was proposed with the aim of creating an optional protocol for the EPC that would commit the EU member states to an integrated judicial system and a common appeals court. However, in February 2007, the Legal Service of the European Parliament published an opinion to the effect that the ratification of the European Patent Litigation Agreement would constitute a breach of Article 292 of the Treaty of Rome. According to this Article, ‘Member States undertake not to submit a dispute concerning the interpretation or application of the Treaties to any method or settlement other than those provided therein’. Thus, given that the EU has already legislated on IP, the EU member states are not competent to submit a dispute about IP to any method of settlement except that provided by the EU law. In this light, it may be stated that the EU member states do not *prima facie* have the competence to submit disputes about IP rights to the WTO/TRIPS dispute settlement forum. In the same vein, it is also uncertain whether the Treaty of Rome could itself be considered an IP treaty, for, if this were the case, the EU would be forced to extend the rights contained in the Treaty of Rome to all WTO members under the Most Favoured Nation (MFN) Treatment obligations of TRIPS.⁴⁶⁷ However, the EU notified the TRIPS Council of the Treaty Rome in order to invoke the exceptions to MFN under Article 4(d) of the TRIPS Agreement.

⁴⁶⁶ R v Comptroller-General of Patents, Designs and Trade Marks, *ex parte* Lenzing AG (1996) 390 EWHC Admin.

⁴⁶⁷ Paul Goldstein, *International Intellectual Property Law* (Foundation Press 2001).

Notwithstanding, many of the provisions of the European Patent Litigation Agreement have been incorporated into the Agreement through a Unified Patent Court which proposes to create a common patent court that will be used by all member states of the EU. This Agreement was signed as an intergovernmental treaty in February 2013 by all EU member states except Spain, Poland, and Croatia. It will only come into force after it has been ratified by at least 13 EU member states, as well as the 3 largest patent granting states in the Union.

Interestingly, Article 24 of this Agreement states that the judges of the Patent Court will base their decisions on EU law, the EPC and other international agreements. Given that TRIPS is applicable to all EU member states (who are also members of the WTO), it may be contended that the judges will rely *inter alia* on the minimum standards of the TRIPS Agreement. However, it is uncertain whether this implies that EU member states may submit a dispute over IP to the dispute settlement forum of the WTO or TRIPS.

The third relevant international convention in the EU is the European Convention on Human Rights. The provisions of this Convention are enforced by the European Court of Human Rights. Proceedings have been issued in this court with regard to issues straddling both human rights and IP rights.⁴⁶⁸

The wide range of treaties and conventions governing the enforcement of IP in Europe, some of which are discussed above, are contained in secondary legislation which may take the form of regulations, directives, recommendations, and decisions. Of particular importance are the Directives on Copyright and Non-Original Databases; Council Regulation (EC) No. 40/94 of 20 December 1993 on Geographical Indications; Community Trademark and Council Regulation (EC) No. 6/2002 of 12 December 2002 on community design; Directive 98/44/EC of 6 July 1998 on the legal protection of biotechnological inventions; and Recommendation 2005/737/EC of 18 May 2005 on the management of online rights in musical works. Also important is EU Enforcement Directive 2004/48 aimed at correcting the disparities between the systems of the EU member states in order to ensure a homogenous level of protection of IP rights in the internal market.

⁴⁶⁸ Anheuser-Busch Inc v Portugal (2007) 45 EHRR; Chappell v the United Kingdom (1990) 12 EHRR.

Therefore, the enforcement of IP rights is an important objective of the EU. According to the Directorate General for Trade's policy on IP, the EU intends to ensure that all WTO members fully implement the provisions of TRIPS.⁴⁶⁹ In fact, Enforcement Directive 2004/48 goes beyond TRIPS enforcement provisions by extending the presumption of authorship to related right holders, as well as the right of information to aspects such as the identification of distribution networks of infringing goods, and requiring member states to ensure that the identities of witnesses are protected. Furthermore, the EU has sought to resolve the problem of the infringement of IP rights by cross-border goods through Council Regulation (EC) No. 608/2013. The Regulation contains provisions for measures to be taken by member states against the import and export of goods infringing IP rights. This goes further than TRIPS, which only requires border measures for cases of importation, counterfeiting trademarks, and pirated goods. It also extends to exports, goods in transit, and other types of IP. In addition, unlike TRIPS that recommends *ex officio* action, the Regulation places an obligation on the member states to enforce these measures.

Regulation 608/2013 was complemented by the new EU Trademark Regulation and Directive (EU 2015/2424 and EU 2015/2436) as a response to the latest trends in counterfeiting and piracy. The plan also goes beyond the requirements of TRIPS by recommending the prohibition of the importation of low volume personal use items which one may counterfeit. TRIPS allows member states to exclude from the application of its provisions, goods of a non-commercial nature sent in small consignments or contained in personal luggage.

As discussed in chapter 2 (section 2.3.3.1), the newly updated legislation resolved some of the problems encountered with the 2003 Regulation, including ensuring the clarity of the provisions and reinforcing the Customs regime for enforcing IP rights. Thus, the EU has gone considerably beyond the border measures mandated between Articles 51 and 60 of TRIPS.⁴⁷⁰

⁴⁶⁹ Maximiliano Santa Cruz, 'Intellectual Property Provisions in European Union Trade Agreements: Implications for Developing Countries' (2007) 20 ICTSD Program on IPRs and Sustainable Development Issue Paper.

⁴⁷⁰ Trevor Cook, 'The New European Commission and Its Work Plan for EU Intellectual Property' (2014) 19 Journal of Intellectual Property Rights 57

5.4 National Civil Remedies across the GCC

The previous section aimed at providing a picture of the EU and its stance on implementing international standards of protection for IP and the extent to which it legislates IP protection. In addition, it sought to discuss the enforcement mechanisms available when it comes to the issues of border measures. This section assesses the main provisions available in each of the GCC member states with respect to the prescribed civil remedies and criminal sanctions.

The Kuwaiti government has promulgated several laws that ensure the protection of IP rights. The main laws include Decree No. 10 of 1987 amending Decree No. 68 of 1968 governing trademarks; Law No. 3 of 2001 amending Law No. 4 of 1962 governing patents, designs, and industrial models; and Law No. 64 of 1999 governing IP rights. Article 42 of the 1999 law imposes imprisonment and pecuniary sanctions on persons who infringe the IP rights of others, sell or offer to sell imitated literary works, disclose computer software, and remove property rights that limit public access to literary works. Law No. 67 of 1980 also prescribes imprisonment and fines for persons who counterfeit or imitate trademarks or sell products in bad faith. However, the same law gives wide discretion to civil courts with regard to the appropriate remedies to be granted.⁴⁷¹ Thus, they may exercise the discretion to award damages or require specific performance. The law provides two other remedies that may be invoked in cases of the infringement of IP rights. The first is the pre-trial remedy of interlocutory injunction. Prior to initiating proceedings in a civil court, the right holder may apply to the Court of Urgent Matters for an interlocutory injunction order. This order requires the immediate seizure and confiscation of the imitated or counterfeit goods. The second remedy is the claim on the merits, and it must be filed within eight days of the issuance of the injunction order. The right holder claims compensation for the damages suffered as a result of the sale or use of the counterfeit goods. The right holder may also claim damages for the loss of reputation. However, despite the availability of the above remedies, Kuwait remains on the Watch List of the United States because it is contended that copyright enforcement in the country has been lagging for years.⁴⁷² The USTR recommended that the Kuwaiti government create specialised IP courts, recommence

⁴⁷¹ United Trademark and Patent Services, 'Trademark Law of Kuwait' <<http://www.utmps.com/getattachment/59789790-90b7-4220-b2c6-9efe699ff969/Kuwait-Trademark-Law.aspx>> accessed 28 February 2014.

⁴⁷² United States Trade Representatives, 'USTR Releases Annual Special 301 Report On Intellectual Property Rights' (2016) <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/april/ustr-releases-annual-special-301>> accessed 31 January 2016.

raids, prosecute cases of the unauthorised use of software in enterprises, impose maximum penalties to deter piracy, and modernise the copyright law to meet the TRIPS requirements.⁴⁷³

The Kingdom of Bahrain ensures that most of the laws offer the protection and enforcement of IP rights in several of its legislations and statutes. The most important ones include Law No. 35/2005 amending Law No. 7/2003 on trade secrets; Law No. 22/2006 on copyright and neighbouring rights; Law No. 5/2006 on the designs of integrated circuits; Law No. 6/2006 on industrial designs; Law No. 14/2006 amending Law No. 1/2004 on patents and utility models; and Law No. 11/2006 on trademarks. The latter law empowers Customs to contain the trafficking of counterfeit goods. Thus, the legal framework for the protection of IP rights in Bahrain is similar to that of Kuwait. Right holders in Bahrain have access to both pre-trial remedies and judicial relief. Equally, there are no specialised IP courts. Articles 40 and 40bis of Law No. 14/2006, Article 20 of Law No. 6/2006, and Articles 45 and 46 of Law No. 11/2006 empower the right holder to initiate proceedings in a civil court in order to prevent imminent infringement or stop an ongoing infringement. The court must rule on the petition within 10 days, and it may grant any of the following: a temporary or permanent injunction, seizure or destruction of the counterfeit goods or material, costs, and damages.⁴⁷⁴

IP rights may also be enforced through criminal law. Article 43 of Law No. 11/2006 provides that the right holder may file a complaint with the Customs Office seeking the suspension or prohibition of goods he believes to be counterfeit. The Customs Office may issue such an order, but the applicant has 10 days to obtain another order from a competent court confirming the order of the Customs Office. As in the other GCC countries, counterfeiting is punishable by imprisonment or fine. Generally, the right holder may file a complaint with the Industrial Property Control Section of the Directorate of Industrial Property, which is attached to the Ministry of Industry and Commerce. Inspectors of the Directorate may raid the premises where the infringement occurred, and where they are convinced that an offence has been committed, they will refer the matter to the Public Prosecutor's Office, which may, in turn, refer the matter to a competent criminal court. Thus, the remedies available to the right holder include raids,

⁴⁷³ USA International Business Publications, Kuwait Taxation Laws And Regulations Handbook (Intl Business Pubns Usa 2008).

⁴⁷⁴ Sabuktageen Zahoor Khawaja, 'Bahrain Trademark Law' (World Trademark Review 2010) <<http://www.worldtrademarkreview.com/Intelligence/Anti-Counterfeiting/2010/Country-chapters/Bahrain>> accessed 28 February 2014.

seizure and destruction of counterfeit goods, fine and/or imprisonment, closure of the offender's business, and publication of the judgement.⁴⁷⁵

Prior to joining the WTO, Oman had already created a regime for the protection of some IP rights. The Trademark Law of 1987 provided protection for duly registered trademarks. While Oman has no specific modern law governing trademarks and trade secrets, reference may be made to Royal Decree No. 67/2008 governing industrial property rights and their enforcement. However, there are no specific laws governing industrial designs, plant varieties, layout designs of integrated circuits, and abuse of anti-competitive practices. Equally, most of the applicable laws are regulations issued by the executive.

In order to comply with the minimum standards requirements of TRIPS, Qatar's Law No. 7/2002 on the protection of copyrights and neighbouring rights was passed, followed by Law No. 9/2002 on the protection of trademarks, trade data, geographical indications, and industrial design. This law abolished Trademark Law No. 3 of 1978 and also granted owners of IP the exclusive right to use their creation. Some three years later, Law No. 5/2005 on the protection of trade secrets and Law No. 6/2005 on the protection of layout designs and integrated circuits were passed. The following year, Law No. 30/2006 on the protection of patents was promulgated. In 2009, the Emir issued Decree No. 53 establishing the Intellectual Property Protection Centre, and two years later, Law No. 17 of 2011 was passed, establishing the Border Measures for the Protection of Intellectual Property Rights. Thus, unlike Oman, Qatar has enacted laws governing most of the important areas of IP. Moreover, these laws are modelled on the provisions of TRIPS.⁴⁷⁶ Law No. 9/2002, for example, grants the registered trademark owner the right to prevent all third parties from using identical or similar signs without the owner's consent. This reflects Article 16(1) of TRIPS as well as Article 6bis of the Paris Convention, both of which oblige signatory states to refuse or cancel the registration and proscribe the use of a mark that conflicts with a registered mark. However, there is no classification system for goods and services.⁴⁷⁷ Furthermore, many parts of the IP laws are yet to come into force. Article 6 of the 2002 law authorising the Trademarks Office to register sound and smell marks, for

⁴⁷⁵ *ibid.*

⁴⁷⁶ Mohamed Salem Abou El Farag, 'Balancing the Inventors' Interest against the Public Interest: The Case of the Patent Law of Qatar' (2012) 7 *Journal of International Commercial Law and Technology* 233.

⁴⁷⁷ Price, *The Development of Intellectual Property Regimes in the Arabian Gulf States*.

example, has yet to be activated.⁴⁷⁸ Most important is the absence of implementing statutes. This creates uncertainty regarding the due procedures and limits the remedies available to the right holder. Article 13 of the 2002 law provides for a Grievances Committee, but it has not convened in more than nine years.⁴⁷⁹ Thus, in light of the above, many businesses are unsure about whether they should invest in their trademarks.⁴⁸⁰

The UAE experienced a 35% growth in its GDP in 2006 despite an unprecedented level of foreign investment, and this motivated its leaders to modernise the IP laws and align them with international standards.⁴⁸¹ The protection of trademarks is still governed by Federal Law No. 37 of 1992, and the law governing copyrights was only promulgated in 2002 (Federal Law No. 7 of 2002). The available remedies are relatively few when compared to Kuwait or Qatar. The right holder may seek precautionary measures, administrative sanctions, civil remedies, and criminal sanctions (Articles 34 to 41 of Law No. 7 of 2002). However, the right to compensation is not clearly specified, and it has been suggested that parties may find clearer guidelines in Article 282 of Federal Law No. 5 of 1985.⁴⁸² In the event of an infringement, the right holder may initiate proceedings at the Abu Dhabi Federal Court against the Ministry of Economy and Commerce. The plaintiff may seek monetary compensation from the defendant and request that the trademark be expunged from the records of the Ministry. The court may also order the suspension of the release of the counterfeit goods.⁴⁸³ Criminal sanctions may also be imposed on the defendant. Article 37 of Law No. 7 of 2002 empowers the court to impose imprisonment and fines.

The Kingdom of Saudi Arabia joined the WTO on 11 December 2005, after 12 years of negotiations. In the same year, it promulgated the Regulations for Border Protection of IP Rights pursuant to the Minister of Finance's Order No. 1277. The regulations empowered the Customs department to stop commodities that infringe trademarks or copyrights from entering the country. Like the other GCC member states, Saudi Arabia has sought to incorporate the provisions of TRIPS into its national laws. Its membership in the GCC has helped in this regard,

⁴⁷⁸ Malik Al Kammaz, 'Qatar's Trademark Law' (Private Sector Qatar 2014) <<http://privatesectorqatar.com/english/2014/02/qatars-trademark-law/>> accessed 28 February 2016.

⁴⁷⁹ *ibid.*

⁴⁸⁰ *ibid.*

⁴⁸¹ Peter W Hansen, *Intellectual Property Law and Practice of the United Arab Emirates* (Oxford University Press 2009).

⁴⁸² *ibid.*

⁴⁸³ *ibid.*

since many articles of the Unified Law for Trademarks (Articles 38 to 41) are very similar to the TRIPS provisions (Articles 51 to 60). The Saudi government has established many committees to facilitate the enforcement of IP rights. One of the most effective ones is the Violation Review Committee on Copyrights that works with the General Directorate of Copyright to review cases related to the violation of copyright laws. The legal remedies available to right holders are similar to those in other GCC countries: administrative sanctions, civil remedies, and criminal sanctions. However, Saudi Arabia has come under criticism for the lack of clarity of the provisions of its IP laws and inconsistent application of the law.⁴⁸⁴ Nonetheless, some commentators have noted that the Saudi laws meet international standards.⁴⁸⁵ In addition, the country was removed from the 301 Priority Watch List in 1996 in recognition of the progress it had made in protecting IP rights.

5.5 Conclusion

This chapter examined the relevant proceedings and remedies that are available to right holders in the GCC and the EU by using the provisions of TRIPS as a framework. It noted that in most legal systems, the right holder may seek pre-trial remedies or judicial relief. The remedies available to the parties include damages, declarations of the rights and obligations of the parties, injunctions (interim or perpetual), account of profits, and costs. However, in order to achieve a fair outcome, the court is required to take into account the circumstances of the specific case before it, and determine the most equitable remedy and impose criminal sanctions.

It was also noted, however, that since many GCC member states are considered developing countries⁴⁸⁶, it may be assumed that they are opposed to the reinforced protection and enforcement of IP rights under TRIPS. Equally, it may be assumed that since the EU (and its constituent states) is developed⁴⁸⁷, it favours the reinforced protection and enforcement of IP

⁴⁸⁴ Price, *The Development of Intellectual Property Regimes in the Arabian Gulf States*.

⁴⁸⁵ Hertog Steffen, 'Lean and Mean: The New Breed of State-Owned Enterprises in the Gulf Monarchies', in *Industrialization in the Gulf: a Socioeconomic Revolution* (1st edn, Routledge Studies in Middle Eastern Economies 2010); Ali Arif, 'Trademark Law of Saudi Arabia' (United Trademark and Patent Services 2014) <<http://www.utmps.com/getattachment/88685243-4f86-45fa-9102-b3e5206aba98/Saudi-Trademark-Law.aspx>> accessed 28 February 2015.

⁴⁸⁶ Michael Sturm and others, 'The Gulf Cooperation Council Countries—Economic Structures, Recent Developments and Role in the Global Economy' (2008) 92 ECB occasional paper.

⁴⁸⁷ Maximiliano Santa Cruz, 'Intellectual Property Provisions in European Union Trade Agreements: Implications for Developing Countries' (2007) 20 ICTSD Program on IPRs and Sustainable Development Issue Paper.

rights. The examination of the proceedings and remedies in the EU revealed that Enforcement Directive 2004/48 goes beyond the TRIPS enforcement provisions by *inter alia* extending the presumption of authorship to related right holders, as well as the right of information to aspects such as the identification of distribution networks of infringing goods, and requiring member states to ensure that the identities of witnesses are protected. Furthermore, the EU has sought to resolve the problem of the infringement of IP rights by all cross-border goods through Regulation 1383/2003 (replaced by Regulation (EU) 602/2013). This goes further than TRIPS, which only requires border measures for cases of importation, counterfeiting trademarks, and pirated goods.

However, the examination of the proceedings and remedies in the GCC revealed that although some of the members, like Qatar and Bahrain, have enacted laws governing most of the important areas of IP, and right holders have access to both pre-trial remedies and judicial relief, as critically discussed in chapters 4 and 7, there are no implementing statutes, specialised IP courts, or a specialist jurisdiction. Moreover, many parts of the IP laws have yet to come into force. This creates uncertainty regarding the due procedures and limits the remedies available to the right holders. Nonetheless, in both the EU and the GCC, the courts are required to take into account the circumstances of the specific case before them and determine the most equitable remedy. In some instances, they are justified in imposing criminal sanctions. Thus, the next chapter will discuss at length the criminal sanctions imposed for counterfeiting in the GCC, using the methods used in imposing criminal sanctions in the EU for comparative purposes. The main objective of the next chapter is to explore the criminal mechanisms available across the GCC states in order to conclude whether they are sufficient in the fight against counterfeiting.

Chapter 6: Sanctions and Criminal Proceedings of Trademark Infringement in the GCC

6.1 Introduction

This chapter examines the criminal enforcement of trademark counterfeiting in the EU and the GCC. First, it seeks to justify the imposition of criminal liability for the infringement of IP rights. It begins by discussing the minimal requirements of criminal liability and reviews some of the arguments for the imposition of liability from a criminological viewpoint and attempts to determine whether the violation of a trademark law should be held to be morally reprehensible to such extent as to be criminalised. Second, it assesses the criminal enforcement of trademark counterfeiting within an international framework. Accordingly, the requirements of the TRIPS Agreement and the Anti-Counterfeiting Trade Agreement (ACTA) are discussed. Finally, the chapter concludes with an overview of the criminal sanctions available in the GCC member states, with reference to the EU's criminal enforcement mechanisms for comparative purposes.

6.2 The Requirements for Criminal Liability: General Overview

The objective of criminal law is essentially to punish the wrongdoer. Punishment may assume several forms including fine, excommunication, community service, incarceration, and the death penalty. These forms of punishment provide justification of criminal punishment through the lens of retribution and utilitarianism. The wrongdoer is punished because he/she has to forfeit something in return. Harm inflicted on the wrongdoer must be proportionate to the harm inflicted on his/her victim.⁴⁸⁸ The wrongdoer must also be punished because this will purportedly achieve future social benefits, such as crime reduction. In other words, punishment is necessary because the consequences of the offence have spread through the community, causing not only pain to the victim but also alarm to the community.⁴⁸⁹ Hence, the criminal justice system ought to seek to satisfy both the victim and the community, who are both affected by the offence.

⁴⁸⁸ See LS Estacio, 'Showdown in Chinatown: Criminalising the Purchase of Counterfeit Goods' 37 (2013) *Seton Hall Legislative Journal* 1382, 1383; J Hasnas, 'The Centenary of a Mistake: One Hundred Years of Corporate Criminal Liability' 46 (2009) *American Criminal Law Review* 1329, 1336; HK Sanford, SJ Schulhofer and CS Steiker, *Criminal Law and its Processes: Cases and Materials* (8th edn, Wolters Kluwers Law & Business 2007) 67.

⁴⁸⁹ See J Bentham, E Dumont, and R Hildreth, *Theory of Legislation* (tr Etienne Dumont, Adamant Media Corporation 2005) 58.

In light of the above, those found guilty of intentionally infringing a registered trademark may then be punished because of their moral culpability. The reference to the notion of ‘culpability’ is used as a fair measure to determine the degree to which the wrongdoer should be held morally responsible for the infringement. This relates to Sir James Fitzjames Stephen’s retributivist argument that ‘the infliction of punishment by law gives definite expression and a solemn ratification and justification to the hatred which is excited by the commission of the offence’.⁴⁹⁰ Still retributivism is much more complex than what is described above. Several different commentators have, over the centuries, developed and used many different sub-theories. For example, the concept of retributive justice has been related to the notions of proportionality and ethics.⁴⁹¹ Differences in terms of approach towards criminality lie in the way burdens and benefits ought to be distributed in a society, as well as how the law ought to ensure that each person maintains a certain level of respect for the rights of others. The two together should contribute to a more harmonious and international framework where in ideal circumstances, there would be a balance, where each person respects the rights of others. The violation of a law such as the infringement of a registered trademark disrupts the balance, and the court or other competent authority has an obligation to take away any advantage gained by the wrongdoer through the infringement.⁴⁹² The threat of criminal sanction would prevent potential trademark infringers from engaging in the illegal activity, since the cost of punishment outweighs the advantage gained through the infringement. The argument here is that where a person wishes to avoid punishment to a sufficient extent, he will refrain from committing a crime.⁴⁹³ In the same vein, the criminal sanction imposed by the court or competent authority on the infringer physically prevents him from committing other offences. Incarceration is designed to achieve this through incapacitating and rehabilitating criminals. Thus, where a trader wishes to avoid punishment, he will refrain from infringing the rights of the trademark owner.

It must be noted, however, that trademark laws, as will be shown below, generally prohibit persons from knowingly producing or distributing goods bearing registered trademarks without authorisation from the trademark owner or from using registered trademarks in a way that will

⁴⁹⁰ JF Stephen, *A History of the Criminal Law in England* (1883) 81–2.

⁴⁹¹ R Perry, ‘The Role of Retributive Justice in the Common Law of Torts: A Descriptive Theory’ (2006) 73 *Tennessee Law Review* 177; R Perry ‘The Third Form of Justice’ (2010) 23 *Canadian Journal of Law and Jurisprudence* 223.

⁴⁹² See J Kaplan and others, *Criminal Law: Cases and Materials* (6th edn, 2008) 32; HLA Hart, *Punishment and Responsibility: Essays in the Philosophy of Law* (1968) 231–2.

⁴⁹³ *ibid.*

confuse consumers as to the manufacturer's or seller's affiliation. Thus, it does not suffice that a person has used a registered trademark in a prohibited way or without authorisation from the trademark owner. He must possess a culpable state of mind before criminal liability may attach and must be morally culpable for his actions⁴⁹⁴. However, the requisite level of culpability varies according to whether the violation of a trademark law should be held to be morally reprehensible to such an extent as to be criminalised has not been settled at the international level. The laws in most jurisdictions divide culpability into levels of mental states, and four mental states may be identified—namely, negligence, recklessly, knowingly, and intentionally. 'Intentionally' is the highest level and is established when a person acts with the 'conscious objective' to cause a result or achieve a set outcome.⁴⁹⁵ 'Knowingly' is established when the wrongdoer was aware of the link between his action and the offence.⁴⁹⁶ Thus, the infringer 'intentionally' uses the registered trademark without authorisation from the trademark owner with the conscious objective of confusing consumers as to the manufacturer, or the infringer 'knowingly' uses the registered trademark without authorisation given and with the awareness of the connection between his use of the trademark and the infringement of the trademark owner's rights⁴⁹⁷. However, in many instances, the infringer merely acts recklessly with respect to the infringement of the trademark owner's rights. The punishment of the infringer may be justifiable when the risk of the infringement is so substantial that a reasonable person would refrain from perpetrating the act under the same circumstances. This relates to whether the appropriate test for determining criminal liability is the objective or subjective test.⁴⁹⁸ The next section seeks to determine whether the trademark laws that were examined in the previous chapters (EU law and GCC trademark law) are justified in providing for the criminal enforcement of the rights of the trademark owner.

⁴⁹⁴ Jan Rosén, *Individualism And Collectiveness In Intellectual Property Law* (Edward Elgar 2012).

⁴⁹⁵ Alon Harel and Keith N Hylton, *Research Handbook On The Economics Of Criminal Law* (Edward Elgar 2012); Antonio Cassese, *International Criminal Law* (Oxford University Press 2013); Neil Boister and Robert J Currie, *Routledge Handbook Of Transnational Criminal Law* (Routledge 2015).

⁴⁹⁶ M. Cherif Bassiouni, *International Criminal Law* (2nd edn, M Nijhoff Publishers 2013).

⁴⁹⁷ Christophe Geiger, *Criminal Enforcement Of Intellectual Property* (Edward Elgar 2012); Jan Rosén, *Individualism And Collectiveness In Intellectual Property Law* (Edward Elgar 2012).

⁴⁹⁸ Jonathan Herring, *Criminal Law: Text, Cases, And Materials* (6th edn, Oxford University Press 2014).

6.2.1 Comments on Criminalising IP Infringements

In many legal systems, some infringements of IP rights have been criminalised. This has been the case for several decades. In 1935, Boyle named 23 countries where patent infringement was punishable by a fine or imprisonment.⁴⁹⁹ There are many theories justifying the criminalisation of the infringement of IP rights. There is the utilitarian argument that harsher sanctions are required because of the level of harm caused by the infringers of the IP rights, and these sanctions would deter them.⁵⁰⁰ It has also been argued that criminal sanctions provide an appropriate balance of incentives for right holders, since they give them better protections for their creations.

The criminalisation of IP rights infringement has also been justified in different ways according to theoretical content but also often according to jurisdiction. From the Singaporean perspective, for example, Cheng notes that IP is recognised as a form of property, and since the violation of general property interests is criminalised under the law of theft, it was deemed logical to criminalise the violation of IP rights.⁵⁰¹ Abolsky employs the same argument to justify the criminalisation of IP infringement in the United States.⁵⁰² However, Hoffstadt argues that the homogenous approach of equating the criminal violation of IP rights with the theft of tangible property does not take into account the fact that the intrusion occasioned by both types of violation is markedly distinct.⁵⁰³ Thus, on the one hand, the theft of tangible property may be said to be the dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it. This reflects the definition in section 73(12) of the Australian Theft Act 1958; section 1 of the English Theft Act 1968; and section 322(1)(a) of the Criminal Code of Canada. On the other hand, the person infringing the IP rights has no intention of permanently depriving the right holder of his rights. As such, it is difficult to justify the homogenous approach of equating the theft of tangible property to the theft of IP rights.

When Pope Benedict XVI's butler was accused of stealing the former's private documents and disclosing them to the media, the butler's lawyer argued that he took only photocopies and not

⁴⁹⁹ John Boyle, 'May Patent Infringement Be a Criminal Conspiracy' (1935) 17 *Journal of Patent Office Society* 529

⁵⁰⁰ *ibid.*; Christophe Geiger, *Criminal Enforcement Of Intellectual Property* (Edward Elgar 2012).

⁵⁰¹ CL Saw, 'The Case for Criminalising Primary Infringements of Copyright—Perspectives from Singapore' (2009) 18 *International Journal of Law and Information Technology* 95.

⁵⁰² Lauren E Abolsky, 'Operation Blackbeard: Is Government Prioritization Enough to Deter Intellectual Property Criminals?' (2004) 14 *Fordham Intellectual Property Media & Entertainment Law Journal* 567.

⁵⁰³ Brian M Hoffstadt, 'Dispossession, Intellectual Property, and the Sin of Theoretical Homogeneity' (2006) 80 *South California Law Review* 910.

originals.⁵⁰⁴ Thus, he had no intention of temporally or permanently depriving the plaintiff of the documents. However, it was noted that the once the documents are photocopied, the owner loses control, as well as potential advantages, although he retains the originals. Thus, there have been civil remedies under copyright and trade secret laws to redress the loss suffered by the right holder in such instances. Nonetheless, where these civil remedies are insufficient to deter the theft of intangible properties or vindicate the interests of the right holder and the public, the argument for criminal sanctions becomes persuasive.⁵⁰⁵

Moohr intimates that the infringement of IP rights was criminalised because of the increase in the value of the intangible property and the growth in its variations.⁵⁰⁶ Moreover, the infringement of IP rights sometimes deprives the claimant of some of the economic benefits of exploiting their creation and has a negative effect on the incentive to invest in the development of IP products.⁵⁰⁷ However, this does not imply that the sole motivation for imposing criminal sanctions for IP infringement is purely utilitarian, rather than moral. This is because under the laws of most jurisdictions, defendants are held liable for IP infringement where they are aware of the illegality of their acts and/or disregard the consequences of their acts to the right holder. Thus, criminal liability attaches to the defendant because of his culpability. For example, section 506 of the Copyright Act 1976 of the United States imposes criminal liability on persons who have wilfully infringed another's copyright for the purpose of commercial advantage or private financial gain. Further, the Copyright Felony Act 1992 of the United States treats the wilful infringement of all types of copyrighted works as a felony, and section 92 of the Trade Marks Act 1994 of the United Kingdom provides that the unauthorised use of a trademark with a view to obtain a gain or cause a loss to the proprietor or another shall be an offence. In addition, section 17 of the Law against Unfair Competition in Germany punishes the unauthorised copying of a firm's trade secrets by employees with the intent of inflicting harm upon the owner of the firm.

The criminalisation of the infringement of IP is also recommended by TRIPS. Article 61 of the Agreement states the following:

⁵⁰⁴ Tom Kington, 'Pope Benedict's Butler Accuses Vatican Police of Inhumane Treatment' (The Guardian 2012) <<http://www.theguardian.com/world/2012/oct/02/pope-benedict-butler-vatican-police-inhumane>> accessed 28 February 2014.

⁵⁰⁵ ID Manta, 'The Puzzle of Criminal Sanctions for Intellectual Property Infringement' (2011) 24 Harvard Journal of Law & Technology 469.

⁵⁰⁶ Geraldine Szott Moohr, *The Criminal Law of Intellectual Property and Information: Cases and Materials* (Thomson West 2008).

⁵⁰⁷ Glen O Robinson, 'On Refusing to Deal with Rivals' (2002) 87 Cornell Law Review 1177.

Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity.

As such, it may be said that the member states of the WTO are justified in criminalising IP infringement in cases where the accused had clear foresight of the consequences of his actions, or where it was actually his aim for the consequence to ensue.

Many of the civil remedies discussed in chapter 5 and criminal sanctions analysed above are also available in the GCC member states. One of the most important goals set in the GCC Charter is the unification of laws and regulations of the member states.⁵⁰⁸ The process was launched in 1982 following the first meeting of the ministers of justice of the GCC states in Riyadh, where it was agreed that the civil, commercial, and criminal laws of the member states would be combined or substituted and replaced with a single system based on Islamic law.⁵⁰⁹ This implies that Islamic law is the ‘common law’ of the GCC states; however, as pointed out in chapter 3, it has become regarded as mostly useful in cases concerning marriage, divorce, inheritance, and other Islamic-related matters, and trademarks are considered part of the commercial codes and practice and are thus applicable by way of codified laws.

6.3 The International and Regional Framework

6.3.1 The TRIPS Agreement

Chapter five discussed the TRIPS agreement in the context of civil proceedings and remedies. This section exclusively focuses on the criminal sanctions available as per the Agreement. Article 61 of the TRIPS Agreement states that member states ‘shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale’. The term ‘wilful’ may be said to refer to the highest

⁵⁰⁸ Saba Al Sultani and Rob Deans, ‘GCC Trademark Law Coming Soon’ (WIPO 2014) <http://www.wipo.int/wipo_magazine/en/2014/05/article_0010.html> accessed 5 February 2016.

⁵⁰⁹ *ibid*; David Price, *The Development of Intellectual Property Regimes in the Middle East: Infidels at the Gate* (Routledge 2009) 179

level of culpable mental states discussed above: ‘intentionally’. As an example in the English case of *De Beers UK Ltd v Atos Origin IT Services*⁵¹⁰, it was held that the term ‘wilful misconduct’ referred to conduct by a person who knows that he is committing a breach or offence, and who intends to achieve the result that completes the breach or offence. The judge distinguished ‘wilful misconduct’ from ‘deliberate default’; he said that the latter was narrower and meant that the person committing the relevant act knew it was a default, but had not necessarily set out with the intention to commit the act. The judge’s description of ‘deliberate default’ is similar to that of ‘knowingly’, which is the second level of culpable mental states as shown above⁵¹¹. Therefore, Article 61 of the TRIPS Agreement requires all member states to provide for criminal sanctions where the infringer ‘intentionally’ used the registered trademark without authorisation and with the conscious objective of confusing consumers as to the manufacturer⁵¹²; but not necessarily when the infringer ‘knowingly’ used the registered trademark without authorisation or was aware of the connection between his use of the trademark and the infringement of the trademark owner’s rights; or where the infringer acted recklessly with respect to the infringement of the trademark owner’s rights or failed to perceive the substantial risk of infringement, where a reasonable person would have perceived the risk under the same circumstance⁵¹³. The limitation of the application of Article 61 of the TRIPS Agreement only to instances where the infringer wilfully or intentionally committed the relevant act may be said to be a high threshold for applying criminal procedures, since ‘intentionally’ is the highest level of the culpable mental states⁵¹⁴.

Notwithstanding, in 2009, the United States submitted a claim to the Dispute Settlement Body (DSB) of the WTO to the effect that China had failed to fulfil its obligations under the TRIPS Agreement by setting high thresholds for applying criminal procedures and penalties to the infringement of IP rights. The argument was that this provided a safe haven for pirates and counterfeiters fleeing criminal prosecution in other countries.⁵¹⁵ However, as was argued above, Article 61 of the TRIPS Agreement actually requires member states to set a high threshold for applying criminal procedures. Nonetheless, this was not China’s argument. It instead noted that

⁵¹⁰ Jonathan Herring, *Criminal Law: Text, Cases, And Materials* (6th edn, Oxford University Press 2014).

⁵¹¹ *ibid.*

⁵¹² Peter van den Bossche and Marie Denise Prévost, *Essentials Of WTO Law* (Cambridge University Press 2016).

⁵¹³ Christophe Geiger, *Criminal Enforcement Of Intellectual Property* (Edward Elgar 2012).

⁵¹⁴ Jan Rosén, *Individualism And Collectiveness In Intellectual Property Law* (Edward Elgar 2012).

⁵¹⁵ See Panel Report, *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R (26 January 2009).

it provided for the enforcement of IP rights on different scales; the serious cases above the thresholds were handled by the public securities and the low-scale infringements were tackled by the commerce authorities.⁵¹⁶ China further claimed that its courts take into account multiple acts of infringement, calculate thresholds over a prolonged period of time, and consider evidence of collaboration between infringers.⁵¹⁷

After hearing and analysing the arguments of both parties, the DSB noted that Article 61 governs four separate things—namely, trademarks and copyrights, counterfeiting and piracy, wilful acts, and infringements on a commercial scale. It further defined the term ‘counterfeiting or piracy on a commercial scale’ as counterfeiting or piracy that was carried on the scale or at the extent of typical commercial activity in relation to a given product in a given market. Thus, it examined the criminal thresholds in China and the specific conditions in its marketplace. The Panel, then, fell short of stating whether China had satisfied its obligations under the TRIPS Agreement, and instead held that the United States had failed to substantiate its claim.⁵¹⁸

The claim of the United States was also based on the copy threshold, whereby counterfeiters in China could avoid criminal sanction by limiting their inventory to 499 reproductions. This is because Article 217 of Chinese Criminal Law set the relevant threshold at 500 copies.⁵¹⁹ However, China rightly pointed out that its courts are not required to focus solely on the number of reproductions in order to determine whether the accused was liable. Thus, it may be contended that the DSB’s inability to state that China had failed to fulfil its obligations under the TRIPS Agreement implies the validity of the above argument about the use of the term ‘wilful’. Thus, China had, in fact, fulfilled its obligation, since it had provided for criminal sanctions only where the infringer ‘intentionally’ infringed the IP rights of another and not when the infringer ‘knowingly’, recklessly, or negligently used the registered trademark without authorisation. This is supported by the fact that the TRIPS Agreement was established as a minimum standards agreement. Article 1.1 provides that ‘Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this

⁵¹⁶ *ibid* 37.

⁵¹⁷ *ibid*.

⁵¹⁸ The United States provided only secondary evidence in the form of newspaper articles and industry and consultant reports. For a detailed analysis of the arguments of both parties and the decision of the Panel, see J Pauwelyn, ‘The Dog that Barked but Didn’t Bite: 15 Years of Intellectual Property Disputes at the WTO’ (2010) 1 *Journal of International Dispute Settlement* 389; DP Harris, ‘The Honeymoon is Over: The US–China WTO Intellectual Property Complaint’ (2008) 32 *Fordham International Law Journal* 96.

⁵¹⁹ PK Yu, ‘TRIPS Enforcement and Developing Countries’ (2011) 26 *American University International Law Review* 727, 732–3.

Agreement'.⁵²⁰ Thus, the TRIPS Agreement is sufficiently flexible in its application, and the member states may determine the appropriate means of enforcing the provisions of the agreement.

6.3.2 Anti-Counterfeiting Trade Agreement (ACTA)

ACTA is a plurilateral agreement for combating the infringement of IP rights by establishing international standards. It also seeks to establish a new governing body outside of existing institutions, such as the WTO, WIPO, and the UN. Eight countries signed the agreement in October 2011, while Mexico and the 22 EU member states signed in 2012. However, of all the signatory states, only Japan has ratified the agreement. Thus, it has yet to come into force, since at least six states have to ratify the agreement. The agreement provides for the flexibility of each signatory state to implement more extensive enforcement of IP rights than is required by ACTA. Thus, each signatory state ought to determine the appropriate method of implementing the provisions of ACTA within its own legal system and practice.

ACTA provides for the criminal enforcement of IP rights. Each party is required to provide for criminal procedures and penalties to be applied in cases of 'wilful' trademark counterfeiting or copyright piracy on a commercial scale, as well as the 'wilful' importation or exportation of counterfeit goods. This is similar to the threshold set by Article 61 of the TRIPS Agreement discussed above. Thus, it may be contended that signatory states are required to provide for criminal sanctions only where the infringer 'intentionally' infringed the IP rights of another, and not when the infringer 'knowingly', 'recklessly', or 'negligently' used the registered trademark without authorisation. ACTA requires them to further provide penalties, such as imprisonment and fines, to deter future acts of infringement. In addition, the competent authorities in the signatory states are supposed to be empowered to seize suspected counterfeit trademark or pirated copyright goods and related materials, as well as order the forfeiture or destruction of the goods and materials used to create them. The competent authorities should also be able to initiate investigations into the criminal offences for which the signatory state provides criminal procedures and penalties.⁵²¹

⁵²⁰ *ibid.*

⁵²¹ S Ilias, 'The Proposed Anti-Counterfeiting Trade Agreement: Background and Key Issues' (2012) Congressional Research Service 1, 7–9.

6.3.3 Criminal enforcement in the EU

The civil enforcement of IP rights has been harmonised at the European level by Directive 2004/48/EC of the European Parliament and Council on the Enforcement of IP Rights. This Directive creates a level field for applying for IP rights and ensures that IP enjoys an equivalent level of protection in the internal market. The EU debated for several years the harmonisation of the criminal enforcement of IP rights, and on 12 July 2005, the European Commission proposed the draft Directive on criminal measures aimed at ensuring the enforcement of IP rights (2005/0127/COD). It was intended to supplement Directive 2004/48/EC. The latter Directive originally included criminal sanctions, but they were omitted from the final draft because they were still the subject of contentious debate. In the same vein, the European Commission withdrew its 2005 proposal after five years of heated debate (Official Journal C 252 of 18 September 2010). It is alleged that IT companies and grassroots organisations exerted great pressure on the Commission to drop the idea of the criminal enforcement of IP rights.⁵²²

Nonetheless, it must be noted that most EU jurisdictions criminalise both trademark counterfeiting and copyright piracy. Only Cyprus and Luxembourg criminalise exclusively copyright piracy. This implies that the enforcement agencies of the EU member states retain complete autonomy over the criminal enforcement process. As noted earlier, this creates uncertainty, as different states apply different standards or seek to achieve diverse public policy goals. The International Trademark Association (INTA) supported the harmonisation of criminal sanctions in the EU on the grounds that it would lead to more certainty and clarity for right holders and constitute a stronger deterrent for counterfeiters. It also pointed out the many inconsistencies in the criminal enforcement measures across the EU member states. For instance, there are inconsistent definitions, scopes of crime, and assessments of intent. The most glaring example is the absence of a harmonised definition of trademark counterfeiting, with the exception of the definition of counterfeit goods in Customs Regulation 1383/2003.⁵²³ Unsurprisingly, criminal trademark infringement is not defined consistently across the EU. According to Article 143 of the German Trademark Act, criminal infringement is an action ‘in

⁵²² ID Manta, ‘The Puzzle of Criminal Sanctions for Intellectual Property Infringement’ (2011) 24 *Harvard Journal of Law & Technology* 469, 471.

⁵²³ For an overview of this Regulation, see BJ Olson, MR Graham, J Maltbie, and R Epperson, ‘The 10 Things Every Practitioner Should Know about Anti-Counterfeiting and Anti-Piracy Protection’ (2007) 7 *Journal of High Technology Law* 106.

the course of trade’, whereas the French Intellectual Property Code (Article L335-1 et seq; Article L716-9 et seq) and Customs Code (Articles 38, 215 and 414) provide for the criminal prosecution of infringements without regard to the place or time of the commission of the offence or the mental state of the infringer. No intent is required. This is markedly different from the German position, where the claimant must prove criminal intent (*vorsatz*) or recklessness (*dolus eventualis*). In Italy, Article 474 of the Criminal Code governs the importation of products into Italy and the trade of products bearing counterfeit. It provides that in order to be successful, the prosecution must show the defendant’s general intent (*dolo generico*) or present evidence that the defendant acted consciously and wilfully (*conscienza e volonta*). However, Article 648 of the Criminal Code requires evidence of the defendant’s specific intent (*dolo specifico*) or evidence that the defendant had the specific intent to gain a profit arising from his criminal act. Thus, the Italian Code sets a high threshold for criminal liability, since it requires ‘general intent’, which may be deemed to be similar to ‘knowingly’ (the second highest level of culpable mental states), and ‘specific intent’, which may be deemed to be ‘intentionally’ (the highest level of culpable state of mind). It is uncertain whether a person may be convicted for recklessness or negligence in infringing the rights of the trademark owner.⁵²⁴

In the United Kingdom, Section 92 of the Trademark Act 1994 criminalises the infringement of a trademark right where there is an intention to gain from the counterfeiting or to cause loss to another.⁵²⁵ However, the prosecution must prove that the infringer had the intention to obtain an unjust benefit from the counterfeiting or the intention to cause loss to another. The Act also provides for a lower level of a culpable state of mind: the infringer must have knowingly understood, or had reason to believe, that the good would be used or was intended to be used for counterfeiting purposes. The defendant may successfully argue that he had reasonable grounds to believe that the use of the trademark was not an infringement of the registered trademark.⁵²⁶

⁵²⁴ Olivier Vrins and Marius Schneider, *Enforcement of Intellectual Property Rights through Border Measures* (Oxford University Press 2012).

⁵²⁵ Jenny Barker, ‘Fighting the Fakes: Criminal Penalties for IPR Infringements’ (Intellectual Property Magazine 2011) <<http://www.admin.co.uk/asl-bulletin-feb11/ipfightingthefakes1.pdf>> accessed 1 March 2014.

⁵²⁶ *ibid*; IP Crime Group - Gov.UK, ‘IP Crime Annual Report 2012–2013’ (2013) <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307829/ipcreport12.pdf> accessed 1 March 2014.

6.3.4 Criminal enforcement in the GCC

Article 42 of the GCC Trademark Law imposes criminal sanctions (fine and/or imprisonment) on persons who forge a registered trademark in a manner that misleads the public and affixes the mark to their products. Persons who ‘knowingly’ sell goods which bear a forged, counterfeit, or unlawfully affixed trademark may also be criminally liable. However, the law does not extend criminal liability to persons who were reckless or negligent. As such, it may be said to have set a high threshold for criminal enforcement, given that liability in the Act is restricted to the two highest levels of culpable mental states: intentionally and knowingly. To deal with this, the GCC ensured the implementation of provisions to deal with trademark infringers by setting maximum penalties in Article 42 as follows:

- “a fine of between SAR5,000 (approx. \$1,300) and SAR1 million (approx. \$260,000) and/or imprisonment for between one month and three years where a person counterfeits a registered trademark in a manner which misleads the public and affixes this mark to its products; and
- a fine of between SAR1,000 (approx. \$260) and SAR100,000 (approximately \$26,000) and/or imprisonment for between one month and one year where a person knowingly sells goods which contains a counterfeit or unlawfully affixed trademark.”⁵²⁷

The sanctions imposed, in particular the significant increase in monetary penalties acts as a deterrent to curb infringement and counterfeiting activities that has seen a rise in the region. Interestingly, the sanctions imposed under the GCC Trademark law are substantial than the present sanctions available in each of the Gulf States. As will be discussed in 6.4 below, in the UAE penalties for trademark infringements is between US \$1,880 to \$2,733 in contrast to the GCC Trademark Law, which imposes a fine of up to US \$260,000⁵²⁸. It follows that a unified trademark legislation would provide a harmonised mechanism where criminal sanctions are concerned and would potentially eliminate the disparities in this respect across the GCC States.

⁵²⁷ O Obeidat and S Nakhaei, ‘GCC Unified Trademark Law: Key Provisions And Challenges’ (Al Tamimi & Company, 2016) <<http://www.tamimi.com/en/magazine/law-update/section-14/february-8/gcc-unified-trademark-law-key-provisions-and-challenges.html>> accessed 12 July 2016.

⁵²⁸ *ibid.*

Furthermore, it will allow right holders to enjoy the same level of protection simultaneously across all GCC States⁵²⁹.

However as noted in chapters 2 and 4, the GCC Trademark Law is not a unitary law that has harmonised the laws and procedures of the GCC member states. The problem remains that each of the states themselves will have to set the threshold of criminal liability and impose the criminal penalties that they deem appropriate. Thus, each GCC state possesses different mechanisms for imposing criminal sanctions despite the threshold the Trademark Act has set in this regard. The next section focuses on each of the Gulf States to provide an account of the different criminal sanctions imposed in cases of trademark infringement, including counterfeiting and piracy.

6.4 National Criminal Procedures and Sanctions

Despite having a fair degree of common ground between the various types of IP laws in respect of the nature of infringements, the penalties for infringements still vary markedly between the states and, as seen in chapter 4, even between the IP laws of the states. The one exception is Oman, which introduced sanctions and penalties that are the same across its new IP laws. Such marked differences have left the states open to criticism and accusations from developed countries that consider inadequate levels of sanctions to provide a safe haven for illegal importers, traders, and manufacturers.⁵³⁰ Thus, the aim of this section is to explore the criminal sanctions and punishment mechanisms available for trademark infringements through counterfeiting in each of the Gulf States and assess the degree to which it acts as a deterrent to counterfeiting and piracy in the region. References will be made to other IP infringements to provide a clearer picture of the stark differences in penalties and sanctions imposed by each state.

Bahrain recently took steps to increase the severity of sanctions which were formerly considered to be the most lenient in the region. However, this was met with limited success. The laws

⁵²⁹ David Harper and Rachel Armstrong, 'New GCC Trademark Law Sparks Change Across The Region' (World Trademark Review, 2015) <<http://www.worldtrademarkreview.com/Magazine/Issue/51/Features/New-GCC-trademark-law-sparks-change-across-the-region>> accessed 12 July 2016.

⁵³⁰ MA Ramady, *The GCC Economies* (Springer Science+Business Media 2012).

issued in 2006 for patents, trademarks, and designs carry reduced sanctions of up to US \$5,305 and one year's imprisonment.⁵³¹ What is interesting is that despite the FTA agreement between Bahrain and the United States, its impact on IP provisions is still uncertain with regard to further increasing the level of sanctions across all of Bahrain's IP laws. Bahrain's sanctions are still very lenient even by regional standards.

Kuwait's trademark law penalties are only marginally higher than its longest standing copyright law which provides for a maximum fine of US \$1,880, the lowest financial penalty of any regional copyright law.⁵³² It retains much of its trademark infringement penalties from its earlier trademark law of 1980 and carries a simple unspecified term of imprisonment and a fine of up to US \$2,256 for counterfeiting or improper use of a registered mark, but it does not impose a penalty for the use of a sign or mark excluded from registrability.⁵³³ It is worth noting that Kuwait's patent law carries penalties of up to US \$18,800 and one year's imprisonment.⁵³⁴ This clearly illustrates the varying degrees of penalties imposed across its IP laws.

In the case of Qatar, in respect of copyright infringements, they are considered reasonably substantial by regional standards, with penalties of up to US \$27,480 and imprisonment for up to one year.⁵³⁵ However, in the area of industrial property, it remains at the lower end of the regional spectrum. Its penalties are up to US \$5,486 and up to two years' imprisonment.⁵³⁶ The most recent laws, and specifically the patents laws of 2006, carry the most lenient penalties (US \$2,748), whilst the longest standing current laws, such as those pertaining to copyrights, carry the most stringent penalties as highlighted above.⁵³⁷

The UAE also contains an inconsistent but fairly high standard of criminal sanctions and procedures. To start, its patent and industrial design penalties are considered the highest, with maximum penalties of up to US \$27,326 and two years' imprisonment.⁵³⁸ However, the copyright law has provision for penalties that go up to an impressive US \$136,800 and an

⁵³¹ Bahrain, Legislative Decree No. 16 of 2004, art 6; Legislative Decree No. 7 of 2003, art. 7; Legislative Decree No. 14 of 2006, art. 41; Legislative Decree No. 11 of 2006, art. 48.

⁵³² Kuwait, Law No. 64 of 1999, art. 42.

⁵³³ Kuwait, Law No. 68 of 1980, art. 92.

⁵³⁴ Kuwait, Law No. 3 of 2001, art. 46.

⁵³⁵ Qatar, Law No. 7 of 2002, art. 50-51; Law no. 30 of 2004, art. 24.

⁵³⁶ *ibid.*

⁵³⁷ MA Ramady, *The GCC Economies* (Springer Science+Business Media 2012).

⁵³⁸ UAE, Federal Law No. 17 of 2002, art. 62.

unspecified maximum prison sentence.⁵³⁹ On the other end of the spectrum, trademark infringements, such as the use of counterfeit trademark or improper use of a registered trademark, attract the lowest penalty of up to one year's imprisonment and a fine between US \$1,880 and \$2,733.⁵⁴⁰

Saudi Arabia has established a regional benchmark in terms of the deterrence and sanctions available by increasing them dramatically from their previous levels. This is the result of the degree of pressure and scrutiny that Saudi Arabia has received from the United States and international businesses as well as IP watchdog organisations.⁵⁴¹ Thus, patent infringements carry a maximum penalty of up to US \$26,666, while the violation of any provision of the copyright law carries a maximum penalty of up to US \$66,650 (formerly \$2,666 under the 1989 law).⁵⁴² Trademark infringement cases have attracted the highest increases in financial penalty, with the fine having increased from US \$13,680 to \$266,666.⁵⁴³ The term for imprisonment remains unchanged at one year for trademark infringement and 6 months for copyright infringement.

Oman has taken a different approach to the other Gulf States by standardising its fines and sanctions across all its IP laws to ensure consistency.⁵⁴⁴ This was due to criticism and scrutiny by the United States for the leniency of its sanctions, but more importantly, Oman's significant geographical significance.⁵⁴⁵ Thus, the maximum penalty for counterfeiting or trademark infringements is the same as trade secrets and plant variety infringements. Therefore, the general penalty has increased five-fold with a maximum fine of US \$25,983.⁵⁴⁶ This model has attracted criticism from both the United States and the Gulf States on the grounds that it is not in accordance with the requirements of Article 61 of TRIPS.

In reference to section 6.3.1 above, of the Gulf States, Saudi Arabia and the UAE have been under the greatest pressure from developed countries, and especially the United States, to

⁵³⁹ UAE, Federal Law No. 7 of 2002, art. 38-39.

⁵⁴⁰ UAE, Federal Law No. 8 of 2002, art. 37-38.

⁵⁴¹ MA Ramady, *The GCC Economies* (Springer Science+Business Media 2012).

⁵⁴² Saudi Arabia, Royal Decree No. M/27 of 1425 AH (2004), art 34; Royal Decree No. M/41 of 1425 AH (2004), art. 22.

⁵⁴³ Saudi Arabia, Royal Decree No. 21 of 1423 AH (2002), art. 43.

⁵⁴⁴ MA Ramady, *The GCC Economies* (Springer Science+Business Media 2012).

⁵⁴⁵ *ibid*

⁵⁴⁶ Oman, Royal Decree No. 65/2008, art. 43; Royal Decree No. 67/2008, s 93.

introduce sanctions that will serve as an effective deterrent and that meet the obligations set out in Article 61 of TRIPS.⁵⁴⁷ Indeed, Oman is considered not to have in place sanctions that are sufficiently effective to act as a deterrent; furthermore, its provisions are deemed too lenient and not in accordance with the TRIPS Article 61 requirements. In fact, Oman has been accused of being a haven for copyright piracy and counterfeiting activities in the region due to its laxity and the softness of its sanctions. Oman's response has been that the sanctions are sufficiently severe to meet the objective of TRIPS Article 61.⁵⁴⁸ Saudi Arabia across all IP laws, and the UAE and Qatar in some instances, financial penalties are still considered moderate by local economic standards. However, what is interesting is that Qatar and the UAE have managed to escape US pressure in respect of their low penalties for trademark infringements. Arguably, this illustrates that trademark infringements through counterfeiting and piracy, and patent infringement particularly in respect of pharmaceutical products, are the key concerns for the United States in terms of IP protection in the UAE.⁵⁴⁹ The other states—namely, Kuwait—will continue to attract criticism for the inadequacy of their financial penalties, as shown in the previous chapters. Kuwait has reportedly initiated steps to double the maximum fines and jail sentences for copyright infringements, but not yet for trademarks. Furthermore, the increases for copyright infringements have yet to be put into effect, and the maximum fines would be hardly at a level that will satisfy the US government.⁵⁵⁰

6.5 Conclusion

This chapter examined sanctions and criminal proceedings of trademark infringements in the EU and GCC. At the international level, Article 61 of the TRIPS Agreement requires member states to provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting. ACTA also requires each state party to provide for criminal procedures and penalties to be applied in cases of 'wilful' trademark counterfeiting or copyright

⁵⁴⁷ Saba Intellectual Property, 'Kuwait: Commitment to IP Protection | News | Saba Intellectual Property' (2016) <http://www.sabaip.com/en/News/Kuwait-Commitment-to-IP-Protection?utm_source=Saba+IP+Bulletin-Feb+2016&utm_campaign=389d80fc92-Saba+IP+Bulletin+February+2016&utm_medium=email&utm_term=0_3fb57e4c32-389d80fc92-111130245> accessed 30 January 2016.

⁵⁴⁸ *ibid.*

⁵⁴⁹ MA Ramady, *The GCC Economies* (Springer Science+Business Media 2012).

⁵⁵⁰ Saba Intellectual Property, 'Kuwait: Commitment to IP Protection | News | Saba Intellectual Property' (2016) <http://www.sabaip.com/en/News/Kuwait-Commitment-to-IP-Protection?utm_source=Saba+IP+Bulletin-Feb+2016&utm_campaign=389d80fc92-Saba+IP+Bulletin+February+2016&utm_medium=email&utm_term=0_3fb57e4c32-389d80fc92-111130245> accessed 30 January 2016; Ustr.gov, 'USTR Releases Annual Special 301 Report on Intellectual Property Rights' (2016) <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/april/ustr-releases-annual-special-301>> accessed 31 January 2016.

piracy on a commercial scale, as well as the ‘wilful’ importation or exportation of counterfeit goods. It was held that the use of the term ‘wilful’ refers to the highest level of culpable mental states discussed above: ‘intentionally’. Thus, a member state fulfils its obligations under the TRIPS Agreement and ACTA if it provides for criminal sanctions only where the infringer ‘intentionally’ infringed the IP rights of another and not when the infringer ‘knowingly’, ‘recklessly’, or ‘negligently’ used the registered trademark without authorisation. To this effect, the GCC states may look to ACTA as a model to seek guidance on implementing effective criminal penalties and sanctions that are both consistent and adequate across the GCC region.

As shown in this chapter, the penalties for IP infringements differ starkly from one GCC state to another. This has left the Gulf States open to criticism and scrutiny and contributed to the growing phenomenon of counterfeiting in the region due to its leniency and laxity of imposing prison sentences, and the low financial penalties in some cases.⁵⁵¹ There is also the added feature of counterfeiters taking advantage of states with low criminal sanctions. On one side of the spectrum is Saudi Arabia, with a financial penalty for trademark infringement of up to \$266,666, and on the other side, Kuwait and the UAE, with penalties of \$2,256 and \$2,733, respectively. This diverse range of penalties for IP infringement could be characterised partly by the pressure and scrutiny the states face and the judicial, societal, and administrative issues, as discussed in section 4.7. Moreover, in many ways, it could be argued that the varying standards of criminal enforcement across the GCC states could defeat the purpose of the Unified Trademark Law, and indeed the Unified Patent Law, which were both created with the sole purpose of harmonising trademark and patent laws of all GCC states.

At the regional level, although the criminal enforcement of IP rights has not been fully harmonised at the European level, most EU member states criminalise both trademark counterfeiting and copyright piracy despite there being inconsistencies in the criminal enforcement measures across these jurisdictions. As regards the GCC, although Article 42 of the GCC Trademark Law imposes criminal sanctions (fine and/or imprisonment) on persons who forge a registered trademark, it is up to the individual member states to set the threshold of criminal liability and impose the criminal penalties that they deem appropriate. To date, each of the GCC states have approved the law by issuing a decree and publishing it in the local official

⁵⁵¹ Aparna Shivpuri, ‘Dealing with Counterfeit Goods – The Next Step’ (bq Magazine 2014) <<http://www.bq-magazine.com/industries/2014/07/dealing-counterfeit-goods-next-step>> accessed 30 January 2016.

gazette. However, the implementation of the legislation and the practical methods of enforcing IP infringements thereof in each of the GCC States remain to be seen⁵⁵².

The next chapter will deal exclusively with the issue of border measures as a way of fighting counterfeiting activities. Although chapter 2 discussed the issue of counterfeiting in the general sense, chapter 7 will discuss counterfeiting in the context of enforcing stronger border measures with a specific focus on the EU and GCC to provide a comparative context. In doing so, it will discuss the possible reasons why counterfeiting is conducted, the various international and regional agreements, and the current border measure controls available across the GCC states, to provide further insight into the problem and issue at hand.

⁵⁵²Omar Obeidat and Sadaf Nakhaei, 'GCC Unified Trademark Law: Key Provisions And Challenges' (Al Tamimi & Company, 2016) <<http://www.tamimi.com/en/magazine/law-update/section-14/february-8/gcc-unified-trademark-law-key-provisions-and-challenges.html>> accessed 12 July 2016; David Harper and Rachel Armstrong, 'New GCC Trademark Law Sparks Change Across The Region' (World Trademark Review, 2015) <<http://www.worldtrademarkreview.com/Magazine/Issue/51/Features/New-GCC-trademark-law-sparks-change-across-the-region>> accessed 12 July 2016.

Chapter 7: Border Measures and Customs Procedures in the EU and GCC: Key Issues for the Fight against Counterfeiting

7.1 Introduction

Counterfeiting is a well-known problem that dates back more than 2,000 years, when the practice of marking genuine goods amongst traders was customary. Since then, products that have gained a reputation in the marketplace have been imitated and passed off as genuine products to gain profit with minimal effort.⁵⁵³ Presently, counterfeiting activities are considered to be the fastest growing phenomenon that focuses solely on reputable international brands ranging from cosmetics, watches, shoes and clothing, to cars and airplane parts. Furthermore, it has engulfed the world economy by dealing with fake commodities and IP rights across the board. In addition, there seems to be a greater shift towards dealing with fake cigarettes and automotive brakes, and more alarming and destructive of all, pharmaceuticals.

The growth of counterfeit goods is not limited to the territories in which they are produced, as they are exported through multiple jurisdictions. As a result, the transport and trade of counterfeit goods across borders has become one of the major challenges for enforcement bodies and particularly Customs Authorities. The aim of this chapter is to examine the role of border control as an enforcement mechanism dealing with counterfeit goods in transit. The discussion focuses on the distribution modes used by counterfeiters and attempts to identify the relevant challenges faced by Customs Authorities. It then outlines the international, regional, and national frameworks of border measures with a special focus on the EU, providing a comparative analytical picture. Furthermore, by analysing the TRIPS Agreement, a brief treatment is given of the Paris Convention, as it is the origin of the international framework in this area. At the domestic level, each of the six Gulf States' provisions with respect to border control are analysed, compared, and discussed.

⁵⁵³ Peggy Chaudhry and Alan Zimmerman, *Protecting Your Intellectual Property Rights* (Springer 2013).

7.2 Distribution of Counterfeit Goods: How Is This Conducted?

This section considers the manner by which counterfeit goods are distributed. A primary field in this regard is that of Free Trade Zones (henceforth, FTZs), and where such zones serve as prime grounds for illicit activity, it is necessary to devote some sustained attention to this issue. The Financial Action Task Force (FATF), an organisation that describes itself as ‘an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering and terrorist financing’, outlines the problem succinctly in a report.⁵⁵⁴ The FATF describes FTZs as ‘a unique money laundering and terrorist financing threat because of their special status within jurisdictions as areas where certain administrative and oversight procedures are reduced or eliminated in order to boost economic growth through trade’.⁵⁵⁵ Inferring causality between the very concept and administrative laxity of an FTZ and illicit trade is, therefore, a rather facile endeavour, where a divide begins to occur between the legitimate intentions of an FTZ and its falling prey to corruption. FTZs are created with a view to attaining distinctive aims. These include the promotion of trade, support for new business formation, and the encouragement of foreign direct investment. It is easy to see how this would foster ‘a preferential environment’ for such activities, and where the presence of a ‘minimal amount of regulation’ would then serve as the means by which fussy bureaucracies can be removed from the picture.⁵⁵⁶ Other benefits, such as the waiving of excise and duties, serve to facilitate such trade. Particular kinds of FTZs include Export Processing Zones (EPZs), Enterprise Zones, Freeports, and Foreign Trade Zones. Today, there exist approximately 3,000 zones in 135 countries.⁵⁵⁷ There has also been a marked trend towards the privatisation of zones which has resulted in the ‘creation of more FTZs with expanding purpose and privileges and greater automation to simplify bureaucratic procedures’.⁵⁵⁸

It is certainly possible to see how this would serve to facilitate the various ends desired by FTZs. However, as mentioned, the empty space where regulations previously existed also provides the means by which criminal activity can enter. Thus, FTZs might not simply be described as conducive to the promotion of free trade but also vulnerable to an abuse of its principles. Now, while in principle, FTZs operate in accordance with anti-money laundering (AML) and combat the financing of terrorism (CFT) measures⁵⁵⁹, problematically, there exists a disparity between the theoretical implementation of any such protocol and the real practice of such measures. One

⁵⁵⁴ The Financial Action Task Force (FATF), ‘Money Laundering and Terrorist Financing Related to Counterfeiting of Currency’ (2013).

⁵⁵⁵ *ibid* 3.

⁵⁵⁶ *ibid* 4.

⁵⁵⁷ *ibid* 12.

⁵⁵⁸ *ibid* 13.

⁵⁵⁹ *ibid* 15.

such disparity that permits illicit trade is the rapid rate at which FTZs have developed, and where existent rules and regulations have not been sufficient to keep up with this rapid expansion. This has introduced a degree of vulnerability. Furthermore, since some businesses fall outside the AML-CFT legal and regulatory framework, the AML-CFT measures cannot be applied to them.⁵⁶⁰ In addition, the usage of cash, as opposed to documentable means of monetary exchange, poses a further problem and leaves FTZs susceptible to corruption. This is also complemented by various other laxities of regulation, together with a lack of systems coordination.⁵⁶¹ These issues combined leave particular types of goods more susceptible to imitation than others, such as cigarettes, alcohol, pharmaceuticals, and other high tariff items, together with luxury goods—with the latter being a prime victim of the infringement of IP rights due to their high-risk nature and health impact.⁵⁶² Furthermore, particular types of infringement that occur as a result of the laxity of FTZs include participation in organised crime and racketeering, terrorism and terrorist financing, human trafficking, the sexual exploitation of children, the illicit trafficking of narcotics and stolen goods, corruption and bribery, fraud, currency counterfeiting, the counterfeiting and piracy of goods, environmental crime, kidnapping and illegal restraint, smuggling, extortion, forgery, and piracy.⁵⁶³ Trade-based money laundering is also a key issue; some examples include over-invoicing, phantom shipments, and the falsification of the value of goods from one jurisdiction to another.⁵⁶⁴

The focus of this thesis is on counterfeit products and, as such, there is sustained attention devoted to this issue in relation to a report by the United Nations Office on Drugs and Crime (UNODC) titled ‘The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime’.⁵⁶⁵ The report provides compelling data on particular trade routes, such as one from East Asia to Europe. Where the phenomenon of ‘outsourcing’ is prevalent, there are also a lack of regulatory measures in place that ultimately allow for the above-examined issues. Shanty and Mishra explain as follows:

⁵⁶⁰ *ibid.*

⁵⁶¹ *ibid* 17.

⁵⁶² *Ibid*; V Markovic, ‘Criminal Trafficking and Trade in Counterfeit Consumer Products’ in FG Shanty and PP Mishra (eds) *Organised Crime: From Trafficking to Terrorism*, Vol. 1 (ABC-CLIO 2008) 183

⁵⁶³ *ibid* 19; United Nations Office on Drugs and Crime, ‘The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime’ (2014) <https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf> accessed 2 March 2016.

⁵⁶⁴ *ibid.*

⁵⁶⁵ *ibid.*; V Markovic, ‘Criminal Trafficking and Trade in Counterfeit Consumer Products’ in FG Shanty and PP Mishra (eds) *Organised Crime: From Trafficking to Terrorism*, Vol. 1 (ABC-CLIO 2008) 183

counterfeiters like to use many countries as transshipment points in order to distinguish the origination point of the shipments. The transshipment points often consist of countries with lax or less-stringent customs control. Products are sometimes shipped in cargo by themselves or hidden among legitimate shipments, and in some cases legitimate products, which are oftentimes stolen, are mixed in with counterfeit goods. The counterfeit consumer products are shipped via air, land, and sea. They are often shipped using different routes to avoid detection, although there are some central hubs such as Antwerp, that are often used as transit points, and there are also areas in which warehouses are maintained to store inventory.⁵⁶⁶

Select prominent actors in the distribution of counterfeit goods include diverse Chinese, South Asian, and European groups, facilitated by transit hubs, such as Dubai and Europe.⁵⁶⁷ On this particular route, containers and container terminals are key to the spread of counterfeit goods.⁵⁶⁸ The UNODC Report attributes this to the growth of Chinese manufacturing in recent decades, where counterfeiting seems more attractive than licit trade, for the purpose of reducing costs and increasing profits. In the last decade or so, there has been a marked and serious rise in counterfeit goods originating from China.⁵⁶⁹ At the borders of Europe, the seizure of counterfeit goods has increased tenfold in the last decade.⁵⁷⁰ This is arguably due to the decentralised nature of China's manufacturing model.⁵⁷¹ Thus, where IP rights have been violated, it is not a simple endeavour for the right holders to deal with the violating party. In China, there exists a grading system within which goods are rated in accordance with the degree to which they proximally resemble originals.⁵⁷² The goods are sometimes manufactured and distributed by businesses that seem legitimate to the outside world, but the goods are then subsumed into various illicit practices of distribution.⁵⁷³ Another channel by which such goods are distributed is the Internet, where the marketing of seemingly legitimate goods may occur on the surface, but such marketing actually serves as a façade for illicit trade. Other trade routes include the trafficking

⁵⁶⁶ V Markovic, 'Criminal Trafficking and Trade in Counterfeit Consumer Products' in FG Shanty and PP Mishra (eds) *Organised Crime: From Trafficking to Terrorism*, Vol. 1 (ABC-CLIO 2008) 183.

⁵⁶⁷ United Nations Office on Drugs and Crime, 'The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime' (2014) <https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf> accessed 2 March 2016.

⁵⁶⁸ Kap Hwan Kim and Hans-Otto Gunther, 'Container Terminals and Terminal Operations' in Kap Hwan Kim and Hans-Otto Gunther (eds) *Container Terminals and Cargo Systems* (Springer 2007) 3.

⁵⁶⁹ United Nations Office on Drugs and Crime, 'The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime' (2014) <https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf> accessed 2 March 2016.

⁵⁷⁰ *ibid* 177.

⁵⁷¹ *ibid* 178.

⁵⁷² *ibid*.

⁵⁷³ *ibid*.

of illicit pharmaceuticals from India, China, and Southeast Asia via networks of organised crime groups and assisted by hired muscle.⁵⁷⁴ However, organised crime is one amongst other such routes where corruption is also a prevalent problem.⁵⁷⁵

In a globalised world, the UNODC comments on the ways in which it has become increasingly difficult to combat this activity at the source. Where there also exists demand for cheaper products, the suppression of consumption cannot really be implemented. Jilberto and Mommen refer to this reality as ‘a borderless world’.⁵⁷⁶ They also write that ‘the concept of “globalisation” has an outspoken liberal connotation... [meaning] the production and distribution of products and/or services of a homogenous type and quality on a world-wide basis. When referring to globalisation liberals are speaking of the disappearance of trade barriers and state regulation’.⁵⁷⁷ But the problem associated with this is that it is decidedly utopian in nature, presupposing that if borders were universally shed, the psychological motivations of human beings would suddenly disappear. Yet as we have seen by way of the points above, the proliferation of FTZs shows that this is far from a facile endeavour. If the universal relinquishing of borders were to occur, this would necessarily be accompanied by an attendant drive on the part of would-be counterfeiters to engage in illicit activity, so as to set about an increase in profits whilst minimising the losses that would be associated with licit trade. Thus, it seems to be the case that border measures might be a more effective means of combating illicit trade due to the nature of FTZs having reduced the barriers for the purpose of facilitating global free trade. This has led organised criminal groups and counterfeiters to take advantage of its nature, where it is possible to move illegal products globally without detection. Hence, balancing between the advantages of FTZs and having stringent border controls may contribute to the detection and prevention of illegal goods.⁵⁷⁸

⁵⁷⁴ *ibid* 188.

⁵⁷⁵ *ibid*.

⁵⁷⁶ Alex E Fernandez Jilberto and Andre Mommen, ‘Globalisation Versus Regionalisation’ in Alex E Fernandez Jilberto and Andre Mommen (eds) *Regionalisation and Globalisation in the World Economy* (Routledge 1998) 1–2.

⁵⁷⁷ *ibid*.

⁵⁷⁸ International Chamber of Commerce, ‘Controlling the Zone: Balancing Facilitation and Control to Combat Illicit Trade in the World’s Free Trade Zones’ (2013) <<http://www.iccwbo.org/Data/Documents/Bascap/International-engagement-and-advocacy/Combating-illicit-trade-in-FTZs/>> accessed 2 March 2016.

7.3 The International Framework on Border Measures

The traditional roles of Customs have widened to include *inter alia* the facilitation of legitimate trade and the enforcement of IP at the borders. The ongoing challenge of dealing with counterfeiters demands that Customs Authorities respond accordingly and in a more stringent manner. It is argued that defence at borders is crucial in stopping counterfeit goods from entering or leaving the target markets. Such restriction is considered more effective than detaining them once they circulate within these markets. Therefore, border measures are considered to be a more efficient approach, especially when they may offer remedies at a lower cost compared to judicial proceedings.⁵⁷⁹ This places Customs at the frontline in the battle against counterfeiting and highlights the importance of such authorities in obstructing the international movement of counterfeit goods at the borders.⁵⁸⁰ However, as none of these are straightforward claims, it is necessary to devote some further attention to this problem at both a theoretical—that is, foundational—level and a pragmatic or practical level. For, in order to implement and integrate any practice such as the interception of illicit trade, the grounds for doing so cannot be related to any hard-headed and dogmatic ‘war’ (as in the ‘war on drugs’) but, rather, in a manner that suppresses criminal activity while permitting the flow of legitimate trade that is not burdened by undue bureaucracy. In other words, it would be useful to develop a balanced and proactive approach that protects the circulation of legitimate goods globally whilst at the same time targeting illicit trade and counterfeiters in a structured and timely manner.⁵⁸¹

Thus, various international and regional agreements exist concerning border measures and combating counterfeit goods in transit. At the international level, the provisions relating to border measures were introduced in the Paris Convention and were further improved in the TRIPS Agreement.⁵⁸² An important key feature of the TRIPS Agreement is the obligation it places on member states to introduce and adopt border measure provisions for the protection of IP rights.⁵⁸³ Pirated and counterfeit goods have been a source of concern, thus precipitating the interest of GATT in IP protection, and specifically the role of Customs Authorities in the interdiction of such trade. As mentioned above, it is more effective to seize goods whilst they

⁵⁷⁹ *ibid*; David Widdowson, 'The Changing Role of Customs: Evolution or Revolution?' (2007) 1 *World Customs Journal* 31.

⁵⁸⁰ O Vriens and M Schneider, *Enforcement of Intellectual Property Rights through Border Measures: Law and Practice in the EU* (OUP 2012).

⁵⁸¹ International Chamber of Commerce, 'Controlling the Zone: Balancing Facilitation and Control to Combat Illicit Trade in the World's Free Trade Zones' (2013) <<http://www.iccwbo.org/Data/Documents/Bascap/International-engagement-and-advocacy/Combating-illicit-trade-in-FTZs/>> accessed 2 March 2016.

⁵⁸² M Blakeney, *International Protection of Industrial Property: From the Paris Convention to the TRIPS Agreement* (WIPO National Seminar on Intellectual Property, Cairo 2003).

⁵⁸³ M Blakeney, *Intellectual Property Enforcement: A Commentary on the Anti-Counterfeiting Trade Agreement* (Edward Elgar Publishing 2012).

are in transit than to wait for them to be distributed in the market. Section 4 Part III allows for the suspension of the release of suspected counterfeit trademark or pirated copyright goods.⁵⁸⁴ It is dependent on the right holder to lodge an application or action with the border authorities. Interestingly, section 3 of ACTA substantially reproduces those provisions contained in section 4 of TRIPS. The main focus of TRIPS is on border measures initiated by right holders, whereas ACTA places a greater emphasis for *ex officio* action on the enforcement authorities.⁵⁸⁵ This will be dealt with in greater depth in the sections below.

7.3.1 Paris Convention

Although Section 2.3.2 of chapter two discussed the Paris Convention in the context of trademarks and referred to the relevant provisions thereof, this section aims to focus exclusively on the provisions relating to border measures with the objective of utilising border seizures to control the trade in infringing goods. Articles 9 and 10 of the Paris Convention deal with the seizure of goods bearing false trademarks or trade names with no indication of their source. Although Article 9 provides for seizure action at the time of importation, prohibits the importation of counterfeit goods, and allows the seizure of imported goods inside the member state, it has been argued that the effect and enforcement of these provisions are relatively weak⁵⁸⁶ at addressing counterfeiting issues, since the member states are not obligated to comply with the requirements of the provisions. In this context, while Articles 9(1) and 9(2), in theory, provide that counterfeit goods are subject to seizure in the country of origin or in the importation country, Article 9(3) places no obligation on the national law to carry out such a seizure. Furthermore, where no measures are specified for the seizure of counterfeit goods under national legislation, Article 9(6) provides that these measures be replaced with actions and remedies available under the national legislation. It is worth noting that there is no mechanism for the detection of goods and prosecution of trademark counterfeiters in transit. The weakness identified in the Paris Convention led to the establishment of the TRIPS Agreement to fully address this issue.

⁵⁸⁴ N Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer Law International 2006).

⁵⁸⁵ M Blakeney, *Intellectual Property Enforcement: A Commentary on the Anti-Counterfeiting Trade Agreement* (Edward Elgar Publishing 2012).

⁵⁸⁶ Olivier Vrins and Marius Schneider, *Enforcement Of Intellectual Property Rights Through Border Measures* (Oxford University Press 2012); Xavier Seuba, 'Border Measures Concerning Goods Allegedly Infringing intellectual Property Rights: The Seizures Of Generic Medicines In Transit' (2009) Working Paper. International Centre for Trade and Sustainable Development (ICTSD), Geneva, Switzerland.

7.3.2 TRIPS provisions relating to border measures

As discussed in previous chapters, the TRIPS Agreement provides for procedures and provisions aimed at preventing counterfeit goods at the borders from being released into the market. The provisions which this section will discuss are those relating to border measures, which are set out in section 4 (Articles 51 to 60) of the Agreement.

The key border control provision that deals with goods in transit and sets out the role of the Customs Authority in this regard is found in Article 51, which states that members are required to do the following:

Adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods.⁵⁸⁷

In addition to the suspension of the release of goods involving a suspected counterfeit trademark, Article 51 states that the procedures for suspension must apply to the ‘release of infringing goods destined for exportation from their territories’.⁵⁸⁸ The provision permits the seizure of goods originating within the country as well as goods in transit which have originated in another country. It is worth noting that the Article does not apply to a member state that ‘has dismantled substantially all controls over movement of goods across its border with another Member with which it forms part of a customs union’.⁵⁸⁹ The controls referred to in the provision must be applied to the movement of goods across the borders of the Customs union.

Article 52 permits Customs, where reasonable, to require the submission of proof of ownership of that right, such as a relevant registration certificate by an applicant applying for a suspension of the release of goods. This may pose a problem especially for rights which do not arise from registration in the jurisdiction—namely, well-known marks. Such marks are considered

⁵⁸⁷ Margaret Dowie-Whybrow, *Core Statutes On Intellectual Property* (4th edn, Palgrave Macmillan 2013); Hiroko Yamane, *Interpreting TRIPS: Globalisation Of Intellectual Property Rights And Access To Medicines* (Hart Publishing 2011).

⁵⁸⁸ *Ibid.*; TRIPS, section 4, art. 51.

⁵⁸⁹ *ibid.*

internationally reputable, such that they would qualify for protection in a country even without protection. To suspend these goods, the Customs Authority is obliged to (i) determine the status of the well-known mark and (ii) determine whether the goods infringe the well-known trademark in the absence of registration documents.⁵⁹⁰

To protect the defendant, and mainly to prevent abuse under Article 53.1, the Customs Authority shall require the applicant to provide a security or equivalent assurance. In some extreme circumstances, Article 53.2 allows for the release of suspended goods, provided that the defendant secures payment.⁵⁹¹ Further, in the interest of protecting the right holder from any infringement, the amount paid must be sufficient.

Articles 54 and 55, respectively, deal with the notice and duration of suspension. First, Article 54 provides that Customs must notify the importer and applicant ‘promptly’⁵⁹² of the suspension of the release of goods. Second, the duration of suspension may not exceed 10 working days after the notice of suspension is served, as per Article 55.⁵⁹³ In turn, the applicant is responsible for initiating proceedings leading to a decision on the merits of a case and must notify the Customs Authority, or the goods may be released.

Article 56 permits the authorities to order compensation in cases involving wrongful detention or detention followed by the release of goods where the importer, consignee, and the owner of the goods suffer injury.

Article 57 provides for the right of inspection and information. The provision empowers the Customs Authority to give the right holder sufficient opportunity to inspect the goods detained in order to substantiate his claims. Further, the Customs Authority must provide the right holder with the ‘names and addresses of the consignor, the importer and the consignee and of the quantity of the goods in question’.⁵⁹⁴ This assists the right holder in the further investigation of other persons involved, and could offer an effective tool for combating counterfeiting activities.

⁵⁹⁰ *ibid.* art. 52.

⁵⁹¹ *ibid.*

⁵⁹² ‘Promptly’ in this context should be interpreted in accordance with Articles 41(1), (2), and (5), which are similar to ‘without undue delay’.

⁵⁹³ Hiroko Yamane, *Interpreting TRIPS: Globalisation Of Intellectual Property Rights And Access To Medicines* (Hart Publishing 2011).

⁵⁹⁴ *ibid.*

Article 58 provides a framework for the Customs Authority to act upon its initiative when suspending the release of goods, provided there is evidence that an IP right is being infringed.⁵⁹⁵ In this regard, Article 59 requires the Authority to seek from the right holder any information that may assist it in exercising its powers. In addition, Article 59 provides that the competent Authority shall do the following:

- (a) ‘order the destruction or disposal of infringing goods’⁵⁹⁶ in accordance with Article 46⁵⁹⁷; and
- (b) ‘not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances’.⁵⁹⁸

Article 60 permits member states to exclude ‘small quantities of goods of a non-commercial nature contained in travellers’ personal luggage or sent in small consignments’⁵⁹⁹ from the application of border measure procedures. The argument is that the potential damage that may be caused by such importers must not be underestimated, especially where such items may be further reproduced after importation. Various cases have demonstrated the ability of counterfeiters to break up their shipment into small consignments in order to avoid the penalty imposed by the national law, thus encouraging repeat offenders to operate for extended periods.⁶⁰⁰

It is worth bearing in mind that the TRIPS Agreement only provides a minimum standard and requires member states to implement measures in their national legislation that comply with the TRIPS provisions. In this respect, the WTO will monitor member states’ compliance with their TRIPS obligations and provide a mechanism for the settlement of disputes between governments with regard to compliance.⁶⁰¹

⁵⁹⁵ *ibid.*

⁵⁹⁶ *ibid.*

⁵⁹⁷ Article 46 requires that goods be disposed of outside the channels of commerce ‘in such a way as to avoid any harm caused to the right holder’. Further, in regard to counterfeit goods, it provides that ‘the simple removal of a trademark, unlawfully affixed shall not be sufficient, other than in exceptional cases to permit the release of goods into the channels of commerce’.

⁵⁹⁸ Blakeney M, *Trade Related Aspects of Intellectual Property Rights: A Concise Guide to the TRIPS Agreement* (Sweet & Maxwell 1996)

⁵⁹⁹ *ibid.*

⁶⁰⁰ United Nations Office on Drugs and Crime, *The Globalization of Crime: A Transnational Organized Crime Threat Assessment* (UNODC 2010)

⁶⁰¹ Justin Malbon, Charles Lawson, and Mark Davison, *The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights: A Commentary* (Edward Elgar Publishing 2014).

7.4 Border Measures in the European Union

Customs Regulation 1383/2003 forms the backbone of the community protection of IP within the Customs union itself. In summary, the Regulation provides for a process by which suspected counterfeit goods can be suspended upon importation to a member state. The aims and objectives of the Regulation are set out comprehensively by Vrins.⁶⁰² Quite simply, the Regulation seeks to exclude counterfeit goods from the internal market, whilst simultaneously ensuring that any economic gains made from the sale of those goods are deprived of those who operate in breach of community IP protection.

The Regulation sets out a two-tier procedure under which suspected counterfeit goods can be suspended pending an application for the enforcement of the Regulation made by the right holder. The first process is an application for enforcement made by the right holder, and the second allows for the suspension of goods to be made *ex officio*, pending formal judicial procedures.⁶⁰³ Regulation 1383/2003 provides the framework within which IP rights are protected in the Customs context. The aim of the Regulation is to address the problem of counterfeit goods entering the internal market by empowering the local Customs Authority to suspend goods upon entry, provided either that a valid application has been lodged with the Authority or the Authority has sufficient grounds to believe that the goods are counterfeit and that a protected right has been infringed. Consistent with the fundamental principles of EU law, the Regulation is intended to comply with the principles of proportionality and provide effective penalties.⁶⁰⁴ Moreover, the simplified procedure enables such goods to be disposed of quickly and efficiently where the owner and right holder are in agreement that destruction is appropriate without further recourse to the relevant judicial authorities.

Under the primary procedure, the holder of an IP right may lodge an application with the relevant Customs Authority to alert it to the transit of suspected counterfeit goods, and to

⁶⁰² O Vrins and M Schneider, *Enforcement of Intellectual Property Rights through Border Measures: Law and Practice in the EU* (OUP 2012) at 777: 'Regulation 1383/2003 sought not only to set out the conditions for action by customs authorities confronted with goods suspected of infringing IPRs, but also to determine the measures to be taken by the competent authorities from the Member States when such goods were eventually found to have infringed IPRs. Thus it required the Member States to take measures to prohibit the placing into circulation of such goods on the customs territory of the EU, or their removal from the EU, while ensuring that the goods would be disposed of outside commercial channels and that the persons concerned would be deprived of any economic gains from the transactions. It also required Member States to introduce effective, proportionate, and dissuasive penalties to apply "in cases of violation of th[e] Regulation".'

⁶⁰³ Enrico Bonadio, 'Protecting Intellectual Property Rights through EU Customs Procedures' (2008) 14 *International Trade Law & Regulation* 80.

⁶⁰⁴ O Vrins and M Schneider, *Enforcement of Intellectual Property Rights through Border Measures: Law and Practice in the EU* (OUP 2012)

request an order that the authority will detail such goods at the border.⁶⁰⁵ The application may be of national reach, where only one member state is affected, or a community order can be procured in the case where the goods are likely to transit through multiple member states. In each case, the application must demonstrate that the applicant is the relevant IP right holder, provide an accurate description of the goods, and any information that is available regarding the infringement, such as the name or reference of the consignor.⁶⁰⁶

Under Article 4.1 of the Customs Regulation, the Customs Authority is also granted the power to suspend goods from release into the internal market independent of an application. This power is granted where the Customs Authority believes that there are sufficient grounds to suspect that the goods are counterfeit or are otherwise being shipped in violation of community-protected IP rights. The informality and the discretionary nature of the *ex officio* process are significant advantages for small and medium-sized right holders who would not otherwise have the resources to track infringements of their rights with a view to making a formal application for enforcement; simultaneously, the subsequent notification by the Customs Authority ensures that the proper procedure is followed after suspension *ex officio*.⁶⁰⁷ This discretionary and informal process leads to better tracking owing to the small-to-medium consignment size and allows for the destruction of such goods without the need for explicit agreement from the right holder.⁶⁰⁸

Finally, the Regulation provides for a simplified procedure which permits the Customs Authority to destroy suspected counterfeit goods without requiring judicial consideration of their status as infringing a protected right. The simplified procedure can only be used with the permission of both the holder of the right and the owner of the goods, and subject to the right holder informing the Customs Authority that the relevant goods infringe the community IP law. The destruction of the goods is then carried out at the expense of the right holder.⁶⁰⁹ The requirement of party agreement is useful insofar as it facilitates the swift resolution of disputes

⁶⁰⁵ *ibid.*

⁶⁰⁶ *ibid.*

⁶⁰⁷ Enrico Bonadio, 'Protecting Intellectual Property Rights through EU Customs Procedures' (2008) 14 *International Trade Law & Regulation* 83.

⁶⁰⁸ Jeremy Dickerson, Emily Roberts and Georgina Shaw, 'Anti-Counterfeiting 2015: A Global Guide' (Burgess Salmon LLP, 2015) <http://www.burgess-salmon.com/practices/intellectual%20property/publications/anticounterfeiting_2015_a_global_guide_uk_chapter.pdf> accessed 2 March 2016.

⁶⁰⁹ O Vriens and M Schneider, *Enforcement of Intellectual Property Rights through Border Measures: Law and Practice in the EU* (OUP 2012)

without lengthy or costly judicial intervention, but also because it allows the parties to maintain confidentiality; to the extent that the central goal of this procedure is to maintain a market reputation, the parties to a trademark dispute have obvious concerns about the impact that public counterfeit disputes can have on one's reputation within the industry.

The Customs Regulation has been broadly effective in preventing a large number of counterfeit goods from entering the common market. In the first year in which the Regulation was in force, the Customs Authorities seized more than 100 million articles⁶¹⁰, and there are approximately 22,000 Customs operations annually concerning the suspension of suspected counterfeit goods.⁶¹¹ Further, the applications made under Regulation 1383/03 increased from 981 in 2000 to 2,888 in 2004.⁶¹² This shows the extent to which the Regulation has contributed to an increase in the suspension of counterfeit goods. Furthermore, this increase in the use of the procedure must, to some extent, demonstrate an increased reliance by both the Customs Authorities and right holders on protecting IP in counterfeit goods. Moreover, the Regulation provides a range of appropriately designed mechanisms for detecting and remedying the importation of counterfeit goods and is appropriately placed within the framework of fundamental principles of EU law.

The new EU Regulation 608/2013, repealing Council Regulation 1383/2003, came into force on 1 January 2014.⁶¹³ The new Regulation further strengthens the border measures within the EU against counterfeit and pirated goods.⁶¹⁴ Furthermore, its provisions make it easier to destroy these goods following their seizure. Right holders no longer need to give consent to each consignment, particularly if these consignments are small, as they may be subject to destruction.⁶¹⁵ The Commission's draft proposal for changes to the Community Trademark Regulation and the potential introduction of a new trademark directive⁶¹⁶ may also shed some new light on the possible impact of the decision in *Philips* and *Nokia* which, at the time,

⁶¹⁰ Commission of the European Communities, 'Customs Response to Latest Trends in Counterfeiting and Piracy' (COM (2005) 479 final).

⁶¹¹ *ibid.*

⁶¹² Enrico Bonadio, 'Protecting Intellectual Property Rights through EU Customs Procedures' (2008) 14 *International Trade Law & Regulation* 85.

⁶¹³ Its provisions now have a direct effect on member states since 1 January 2014.

⁶¹⁴ WIPO, 'Regulation (EU) No. 608/2013 Concerning Customs Enforcement of Intellectual Rights' (2013) <http://www.wipo.int/wipolex/en/text.jsp?file_id=312508> accessed 2 June 2015.

⁶¹⁵ *ibid.*

⁶¹⁶ The EU Trademark Directive numbered 2015/2436 came into force on 1 January 2016 as a result of more than seven years of debate and consultation. Member states will have three years to implement most of the Directive with a final deadline of January 2023 to implement all provisions. See James Nurton, 'New EU Trade Mark Directive Published' (*Managing Intellectual Property*, 2015) <<http://www.managingip.com/Article/3516721/New-EU-Trade-Mark-Directive-published.html>> accessed 2 March 2016. For further discussion on reform of the EU trademark in general, please see Ch. 2, section 2.3.3.1.

established that goods entering the EU under a suspensive Customs procedure could not be classified as ‘counterfeit goods’ or ‘pirated goods’ within the meaning of the Customs enforcement regulation in force at the time.⁶¹⁷ The new Regulation has addressed this issue by allowing customs officials to suspend counterfeit goods even if not intended for EU markets. In addition, the new Regulation gives Customs the power to share information with the Customs Authorities in third countries—namely, the countries that are the intended destination of the goods. Further key provisions of the new Customs Regulation are as follows:

1. Regulation 1383/2003 provided an option for a simplified procedure, where member states could give the Customs Authorities the power to destroy goods without a court order, provided the right holder and owner or importer of the goods did not object. The new Regulation adopts the simplified procedure as a compulsory procedure across all member states. Furthermore, Customs will assume that the holder/declarant has agreed where there has been no objection within 10 days of notification.⁶¹⁸
2. The new Regulation now covers a wide range of IP rights not available in Regulation 1383/2003. It covers rights in relation to trade names, plant varieties, semi-conductor topographies, circumvention devices, and utility models.⁶¹⁹
3. Right holders can now make an application for general destruction, which will result in the destruction of small parcels or express courier consignments⁶²⁰, without the right holder’s consent for each instance of destruction.⁶²¹ This is seen as crucial in light of the rise in online shopping and increase in small consignments.⁶²²

There were concerns surrounding the burden of paying for storage, which still falls on the right holder in cases where goods have been suspended from circulation. However, these costs may be mitigated by the increased speed of destruction. Finally, there remains the issue of where the holder/declarant does not give consent to the destruction of consignments. This leads the right

⁶¹⁷ Roland Knaak, Annette Kur and Alexander Von Mühlendahl, 'The Study on the Functioning of the European Trade Mark System' (2012) Max Planck Institute for Intellectual Property & Competition Law Research Paper.

⁶¹⁸ Trevor Cook, 'Revision of the European Union Regime on Customs Enforcement of Intellectual Property Rights' (2013) 18 Journal of Intellectual Property Rights 485.

⁶¹⁹ Ibid; WIPO, 'Regulation (EU) No. 608/2013 Concerning Customs Enforcement of Intellectual Rights' (2013) <http://www.wipo.int/wipolex/en/text.jsp?file_id=312508> accessed 2 June 2015

⁶²⁰ Three units or less of counterfeit goods or such goods less than two kilos.

⁶²¹ WIPO, 'Regulation (EU) No. 608/2013 Concerning Customs Enforcement of Intellectual Rights' (2013) <http://www.wipo.int/wipolex/en/text.jsp?file_id=312508> accessed 2 June 2015

⁶²² Karen Dyekjaer, 'Internet Sales into the EU of Fake "replicas"' [2014] Journal of Intellectual Property Law & Practice 65.

holder to issue proceedings in order to prevent the goods from being released.⁶²³ This means that a holder/declarant may expressly refuse consent in the hopes that it is not economically viable for the right holder to bring proceedings for the destruction of the counterfeit goods.

The Commission's recent proposals for changes to the Community Trademark Regulation and the new Trademark Directive has been adopted and reversed the decision in Philips and Nokia. The new TM Directive provides that counterfeit goods entering the EU Customs territory can infringe trademark registrations even when they have not been released into circulation within the EU.⁶²⁴ This means that in most cases, counterfeit goods entering the EU Customs territory will fall within the definition of 'counterfeit goods' in the new Customs Enforcement Regulation even if they are in transit or under a suspensive procedure.

The new legislation addresses two different changes that assist right holders. The first is where the consignee has no commercial intentions, the goods may still infringe trademark registrations in the EU. The main purpose of this is to ensure that infringing goods shipped to consumers from outside the EU will still be considered to infringe trademark registrations.⁶²⁵ The second is that right holders can take action when packaging or labels are imported with the intention of later attaching them to the goods concerned.⁶²⁶ Overall, the new Regulation is expected to increase the scope of protection for right holders, including a simplified administrative procedure.

7.4.1 Case law and judicial processes

The Community protections of IP represent a radical decision taken to harmonise national laws and create unitary IP rights that are protected on a community-wide basis. Typically, and by contrast, the governing principle with regard to IP protection is that the right holder is only afforded protection within the territorial scope of any given registered mark. In other words, the

⁶²³ Trevor Cook, 'Revision of the European Union Regime on Customs Enforcement of Intellectual Property Rights' (2013) 18 Journal of Intellectual Property Rights 485

⁶²⁴ Irene Calboli and Jaques Dewerra, *The Law And Practice Of Trademark Transactions* (Edward Elgar Pub 2016); for further discussion on the new EU trademark Directive and Regulation, see Ch. 2, section 2.3.3.1.

⁶²⁵ K. Dyekjaer, 'Internet Sales Into The EU Of Fake "Replicas"' (2014) 9 Journal of Intellectual Property Law & Practice 550.

⁶²⁶ Trevor Cook, 'Revision of the European Union Regime on Customs Enforcement of Intellectual Property Rights' (2013) 18 Journal of Intellectual Property Rights 485; WIPO, 'Regulation (EU) No. 608/2013 Concerning Customs Enforcement of Intellectual Rights' (2013) <http://www.wipo.int/wipolex/en/text.jsp?file_id=312508> accessed 2 June 2015.

protection of an IP right is granted within any given territory.⁶²⁷ Because of the nature of the goods and the Customs union that the Community represents, the law on counterfeit goods must necessarily resolve the conflict that arises between the territorial protection of IP rights and the principles of the free movement of goods and services.⁶²⁸

7.4.1.1 Polo Lauren (Case C-383/98, 6 April 2000)

In the case of *Polo/Lauren*, the ECJ first established that the Customs Regulation applies to goods in transit within the EU. On the facts, the relevant consignment of suspected counterfeit goods was in transit between Indonesia and consignees in Poland; the case established two relevant principles in relation to goods in transit. The first is that—contrary to the interpretation given to the Regulation by the Austrian government—Regulation No. 2913/92 establishing the Customs Code *did* apply to goods that were in transit between two non-member states. The second principle established was that the Regulation was justified under Art. 133 EC as a measure affecting the internal trade of the community. Two justifications were given: first, the Community was empowered to create measures regulating trade at border crossing points and, second, goods in transit in member states were *likely* to enter the internal market at some later stage.

7.4.1.2 Rolex (Case C-60/02, 7 January 2004)

In *Rolex*, the ECJ had to consider the interaction between the Regulation and Austrian criminal law. The Austrian government submitted a preliminary reference to the court on the basis that the transit of goods through the territory was not a criminal offence under Austrian law, and the Austrian law made this explicitly clear by maintaining a distinction between import and export on the one hand and transit on the other. The ECJ held that national courts were under an obligation to interpret domestic legislation in a manner compatible with the principles of community law, including the principles regarding goods in transit between non-member states as established in *Polo/Lauren*. However, this interpretation could not have the effect of creating or aggravating a criminal offence under national law.⁶²⁹

⁶²⁷ Alexander Peukert, 'Territoriality and Extraterritoriality in Intellectual Property Law' (2010) 4 Goethe Universitaet Frankfurt am Main <http://www.jura.uni-frankfurt.de/ifrv1/peukert/forschung/territoriality_and_extraterritoriality_in_intellectual_property_law.pdf> accessed 2 March 2016.

⁶²⁸ SM Maniatis, *Trade Marks in Europe: A Practical Jurisprudence* (Sweet and Maxwell Limited UK 2006).

⁶²⁹ Christophe Geiger, *Criminal Enforcement of Intellectual Property: A Handbook of Contemporary Research* (Edward Elgar Pub 2012).

7.4.1.3 Class International (Case C-405/03, 18 October 2005)

Class International brought to the court the question of defining transit, as opposed to interference with the mark, in the form of releasing the goods for free circulation or specifically offering them for sale within the community. The ECJ held that the mere likelihood that this would occur was insufficient; it was similarly insufficient that the trader had a business presence or parallel trade in the community. Further, specific evidence must be adduced. With regard to the onus of proof, the court held that the primary burden is on the right holder to demonstrate that interference with the right has occurred or is likely to occur, applying the test above. If this is made out, the burden is then shifted to the consignee to demonstrate the consent of the right holder to the sale of goods within the community.

7.4.1.4 Montex/Diesel (Case C-281/05, 9 November 2006)

The standard in *Class International* was strengthened in *Montex*. *Montex* pertained to the unusual fact scenario where suspected counterfeit goods were subject to trademarks registered in Germany—the jurisdiction of the arrest—but not in the member state that was the intended destination. The court upheld its previous decision to the effect that a right holder cannot oppose the mere entry of goods into the community where those goods have not *already* been put on the market within the community, to hold that in this case, the right holder could not act to suspend goods in transit unless they were subject to the act of a third party whilst under the external transit procedure that necessarily entails their being put on the market in the member state of transit.

7.4.1.5 Philips and Nokia (Joined Cases C-446/09 and C-495/09, 1 December 2011)

In the conjoined cases of *Philips* and *Nokia*, the court held that right holders can only take action where proof is provided that the goods are intended for sale in the community, with such proof typically constituting proof of sale to a customer in a member state, offer for sale, correspondence, or an advertisement suggesting that such a sale is imminent.⁶³⁰ Further, the Court in *Nokia* clarified the indications that the national suspending body requires before intervention—namely, a lack of precise or reliable information about the manufacture of the goods, a discrepancy within the relevant licence or import documentation, or lack of cooperation with the Customs Authorities. The *Nokia* judgement will have the likely effect of pushing right

⁶³⁰ L Ruessmann and FS Condello, 'The CJEU Judgment in *Nokia* and *Philips* Clarifies the Customs Detention of Goods Suspected of Infringing Intellectual Property Rights' (2012) 7 *Global Trade and Customs Journal* 183.

holders to wait for *ex officio* enforcement by the Customs Authorities; a much lower threshold is required. This course of action, however, has the obvious limitation that the Regulation processes were designed to work in tandem to provide protection in the greatest number of suspected breaches. The *Nokia* decision will limit the effectiveness of the Regulation for that reason.

Undoubtedly, the law has a restrictive effect to claims in respect of goods in transit: there are significant difficulties associated with the onus of proof following *Nokia*, and right holders will often struggle to meet the required standard.⁶³¹ Having established that goods that enter the community for processing pending distribution are not imported for the purpose of the relevant legislation, a claim in respect of counterfeit goods following *Montex* can only be sustained where the goods are subject to the act of a third party that necessarily entails their being put on the market in a member state.⁶³² Further, it must be pointed out that this is a particularly acute problem in transit cases, because only the immediate parties to the transaction are likely to have information capable of amounting to proof under the *Nokia* standard; third party right holders will have significant difficulty demonstrating that the goods are to enter the community market.⁶³³

A note must also be made regarding the manufacturing fiction that had previously been relied upon by the CJEU. The court had previously imposed a fictitious test, asking whether the manufacturing of the detained goods in the EU member state in question (in this case, Denmark) would constitute an IP infringement, even though the goods were actually manufactured in a third country.⁶³⁴ The court was correct to reject the notion—which found a degree of misplaced support in Art. 8 of the Customs Regulation—on the basis that it operates a legally and economically unhelpful fiction. This rejection is consistent with the position of the European Commission.⁶³⁵

⁶³¹ Alain Strowel, 'Had the National Court Worn Silhouette Glasses, It Could Have Caught Sight of the Response' (2011) 2 *Journal of European Competition Law & Practice* 463.

⁶³² Mark Dennis, 'Out of Circulation: No Trade Mark Infringement of Goods in Transit' (2008) 3 *Journal of Intellectual Property Law & Practice* 353.

⁶³³ De Meyer C and Gommers C, 'Urgent Memo to the EU: Don't Let Transit Be a Safe Harbour' (2012) 7 *Journal of Intellectual Property Law & Practice* 346

⁶³⁴ Clement Salung Petersen, Thomas Riis, and Jens Schovsbo, 'Intellectual Property Enforcement at the EU Border: The Challenge of Private Imports' (2012) 7 *Journal of Intellectual Property Law & Practice* 747; Olivier Vrins, 'The Real Story of a Fiction: Transit after Montex under Regulation (EC) 1383/2003' (2010) 5 *Journal of Intellectual Property Law & Practice* 358.

⁶³⁵ At the time of writing the thesis, the law has changed in this regard and the decisions held in Philips and Nokia has been reversed. See section 2.3.3.1 for further discussion.

7.5 Border Measures at the Regional Level: GCC States' Unified Customs Regulation

In December 2002, the Supreme Council of the GCC States in its 23rd session in Qatar approved the enactment of the Customs Union of the GCC states as of 1 January 2003⁶³⁶. Since then, there have been multiple delays in resolving some of the obstacles which got in the way of full integration. Most notable is the disagreement among the GCC states over the division of Customs revenues among the member states, due to the varied economic weight of each country.⁶³⁷ On 7 May 2014, after more than 10 years of deliberations, the GCC finally arrived at a decision during a meeting in Kuwait. The goal was to remove all obstacles to the full implementation of the Gulf Customs Union. The GCC is expected to approve full implementation by January 2017 at its next summit.⁶³⁸

The main purpose of the Unified Customs Regulation is to unify the Customs Authorities' procedures across all GCC member states. More specifically, it concerns the procedures for the movement of goods into, between, and out of the GCC.⁶³⁹ To ensure that its procedures are in line with the international legal framework, particularly relating to Customs, the GCC Secretariat General dispatched English versions of the Regulation to the WTO and the WCO for their comments.⁶⁴⁰ Members of the WTO and WCO met this with approval with commendation for taking steps to further strengthen its implementation and enforcement actions.⁶⁴¹

The Unified Customs Regulation comprises 17 sections that set out provisions relating to the duties of the Customs Offices, areas subject to Customs control, and Customs procedures.⁶⁴² Although the Regulation employs a mixture of the latest Customs regulations, the laws of the GCC member states, in addition to the TRIPS Agreement, it does not contain a section on

⁶³⁶ A full translated copy of the regulation is available in Appendix 3

⁶³⁷ Mohammad Al-Asoomi, 'GCC Seeks Common Good from Full Customs Union' (Gulf News 2014) <<http://gulfnews.com/business/opinion/gcc-seeks-common-good-from-full-customs-union-1.1332299>> accessed 8 May 2015.

⁶³⁸ *ibid.*

⁶³⁹ GCC, 'Implementation Procedures for the GCC Customs Union' (Cooperation Council For The Arab States of the Gulf Secretariat 2003) <<http://www.gcc-sg.org/eng/index9038.html?action=Sec-Show&ID=93>> accessed 7 June 2015.

⁶⁴⁰ The Cooperation Council for the Arab States of the Gulf Secretariat General, 'Common Customs Law of the GCC States: Rules of Implementation and Explanatory Notes Thereof' (2008).

⁶⁴¹ World Trade Organization, 'Trade Policy Review: The Gulf Cooperation Council States' (2013) <https://www.wto.org/english/tratop_e/tptr_e/tp362_crc_e.htm> accessed 2 March 2014.

⁶⁴² Gulf Cooperation Council, 'Implementation Procedures for the GCC Customs Union' (GCC 2003) <<http://www.gcc-sg.org/eng/index9038.html?action=Sec-Show&ID=93>> accessed 7 June 2015.

procedures for IP infringement. This means that the duties of the Customs Authorities must be interpreted from various provisions throughout the laws of the member states.⁶⁴³

Chapter II, and specifically Articles 69–73, deals with goods in transit briefly. The wordings of the articles are broad and do not specifically cover the role and duty of Customs in relation to counterfeit goods in transit.⁶⁴⁴ Furthermore, Chapter IV (Articles 139–141) of the Regulation deals with Customs offences and penalties. It mentions the imposition of fines as a method of penalty applicable to counterfeit goods in transit, but it does not address enforcement procedures and the amounts of the fines that may be imposed.⁶⁴⁵

The attention given by the GCC states to the special border control requirement of TRIPS is slight to say the least. This may be attributable to the establishment of the GCC Customs Union, as TRIPS Part III, Section 4 states that ‘a member shall not be required to apply the provisions of Section 4 at borders with other members with which it has formed a custom union and amongst which all controls over movement of goods across these borders have been substantially dismantled’.⁶⁴⁶ The problem with relying on this provision is that it ignores the fact that the amount of intra-GCC trade represents a small percentage of the total trade of each state.⁶⁴⁷ Member states such as Oman have argued before the council of TRIPS that the provisions relating to the infringement of an IP right and to the remedies and provisional relief apply equally to infringing imported and exported goods. It is also argued that a right holder can obtain orders on the suspension of the Customs clearance of allegedly counterfeit goods as part of the provisional measures and relief generally available, and that these provisions, by and large, correspond to TRIPS Articles 51–60.⁶⁴⁸ Furthermore, Customs Authorities have the legal authority to act *ex officio* to detain or seize suspected goods at ports of entry, to confiscate and destroy infringing goods, and to suspend the release of imported counterfeit goods as required by TRIPS. Nonetheless, at the moment, neither the GCC Customs Union Regulation nor the IP

⁶⁴³ *ibid.*

⁶⁴⁴ The Cooperation Council for the Arab States of the Gulf Secretariat General, ‘Common Customs Law of the GCC States: Rules of Implementation and Explanatory Notes Thereof’.

⁶⁴⁵ Sergey Ovchinnikov, ‘Customs Regulation in the Cooperation Council for the Arab States of the Gulf’ (2013) 14 *Middle-East Journal of Scientific Research* 892.

⁶⁴⁶ Price, ‘The Dynamics of Intellectual Property Protection in the Arab Gulf States’ (March 2007) 3(1) *International Review of Business Research Papers* 147t.

⁶⁴⁷ Justin Malbon, Charles Lawson, and Mark Davison, *The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights: A Commentary* (Edward Elgar Publishing 2014).

⁶⁴⁸ World Trade Organization, ‘Review of Legislation: Oman’ (WTO 24 March 2003) <https://www.wto.org/english/tratop_e/trips_e/intel8_e.htm> accessed 2 June 2015

laws of each member state appear to include substantive provisions for border measures in line with TRIPS; however, this may very well be on the agenda at the next expected summit in January 2017.⁶⁴⁹

The next section will analyse the law pertaining to border measures within each of the six GCC states.

7.6 Border Measures at the National Level

The main laws relating to counterfeiting and trademark protection in Saudi Arabia are the Commercial Fraud Law (Royal Decree 11/1984) and the Trademark Law (Royal Decree 21/2002). The Trademark Law of 2002, which replaced the 1984 law, introduced important changes concerning the enforceability of trademark protection.⁶⁵⁰ Its main feature is its provisions for severe punishment of acts of counterfeiting, including goods in transit. However, the issue remains in the hands of Customs, which lack expertise and guidance in enforcing IP rights.

With respect to border measures, Saudi Arabia is one of the GCC member states most affected by counterfeit goods in transit. It is considered a significant geographical location for counterfeit products, most of which originate from China and surrounding countries.⁶⁵¹ Despite the Saudi Customs providing a monitoring service to prevent the import and/or export of counterfeit goods, the system is not sophisticated.⁶⁵² To ensure protection, a right holder must submit a petition to Saudi Customs requesting the Authority to search all ports for counterfeit goods and detain these goods. The issue here is that only registered and valid trademarks in Saudi Arabia warrant protection; hence, this does not apply to goods passing through from one non-member state to another non-member state.⁶⁵³ In instances where Customs detects a consignment of

⁶⁴⁹ *ibid.*

⁶⁵⁰ M Salman Khan, 'Saudi Arabia: Trademark & Patent Services' (2010) <<http://www.worldtrademarkreview.com/issues/article.ashx?g=1ac1ba27-2a48-48bf-8839-722f21f53cfa>> accessed 18 December 2014.

⁶⁵¹ International Chamber of Commerce, 'Controlling The Zone: Balancing Facilitation And Control To Combat Illicit Trade In The World's Free Trade Zones' (2013) <<http://www.iccwbo.org/Data/Documents/Bascap/International-engagement-and-advocacy/Combating-illicit-trade-in-FTZs/>> accessed 2 March 2016; Saba Intellectual Property, 'Saba IP Bulletin: Saudi Arabia - Customs Seize 34 Million Counterfeit Items' (2015) <http://www.sabaip.com/en/documents/fe_bulletin/Saba-IP-Bulletin--September-2015.pdf> accessed 2 December 2015.

⁶⁵² *ibid.*

⁶⁵³ *ibid.*; A Khoury, 'The Development of Modern Trademark Legislation and Protection in Arab Countries of the Middle East' (2002) 16 *The Transnational Lawyer* 233.

counterfeit goods, it may initiate criminal or civil proceedings to obtain a seizure order and, therefore, the destruction of the goods.

As discussed in chapter four, Bahrain derives much of its provisions on trademark protection from various local, international, and bilateral agreements. The main regulation that provides trademark protection and enforcement locally is the Trademarks Law (11/2006).⁶⁵⁴ The law also provides regulations concerning border measures and counterfeit goods in transit. It confers various powers to Customs to assist in effectively curbing the trafficking of counterfeit goods. Although Bahraini Customs may seize suspected counterfeit goods that have been imported, are in transit, or are destined for export, and prohibit the circulation of these goods, it has no authority to seize or destroy the goods without a decision from a competent court. The issue lies in the fact that there are no specialised IP courts in Bahrain (or any other member state), and judges who are considered experts in the field of IP protection are considered rare.⁶⁵⁵ Hence, there are usually long delays in issuing enforcement procedures and guidance in order for Customs to execute its duties in this respect. Furthermore, as a member of the GCC, it can only detain and seize goods circulating within the GCC member states, not goods passing through from one non-member state to another non-member state. Therefore, only local registered trademarks in Bahrain and the GCC may qualify for any type of enforcement procedures concerning goods in transit at present.⁶⁵⁶

Articles 61 to 95 of the Commercial Code (Law 68/1980) are applicable to counterfeiting and trademark infringement in Kuwait. Historically, Kuwait has experienced the highest rate of counterfeiting in the Gulf region. As a result, Kuwaiti Customs have established an IP rights department for border enforcement. It provides training sessions, delivered by right holders, to educate Customs officers on the right holders' brands and provide them with the essential knowledge, skills, and procedures to identify counterfeit goods and combat the counterfeit trade.⁶⁵⁷

⁶⁵⁴ Sabuktageen Zahoor Khawaja, 'Bahrain: United Trademark & Patent Services' 2010 <<http://www.worldtrademarkreview.com/issues/article.ashx?g=1c7c0441-6b75-48a5-9572-f939adaafbc>> accessed 18 December 2014.

⁶⁵⁵ Price, 'Bahrain Free Trade Agreement and Intellectual Property Protection' (2005) 7 *The Journal of World Intellectual Property* 892.

⁶⁵⁶ Sabuktageen Zahoor Khawaja, 'Bahrain: United Trademark & Patent Services' 2010 <<http://www.worldtrademarkreview.com/issues/article.ashx?g=1c7c0441-6b75-48a5-9572-f939adaafbc>> accessed 18 December 2014.

⁶⁵⁷ M Al-Kandari, 'Infringement of Copyright and Trade Marks in Electronic Commerce: A Kuwaiti and Comparative Approach' (2002) 17 *Arab Law Quarterly* 3.

At present, there are no procedures in place for registering trademarks with Customs, which makes identifying counterfeit goods challenging.⁶⁵⁸ Furthermore, without a court order, the Customs Authority is not empowered to seize and destroy any counterfeit goods passing across Kuwait's border. This results in many goods being returned to the port of origin and reduces the effectiveness of the border protection measures as a way of combating counterfeit goods in transit in Kuwait.⁶⁵⁹ Despite Customs' attempt at becoming proactive when dealing with counterfeit goods, the relevant systems such as detection, suspension, and seizure are still in development.

The Law on Trademarks, Geographical Indications, and Industrial Designs (9/2002) governs Qatar's trademark protection procedures, which repealed Trademarks Law 3/1978. As chapter 4 pointed out, unlike the rest of the GCC states, a trademark owner may file a suit before the Qatari courts to enforce his rights in regard to a well-known trademark even if the mark is not registered in Qatar.⁶⁶⁰ This means that right holders generally do not face challenges concerning goods not registered in Qatar. The enforcement of trademark protection is a priority for the government in light of its continued efforts to be a part of the international arena. Consequently, Qatar is more likely, out of all the GCC states, to make more effort to comply with its international obligations.

With regard to its border measures, it is currently not possible to record trademark rights with the Customs Authority. Only if the owner of a mark suspects that goods imported are counterfeit, may it file a complaint before the Customs Authority detailing the container number, date of arrival of the goods, and other relevant information.⁶⁶¹ It is worth noting that Qatar's trademark legislation does not authorise the seizure of goods in transit.⁶⁶² It is of the view that counterfeit goods that are not unloaded in Qatar usually remain beyond the jurisdiction of the Qatari Customs Authority.

⁶⁵⁸ Syed Mubashir Ali, 'Kuwait: Trademark & Patent Services' 2010) <<http://www.worldtrademarkreview.com/issues/article.ashx?g=166ee29c-f5ec-44f8-a10a-dc538525a910>> accessed 18 December 2014.

⁶⁵⁹ *ibid.*

⁶⁶⁰ Essam Shafiq, 'Qatar: Trademark & Patent Services' 2010) <<http://www.worldtrademarkreview.com/issues/article.ashx?g=82e6bad2-2b60-41c9-8b7f-7b3bbe535c9f>> accessed 18 December 2014.

⁶⁶¹ Tareq Jeroudeah, 'Intellectual Property Rights Border Measures in Qatar' (Meyer-Reumann & Partners 2011) <<http://lexarabiae.meyer-reumann.com/issues/2012-2/vol-xvi-issue-2-apr-2012-articles/intellectual-property-rights-border-measures-in-qatar/>> accessed 25 December 2014.

⁶⁶² *ibid.*

The fact that the UAE is a union of seven emirates, it makes it challenging to enforce IP rights in each emirate in a harmonious manner. Generally, IP-related matters are governed by federal laws that are enforceable in all seven emirates; however, each emirate practices a slightly different version of the law, and thus the level of enforcement can vary from one emirate to another.⁶⁶³ Unlike other GCC member states, where the burden is on the right holder to inform Customs of suspected counterfeit goods, the UAE allows trademarks to be recorded with Customs, which are then placed on a watch list.⁶⁶⁴ As a result, UAE Customs notifies the right holder or its representatives of any goods suspected of being counterfeit. However, similar to Qatar, the UAE's Trademark Law does not authorise the seizure of goods in transit and it certainly does not apply to goods not intended for distribution within the GCC.⁶⁶⁵

Oman has incorporated trademarks protection into a single comprehensive law encompassing all areas of industrial property.⁶⁶⁶ Due to its strategic location, Oman is one of the GCC member states with the highest rate of counterfeiting in the region, with goods passing through from China, India, and surrounding countries. Although Oman places importance on combating counterfeit goods in transit owing to its international treaty obligations, its Customs Authority requires extensive training in identifying and seizing suspected counterfeit goods. Furthermore, its Industrial Property Law does not authorise the seizure of goods in transit, thus reducing the effectiveness of its border protection measures as a way of combating counterfeit goods in transit.⁶⁶⁷

7.7 Conclusion

The implementation of border measures in the EU is generally in compliance with the international standards imposed by TRIPS and other relevant legislations within its member states. In terms of goods in transit, Regulation 1383/2003 provoked uncertainty in the decision of *Philips and Nokia*. However, the implementation of Regulation 608/2013 on 1 January 2014 has not addressed the issues raised in the decision where goods entering the EU under

⁶⁶³ Peter W Hansen, *Intellectual Property Law and Practice of the United Arab Emirates* (OUP 2009).

⁶⁶⁴ Sarmad Hasan Manto, 'United Arab Emirates: Trademark & Patent Services' (2010) <<http://www.worldtrademarkreview.com/issues/article.ashx?g=ef3f7bfe-ce99-41f6-84a9-79f0c30014e6>> accessed 18 December 2014.

⁶⁶⁵ *ibid*; Price, 'The Dynamics of Intellectual Property Protection in the Arab Gulf States' (March 2007) 3(1) *International Review of Business Research Papers* 147.

⁶⁶⁶ *ibid*.

⁶⁶⁷ Peter W Hansen, *Intellectual Property Law and Practice of the United Arab Emirates* (OUP 2009).

suspensive Customs procedures will not be classified as counterfeit goods within the meaning of the Customs Enforcement Regulation. However, chapter 2, section 2.3.3.1 discusses the changes to the Community Trademark Directive and Regulation which has provided clarification on the decision of *Philips and Nokia* by providing that goods entering the EU Customs territory can infringe trademark registrations even when they have not been released into circulation within the EU. This is a step that may prove useful in fighting counterfeiting.

In contrast, the GCC Unified Customs Regulation accords little attention to border control as set out in TRIPS. The general view taken by the Customs Authority within each of the member states is that goods suspected of infringing IP rights may be detained if intended for circulation within the GCC. However, goods in transit intended for circulation in a third country are not subject to the provisions of the regulation. The proposal here is to perhaps implement procedures that enable the Customs Authorities to use *ex officio* power to detect and seize goods in transit which are suspected of infringing IP rights. More importantly, it should apply to the situation where goods entering the GCC can infringe IP rights even when they have not been released into the local market. In the absence of an effective Customs Regulation that would confer such powers to the Customs Authority, perhaps each member state could seek to implement the above proposals in a manner that complies with their own national laws. This is until the Customs Unified Regulation is implemented by all GCC states at its next summit in January 2017, which may perhaps address the above and bring its border control procedures in line with TRIPS. However, this remains to be seen.

This chapter also drew on the importance of close cooperation and effective communication between the right holders and Customs Authorities in the GCC and emphasises the significance of informing both parties of their rights and responsibilities to achieve a harmonised level of cooperation where counterfeit goods in transit are concerned. There have been some situations where right holders do not have all the information requested, which renders them unable to take the necessary action. This is certainly one of many issues faced by right holders within the GCC states and the proposal is to set a database system shared among the Customs Authorities in all member states to enhance communication, exchange information, and help curb the level of counterfeit goods being transported across borders. For the time being, the current position is that Customs Authorities have the legal authority to act *ex officio* to detain and/or seize

suspected goods at ports of entry, and to confiscate, and destroy infringing goods and to suspend the release of counterfeit goods. However, this applies exclusively to goods intended for circulation within the GCC only, a stark contrast with the current position of the EU in which even goods not intended for its markets can be detained, destroyed, and/or seized.

Chapter 8: Conclusion

8.1 Concluding Remarks

The primary objective of the thesis was to examine the efforts of the GCC member states in establishing national trademark protection regimes which both meet their international treaty obligations and are harmonised across their own domestic laws. The purpose of this was to conclude whether the current legislative framework for the protection of trademarks is sufficient in the fight against counterfeiting in the region. The benchmarks for this examination were the TRIPS Agreement, the Paris Convention, as well as other international and regional agreements, such as ACTA, the new European Union Trademark Regulation and Directive, and the GCC Trademark Law. Reference was also made to the relevant provisions of the EU regime which provided a comparative context. The final part of this concluding chapter will present new primary research based on questionnaire responses from legal and consultancy experts in the realm of IP. These new findings will then be integrated with the research presented in the thesis to provide a series of conclusive recommendations on the full implementation of TRIPS within the specific contingencies of the GCC region.

The thesis argued that the Gulf States have transformed their trademark legislation at a very rapid rate since the late 1960s/early 1970s. At present, all the GCC member states have a broad legislative framework for the protection of trademarks.⁶⁶⁸ In this respect, most of their provisions reveal a willingness to comply with the international standards set out in the TRIPS Agreement, even if they fall short in terms of detail.⁶⁶⁹ In the particular cases of Bahrain and Oman, they go beyond those standards with room to spare due to their FTA agreements with the United States. As a result, the comprehensive IP laws that are now in place sit in stark contrast with the situation during the pre-TRIPS and TRIPS stages.⁶⁷⁰

The efforts of the Gulf States to develop their trademark laws in a very short period of time are impressive. However, this has been ignored by developed countries in their pursuit to impose on

⁶⁶⁸ R Sunna, 'Bridging the Gulf: Harmonisation of Trade Mark Laws in the Gulf Cooperation Council Countries' (2003) Trade Mark World 1.

⁶⁶⁹ *ibid.*

⁶⁷⁰ P Drahos, 'Expanding Intellectual Property's Empire: The Role of FTAs' (Grain, November 2003) <<http://www.grain.org/TRIPS-plus>> (accessed July 6 2015).

the Gulf States even higher standards, based on a Western developed model, under the pretext of global harmonisation.⁶⁷¹ The rate of progress has meant that the laws and enforcement procedures have become outdated before they have had time to come into practical effect.⁶⁷² One of the main reasons is the delay in passing the necessary legislation or enforcement strategy, which means that the regulation is overtaken by amending or repealing legislation.⁶⁷³

At the domestic level, some of the existing trademark laws require further enhancement to remove the remains of previous laws and make them compliant with the standards of the TRIPS Agreement, at least in those few cases of old laws, and impose sanctions to act as effective deterrents.⁶⁷⁴ In addition, taking into account their TRIPS-Plus obligations, some states, namely Bahrain and Oman, had to review and update their laws and implementation strategies to meet the requirements of their FTA with the US.⁶⁷⁵ In the case of Bahrain, as discussed in chapter 4, some of the statutory shortcomings have been largely addressed to give effect to the provisions in its FTA.⁶⁷⁶ This has resulted in Bahrain undergoing extensive changes and amendments to its trademark legislation, particularly in the period 2004 to 2006.

To date, Kuwait's provisions fall below the standards set forth in TRIPS. This led to Kuwait being placed on the USTR Special 301 priority watch list because of the deficiency in its deterrent factor and lack of progress in amending outdated laws.⁶⁷⁷ It is highly likely that the United States will continue to exercise pressure for compliance through its Annual Special 301 Report process.⁶⁷⁸ Furthermore, Kuwait is the only Gulf State that acceded to the Paris Convention rather late, in September 2014.⁶⁷⁹ Thus, it is still considered to be the most conservative state on its international memberships.⁶⁸⁰

⁶⁷¹ *ibid.*

⁶⁷² R Sunna, 'Bridging the Gulf: Harmonisation of Trade Mark Laws in the Gulf Cooperation Council Countries' (2003) *Trade Mark World* 1.

⁶⁷³ *ibid.*

⁶⁷⁴ H Olssen, 'Difficulties in the Enforcement of Intellectual Property Rights and Possible Solutions' WIPO National Workshop for Judges, Document No. WIPO/IP/JU/RYP/04/3, Riyadh, Saudi Arabia, December 2004.

⁶⁷⁵ *ibid.*

⁶⁷⁶ P Drahos, 'Expanding Intellectual Property's Empire: The Role of FTAs' (*Grain*, November 2003) <<http://www.grain.org/TRIPS-plus>> accessed 6 July 2014.

⁶⁷⁷ United States Trade Representative, '2015 Special 301 Report' (2015) <<https://ustr.gov/sites/default/files/2015-Special-301-Report-FINAL.pdf>> accessed 31 December 2015.

⁶⁷⁸ *ibid.*

⁶⁷⁹ IP Preferential, 'Kuwait – Accession to the Paris Convention' (2014) <<http://www.ippreferential.com/kuwait-accession-to-the-paris-convention/>> accessed 3 March 2015.

⁶⁸⁰ *ibid.*; P Drahos, 'Expanding Intellectual Property's Empire: The Role of FTAs' (*Grain*, November 2003) <<http://www.grain.org/TRIPS-plus>> accessed 6 July 2014.

Saudi Arabia continues to face criticism from the United States that its trademark law lacks the basic minimum standard required by the TRIPS Agreement.⁶⁸¹ The country has been accused of failing to protect well-known marks, provide adequate remedies, and to initiate criminal prosecution against trademark infringements.⁶⁸² Saudi Arabia has also been criticised for its failure to ensure transparency in its enforcement procedures, and specifically in respect of timely information on policing and judicial action to aggrieved right holders.⁶⁸³

The Gulf States view their subscription to laws imposed by developed countries, especially laws that ignore their economy and cultural traditions, as lacking in fairness and legitimacy. This could make the enforcement of a Western-based standard of trademark laws a struggle.⁶⁸⁴ This is because it is argued that societies within the Gulf States will continue to resist change arising from pressure from developed countries. However, if changes were to take place, they would certainly not be enforced in favour of foreign corporations at the expense of local merchants.⁶⁸⁵ The struggle with enforcement will remain for the time being, despite the fact that some Gulf States still aim to achieve success against uncontrolled infringements.⁶⁸⁶ However, the argument is that if the Gulf States are truly internally driven by a crucial need for change, the achievement of success against uncontrolled counterfeit goods and trademark infringements will accelerate.⁶⁸⁷

Thus, this concluding chapter will provide a number of recommendations directed towards the GCC states for some tangible advantages of ensuring that the TRIPS policies are fully implemented in the region. This part will be complemented by several recommendations on how to integrate Shariah law with Western legal practice, by the political establishment and by the culture of the region in the implementation of TRIPS.

In summary, this thesis provided a critical comparative overview of trademark protection in the GCC states to present a strong argument in favour of the improvement of trademark protection,

⁶⁸¹ United States Trade Representatives, 'USTR Releases Annual Special 301 Report on Intellectual Property Rights' (2016) <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/april/ustr-releases-annual-special-301>> accessed 31 January 2016.

⁶⁸² *ibid.*

⁶⁸³ *ibid.*

⁶⁸⁴ Y Al-Riyami, 'Intellectual Property Protection, Enforcement in the Gulf States and Copyright Protection in the Middle East' (Franklin Pierce Law Centre 2002).

⁶⁸⁵ Price, 'The Dynamics of Intellectual Property Protection in the Arab Gulf States' (March 2007) 3(1) *International Review of Business Research Papers* 147; J Carroll, 'Intellectual Property Rights in the Middle East: A Cultural Perspective' (2001) 11(3) *Fordham Intellectual Property, Media & Entertainment Law Journal* 555.

⁶⁸⁶ Y Al-Riyami, 'Intellectual Property Protection, Enforcement in the Gulf States and Copyright Protection in the Middle East' (Franklin Pierce Law Centre 2002).

⁶⁸⁷ *ibid.*

in addition to the border measures in this region, and to identify how this can be done in the most effective manner. The concluding remarks will be presented, in which the findings of the research will be highlighted and the extent to which the thesis has answered the research questions and met its objectives will be explained.

A summary of the findings of each of the six research chapters will be detailed, stating the major arguments brought forward. Following this summary of the findings, condensed answers to the initial research questions will be offered.

8.2 Summary of Findings

Chapter 2 examined the concept and scale of trademark counterfeiting in the EU and the GCC. The chapter began by addressing the definitional issues concerning trademarking, which were found to be fundamental to the problem. The interpretative genealogy of the TRIPS Agreement was found to stem from the Paris Convention, which established a union for the protection of industrial property and enabled legal and natural persons who are citizens of, or domiciled in, a state party to enjoy in all other states that are party to the Convention, the benefits that their respective laws grant to citizens.⁶⁸⁸

This chapter's findings were further defined by research into the counterfeit laws in the EU and the GCC in respect of one another. In the EU, 'counterfeit' was found to be defined as goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods or which cannot be distinguished in its essential aspects from such a trademark.⁶⁸⁹ Notably, there were differences between the national laws and enforcement measures of different states. In 1998, the European Commission published policy proposals aimed at harmonising the laws. Uppermost among the provisions of the 1998 directive, it was found, were the articles requesting the presentation of reasonable evidence, security on the preservation of evidence, and the right of seizure by the authorities.

⁶⁸⁸ K Port, 'The Myth of Trademark Harmonization' in PK Yu (ed), *Intellectual Property and Information Wealth: Trademark and Unfair Competition* (vol 3, Praeger 2007); EA Posner and CR Sunstein, 'Chevronizing Foreign Relations Law' (2007) 116 *Yale Law Journal* 1170.

⁶⁸⁹ RS Fenoff and JM Wilson, 'Counterfeit Pharmaceuticals: Examining the Multi-dimensional Risks to African Nations' in L Kennedy and EF McGarrell (eds), *Crime and Terrorism Risk: Studies in Criminology and Criminal Justice* (Routledge 2011) 231.

This analysis of EU law on counterfeiting found, however, that there were no punitive damages. The judicial authorities may order the person found to have infringed an IP right to pay damages in reparation of the total (reasonable and proportional) loss incurred by the successful party, but not to suffer punitive damages. The Commission of the European Communities was found also to have recommended the imposition of counter-measures at the national and international levels in order to stop global trade in counterfeit goods and dismantle transnational networks.

Enforcement directives were found to need continual updating, and one major example where this holds is in the realm of the sale of counterfeit goods on the Internet. Importantly, this was found to be a case where the right balance between protecting free trade and enforcing the legitimate interests of the IP rights holder is difficult to strike. The same is true for cases dealing with infringement outside the EU—the highest source of all counterfeiting affecting the EU. Border control, in this light, was found to take on added significance.

In comparison, the chapter progressed to discuss the counterfeit measures in the GCC which are aimed at the harmonisation of the laws of the signatory states and the enactment of unified regulations governing trade, tourism, finance, customs, administration, and law via the 2014 Trade Mark Law.⁶⁹⁰ The GCC Trade Mark Law seeks to combat the counterfeiting of both registered and unregistered trademarks through the criminal enforcement and civil enforcement of IP rights; however, this is yet to be seen.⁶⁹¹ In addition to the nature of counterfeit legislation, this chapter contributed an analysis of the comparative extent of infringements in the EU and the GCC. In the EU, 91,245 cases were registered in 2011, and 90,473 in 2012, most of which were from Hong Kong and China. The Gulf Foundation reported in 2012 that 2.8% of all seized items in Europe came through the UAE. Further, 24.6% of the fake vehicles, parts, and accessories that were seized in Europe had been shipped from the UAE.

Chapter 3 discussed the role of Shariah law in the protection of IP rights. It referred to several contemporary Muslim scholars and revealed that Shariah law does still clearly indicate the right of a person to receive the reward for their own work. The second part of the chapter discussed

⁶⁹⁰ AH Khoury, 'The Development of Modern Trademark Legislation and Protection in Arab Countries of the Middle East' (2003) 3 JL & TECH 233.

⁶⁹¹ *ibid.*

the practical application of *Shariah* in the GCC which showed a shift away from *Shariah* towards codified laws to protect commercial activities, including IP.

Chapter four explored the foundation of the GCC in 1981 as a result of contemporary transformations in the international political framework as a matter of regional security, and particularly in response to the threat posed by Iraq and Iran in the Gulf peninsula.⁶⁹² In addition, the GCC eliminated trade barriers and extended economic integration in a period that can be characterised by emerging economic globalisation more broadly.⁶⁹³ Given this context, the chapter considered the various legal and cultural issues connected to the GCC states' accession to the TRIPS Agreement. The key research question concerns whether the GCC states' accession to TRIPS should be viewed in the context of regional aims and ambitions or in the context of wider global interests. As a result, it is seen as a more invasive attempt to set up a globally harmonised context of IP law—a factor which made it relatively unpopular in developing countries.

Despite concerns, the GCC states applied the terms of the TRIPS Agreement in their domestic legal orders to varying extents. This means that there is no unified application of IP law at the regional level within the GCC states yet.⁶⁹⁴ Given this diversity, it seems that the GCC is sacrificing local and regional interests in favour of increasing conformity to the liberal standards of the international economy. As a result, social cohesion and unity in the region are potentially rejected or overlooked. In addition, there are repercussions as to the ways in which IP protection is enforced throughout the GCC—a notable example being the case of Bahrain and its bilateral agreement with the United States.⁶⁹⁵

IP regulation can be seen as reflecting public policy and as interacting with areas including culture, agriculture, and education. Chapter four, therefore, discussed the various cultural peculiarities of the Gulf peninsula and the ways in which they are linked with issues of

⁶⁹² A Acharya, 'Regionalism and the Emerging World Order: Sovereignty, Autonomy, Identity' in S Breslin, CW Hughes, N Phillips, and B Rosamond (eds), *New Regionalism in the Global Political Economy* (Routledge 2002), 21.

⁶⁹³ LH Miller, 'The Prospect for Order through Regional Security' in RA Falk and SH Mendlovitz (eds), *Regional Politics and World Order* (WH Freeman 1973) 58.

⁶⁹⁴ JE Stiglitz, *Globalization and its Discontents* (W W Norton and Company 2002) 245.

⁶⁹⁵ C Deere, *The Implementation Game: The TRIPS Agreement and the Global Politics of Intellectual Property Reform in Developing Countries* (OUP 2009).

enforcement and specifically trademark enforcement. Thus, as was argued, both religion and national pride are seen as generating a sense of enmity towards the West.⁶⁹⁶

While the GCC states remained relatively unaffected by the Arab Spring, this social and political movement indicates a particular way of thinking throughout the Arab world. Connected with this is the movement's stipulation that the resolution of socio-economic stagnation should come from means developed within, rather than outside, the region. This is linked to a consideration of the demands of the wider public in the context of urban unemployment issues. Such issues pertain to IP law and the ways in which they influence the performance of enforcement policies through the framework of Shariah law, which recognises IP rights in connection to the emphasis in the *Qur'an* on the notion of profitable trade and the individual's right to benefit from their own work. Chapter four showed that a shift in the conception of trademark protection as a private economic right is required. In the context of the GCC, TRIPS-compliant laws need to be seen as profitable for society at large, instead of profitable solely for multinational companies. The ongoing debates concerning IP protection laws must also be situated within, and take account of, the contemporary political framework of the regional security issues, unemployment, and environmental concerns.

Chapters five and six respectively considered the potential civil remedies available to right holders and criminal proceedings and sanctions in the GCC, based on the provisions of TRIPS. In certain severe or premeditated cases, TRIPS recommends the criminalisation of the infringement of IP.⁶⁹⁷ Such criminal sanctions related to IP infringements also apply in Muslim countries, including the GCC states, whose legal systems are based on Shariah law. Chapter six also examined the criminal enforcement of trademark counterfeiting in the EU and the GCC with the overall aim of justifying the imposition of criminal liability on the infringement of IP rights.

Finally, chapter seven provided a discussion on why the effective protection and enforcement of IP laws are necessary to prevent counterfeiting, and what provisions are adopted by the GCC states. It considered how border control functions as an important means of enforcement in

⁶⁹⁶ J Carroll, 'Intellectual Property Rights in the Middle East: A Cultural Perspective' (2001) 11(3) *Fordham Intellectual Property, Media & Entertainment Law Journal* 555.

⁶⁹⁷ Jane Lambert, *Enforcing Intellectual Property Rights* (Gower 2009).

fighting against the expanding transit of counterfeit goods. As such, the modes of distribution employed by counterfeiters were analysed alongside the challenges faced by the Customs Authorities. The chapter also discussed the international, regional, and national frameworks of border measures more generally in the context of the TRIPS Agreement. In 2002, the GCC approved the enactment of the Customs Union within the region. As a result of economic disputes, however, the implementation of this plan was delayed until the next GCC summit in 2017. The function of this regulation is to unify the Customs procedures throughout the GCC and monitor the regional transit of goods between states.⁶⁹⁸ Despite this, the GCC states' efforts regarding the border control requirement of TRIPS have been minimal. In Saudi Arabia, certain laws do govern issues such as counterfeiting and trademark protection. The law's key feature is in setting out severe punishment for counterfeiting, including goods in transit. Nevertheless, the implementation of the law lies within the purview of Customs officials, who may lack the necessary expertise and guidance in enforcing IP rights. Saudi Arabia is a key entry point for counterfeit goods from China and the UAE, and Customs controls are not developed and reliable enough to tackle issues relating to IP infringements.⁶⁹⁹ The chapter also found that Kuwait is considered to have the second highest rate of counterfeiting in the Gulf region. This has led to the establishment of an IP rights department for border enforcement, including training programmes to educate Customs officers in essential knowledge, skills, and procedures to identify and combat the trade in counterfeit commodities. Despite Customs' attempts to become more proactive and efficient in dealing with counterfeit materials, the relevant support mechanisms are still in a state of development, meaning that Customs cannot act efficiently.

Bahrain also confers power to its Customs officials to assist in preventing the transit of counterfeit goods. However, in order to act, they need to obtain a court ruling, and there are no specialised IP courts in the GCC, and expert judges are unusual.⁷⁰⁰ This results in delays as well as inefficiencies. Meanwhile in Qatar, the border measures are relatively undeveloped and the Customs Authority has little jurisdiction.

⁶⁹⁸ Mohammad Al-Asoomi, 'GCC Seeks Common Good from Full Customs Union' (Gulf News 2014) <<http://gulfnews.com/business/opinion/gcc-seeks-common-good-from-full-customs-union-1.1332299>> accessed 8 May 2015.

⁶⁹⁹ M Salman Khan, 'Saudi Arabia: Trademark & Patent Services' (2010) <<http://www.worldtrademarkreview.com/issues/article.ashx?g=1ac1ba27-2a48-48bf-8839-722f21f53cfa>> accessed 18 December 2014.

⁷⁰⁰ Sabuktageen Zahoor Khawaja, 'Bahrain: United Trademark & Patent Services' (2010) <<http://www.worldtrademarkreview.com/issues/article.ashx?g=1c7c0441-6b75-48a5-9572-f939adaafbce>> accessed 18 December 2014.

The UAE's system of Customs controls is potentially the most proactive one within the GCC. Yet, while counterfeit goods can be identified, little can be done to prevent their distribution, despite this Customs control system. In the case of Oman, its location means that it has one of the highest rates of counterfeiting in the GCC region.⁷⁰¹ While combating counterfeit products in transit is important to Oman because of its international treaty agreements, in reality, the country's Customs officials are in need of training, and there are few measures in place to prevent the transit of counterfeit goods.⁷⁰²

Thus, this chapter showed that the Customs Authority in each member state is able to detain counterfeit goods suspected of infringing IP rights if they are intended for sale in the GCC. However, in the case of goods in transit, they are unable to act. As a result, the proposal is to implement border control systems allowing the Customs Authority to detect and confiscate goods in transit which are suspected of infringing IP laws. The Authority should also be able to seize goods entering the GCC even if they have not been released into the local market. Effective Customs regulations according such powers to the Customs Authority are lacking due to contrasting laws within each of the GCC states. Nonetheless, the Customs Unified Regulation adopted in 2006 is intended to address such issues and align the GCC border control procedures with TRIPS; however, this will not be fully implemented until 2017.

8.2.1 Research findings: Survey data

In light of this analysis, and in light of the research carried out in the preceding chapters and summarized above, recent survey data drawn from expert professionals in the field will be used to further substantiate these recommendations and embed them within the current state of legal affairs. The full data obtained from the survey are provided in the Appendix to this thesis. The survey was completed by 20 key industry professionals with 1–15 years of experience in trademark protection in the GCC region. The majority of the respondents recognised the contemporary importance of trademark issues in light of increased counterfeiting cases, and they perceived this on the basis of their professional practice and membership in a range of professional bodies. Their responses highlighted a clear need for cooperation between agencies

⁷⁰¹ Essam Shafiq, 'Qatar: Trademark & Patent Services' 2010) <<http://www.worldtrademarkreview.com/issues/article.ashx?g=82e6bad2-2b60-41c9-8b7f-7b3bbe535c9f>> accessed 18 December 2014.

⁷⁰² J Al-Wahabi, Intellectual Property System in the Sultanate of Oman (WIPO Introductory Seminar on Intellectual Property, Muscat, Oman 2004).

and government departments to deal with the issue of counterfeiting, as well as the need to build an appropriate framework for developing national, regional, and international solutions.

Overall, the recommendations of this thesis are geared towards establishing a solid legal enforcement regime to combat counterfeiting in order to produce the effects of decreasing criminal activity, removing impediments to innovation and economic growth, and enhancing the level of safety in developing areas. As one survey respondent stated, ‘Customs are the first line of defence for IP rights holders, as border measures with Customs Authorities prevent goods from entering the markets and reaching consumers’. Eleven of the 20 experts referred to the importance of border measures (Appendix 1, Question 12) with the recommendation that Customs Authorities should be given authority to use *ex officio* power in detecting and seizing goods in transit which are suspected of infringing IP rights—whether internally to the GCC or abroad.

Second, close and effective cooperation between the right holders and the Customs Authority must be assured. All survey respondents highlighted the necessity of such cooperation. According to one legal expert, it is considered an absolute must in combating IP counterfeiting. In addition, Customs officials, police, and judicial authorities in all six states need to play a more cooperative role amongst each other. Others referred to cooperation as ‘vital’ and ‘imperative’ (Appendix 1, Question 8). Access to high quality, clear information on both sides and an open channel of communication will enable all parties to take the necessary actions. A database system shared among the Customs Authorities of all the member states would enhance communication and the exchange of information, and benefit the right holders.

Third, it is recommended that a firm stance be taken on the criminal enforcement of trademark counterfeiting in the GCC in accordance with the TRIPS Agreement’s compulsion for criminal procedures to be established. This relates to the clear articulation from eight respondents of the need for a combined border and criminal policy (Appendix 1, Question 12). Criminalisation should be adopted to deter counterfeiters, and it should be up to the GCC member states to set the threshold of criminal liability and impose the criminal penalties that they consider appropriate. Such an effect would address the issue, described in the chapters above and succinctly outlined by one of the survey respondents: ‘The main problem in implementing the

laws is the tendency of authorities (both administrative and judicial) to treat counterfeiting as a minor crime and, as such, refrain from imposing deterrent penalties' (Appendix 1, Question 14).

Fourth, sustained legal attention must be devoted to ascertaining the appropriate proceedings and remedies for trademark infringement under Islamic law, as there is no provision for the punishment of the violation of IP rights in the *Qur'an* or *Sunnah*. The complexity of such a task has turned the states' attention away from Islamic law, but this thesis recommends a reconsideration so as to help embed IP rights within the cultural fabric of the GCC, not simply impose them.

Lastly, the problem of harmonising IP rights legislation across the GCC region would be substantially ameliorated if definitional issues were cleared up. The experts tended to agree, stating that 'the biggest problem is in enforcing and interpreting the law' (Appendix 1, Question 13). Definitional issues are proposed here as a major impediment to enforcement and interpretation. Therefore, that which is wilful, conscious, knowing, intentional, and ultimately culpable or not culpable must be agreed upon in order for the tangible advantages to reducing IP rights infringement to be widely enjoyed across the GCC.

8.3 Revisiting the Research Questions

This thesis posed a series of research questions in chapter one, section 1.4 exploring the importance of trademark law in the GCC region, questioning in particular how the TRIPS Agreement legislation may be successfully implemented and maintained. Drawing in a summary fashion on the key findings presented above, the answers to the research questions will now be offered. Subsequently, a number of recommendations directed at the GCC states will be put forward to shed light on the tangible advantages of fully implementing the TRIPS policies in the region.

(1) What global data sources exist on the issue of counterfeiting that can be brought to the attention of the national enforcement authorities? How may these data sources usefully be assessed, and what do they tell us about the characteristics of the problem?

Chapter two discussed this issue at length and found that global data sources on the issue of counterfeiting do exist, but there is some degree of difficulty in acquiring precise data on the scale of counterfeiting. The illicit nature of this activity leads to several limitations in the collection of data. Generally, the data and estimated figures appear to be based on reported cases, therefore producing an estimate that may be understated. This is also partly due to the absence of a uniform international definition of the term *counterfeiting*. Chapter two suggested that it is essential to create a standardised universal definition which limits the term to apply to trademarks in order to ensure accuracy in obtaining data for future study on this subject.

Nevertheless, the data in general serve the purpose of this study regarding the problem, scope, and extent of counterfeiting. Thus, the data in the thesis were supported by interviews with experts in the trademark field in the GCC, confirming that enforcement issues is one of the key factors contributing to the increasing trend of counterfeiting.

In the GCC, more reflective work is required to achieve specificity and thereby gain the attention of the national enforcement authorities. The data were assessed comparatively in this thesis, enabling clear judgements to be made about the relative status of the trademark legislation in the GCC. Since the Paris Convention, the issue of trademarks has been an amalgamation of linked policies implemented variously, and this thesis maintained that comparative, international approach.

This chapter concluded that there is an increasing trend in counterfeiting activities across borders, based on the data issued by the WCO and the OECD. The issue is not exclusive or limited to certain products or sectors but is prevalent across the board. The chapter examined how businesses, governments, and consumers are affected by counterfeiting activities. This phenomenon is expected to remain prevalent for some time to come, and it requires strict action from enforcement authorities.

(2) What are the main problems encountered with the existing legal measures and procedures for fighting counterfeiting in general? Are they efficient and effective enough to address the problem and, if so, which ones are the most effective?

Chapter four recognised the weakness in the effective enforcement of trademarks and in the legal systems of the Gulf States. Thus, a combination of issues, such as a lack of judicial expertise and varying degrees of civil remedies and criminal proceedings applied, has contributed to the rise of counterfeiting in the region. The chapter also highlighted reports of successful raids carried out across the GCC states, taken from various news bulletins and reports. However, it is argued that these reports are influenced by a political agenda. Therefore, it is challenging to obtain data based on these raids, as it is unclear to what extent they are considered common practice.

Combining the analyses from chapters four, five, and six, the most significant areas of deficiencies in enforcement are low deterrent penalties, lack of human resources, and the inadequacy and inappropriateness of legislation which is not being drafted effectively and extensively. There is a general lack of training of enforcement officials and lack of transparency due to systematic problems resulting from insufficient national and regional coordination. Regarding the judicial process in the GCC, disparities in the procedures practiced across the member states were identified. Thus, chapters five, six, and seven explained how civil remedies, stringent criminal proceedings, and border measures can be used effectively to enforce trademark rights in combating counterfeiting. It appears that the existing legal frameworks for IP regulation have been erected outside of the GCC region, and therefore also outside the specific cultural issue of *Shariah* law where each of the member states had to move towards creating codified laws to address commercial issues. Finally, in the GCC region specifically, issues of border control have not been addressed in sufficient depth, as shown in chapter seven, and EU measures which reach beyond TRIPS can offer paradigms for increasing the efficacy of the border as a site of IP rights infringement reduction. Therefore, it is submitted that a combination of the chapters highlighted in this section (four, five, six, and seven) all contribute to answering research question 2. By assessing the existing legal frameworks, civil remedies available, and criminal proceedings, the chapters identify the key areas that pose as obstacles for effective enforcement.

(3) Are the national and international provisions concerning the measures and procedures for enforcing IP rights up to the task of preventing and punishing infringements?

(4) How effective are the international, regional, and inter-governmental legal rules concerning the enforcement mechanisms implemented in the GCC states and the EU? What options should be explored to improve the legal enforcement framework systems?

(5) What does a comparative study suggest for regional and national legislative reform?

Since these three research questions are connected, to provide answers, the details of the proceedings available, such as the civil, criminal, and border measures already covered in detail in chapters five, six, and seven, will be discussed to reach a conclusion and provide an answer to these research questions.

The civil remedies and proceedings available to right holders in the GCC were examined in chapter five. The relevant provisions relating to TRIPS and EU law served as a framework and allowed for a comparative analysis. In assessing civil remedies as a whole, this chapter revealed that although some GCC states, like Qatar and Bahrain, have enacted laws governing most of the important areas of IP, the problem lies in the fact that there are no implementing statutes, and therefore no specialised IP courts. The chapter suggested that the existence of civil procedures and remedies practiced in the EU may serve as a model for the GCC courts. It also suggested that up-to-date and improved trademark legislation is crucial for addressing counterfeiting problems. Civil proceedings are successful so long as the right holder is able to identify the defendant's financial situation for the purpose of obtaining compensation. Otherwise, as chapter six highlighted, criminal proceedings can act as a major deterrent against this growing phenomenon.

Chapters six and seven analysed existing impositions across regions and found different results. In the EU, the civil enforcement of IP rights has been harmonised. Most EU jurisdictions criminalise both trademark counterfeiting and trademark piracy, and local interpretations were found to result in many inconsistencies in the criminal enforcement measures across the EU member states. The laws of Germany, Italy, and the UK were drawn on to display different interpretations, all of them related to the definition of a culpable state of mind and therefore

intention.⁷⁰³ In the GCC, despite the fact that the new Trademark Law imposes criminal sanctions (fine and/or imprisonment) on persons who forge a registered trademark in a manner that misleads the public and then affix the mark to their products, chapter six found large disparities between the criminal sanctions and fines imposed across the GCC states. This is argued to be one of the key issues in the rise of counterfeiting. The chapter recommended a unified and harmonised approach to criminal sanctions and fines in order to eliminate counterfeiters who may take advantage of the laxity found in some of the GCC states.

It is suggested that although criminal proceedings are mostly useful against small operators, rather than developing new legislation, the GCC states should focus on implementing and improving the existing provisions. Furthermore, it would be beneficial for the states to allocate the necessary budget for enforcement authorities to train their staff and educate the public on the harmful effects of counterfeit products. Chapter seven suggested that border measures have the potential to effectively prevent the flow of counterfeit goods. In this regard, the chapter proposed close cooperation and communication amongst the right holders and Customs Authorities in each state. It also suggested the use of detection equipment to overcome the problem in the face of limitations experienced by the Customs Authorities. Chapter seven highlighted some complicated procedures for right holders where goods are suspected of infringing their trademark rights and suggested a procedure whereby it is simplified and, in some extreme cases, expedited processes, such as quick and cost-effective methods for the destruction of counterfeit goods without the need for a court order. Finally, there is a need to legislate and infer certain powers for Customs Authorities to detect, seize, and destroy goods in transit. At present, the position maintained by all states is that if such goods are not intended for circulation in the GCC markets, Customs officials do not have the power to stop these goods from continuing further to other jurisdictions.

Thus, it is submitted that the above evaluations are sufficient for addressing research questions three to five. This is also based on the assessment of chapters five to seven which identified the relevant existing measures, compared and contrasted the merits of the available procedures, and suggested future improvements. Therefore, all objectives posed earlier in this thesis have been achieved.

⁷⁰³ S Ilias, 'The Proposed Anti-Counterfeiting Trade Agreement: Background and Key Issues' (2012) Congressional Research Service 1, 7–9.

8.4 Recommendations

The above research makes it possible to offer a series of recommended amendments and improvements to the existing legal mechanisms in the national IP enforcement regime, offering tangible advantages for the implementation of TRIPS. In reviewing the compliance of the Gulf States' trademark laws with the TRIPS agreement, a recent study by the USTR highlighted the characteristics of trademarks and well-known marks protection⁷⁰⁴, and concludes the following:

‘Lack of sufficient protection for service marks

Lack of recognition of non-traditional marks composed of alphanumeric marks and combination of colours

Lack of recognition or protection for well-known marks

Lack of satisfactory, prompt, and effective legal and customs procedure that would assist the proprietor of a mark to halt importation of infringing products⁷⁰⁵

Despite the findings of the thesis, trademark protection and enforcement procedures appear to be slowly progressing towards meeting the international standards of protection set out in TRIPS.⁷⁰⁶ Indeed, the Gulf States are moving towards full compliance and most importantly, effective enforcement procedures, despite the current lack of various enforcement mechanisms, including judicial capacity.⁷⁰⁷ Nevertheless, this section aims to provide a brief outline of recommendations in respect of trademarks protection in the Gulf States, while making reference to the EU as a model for its implementation of TRIPS.⁷⁰⁸

⁷⁰⁴ A Khoury, ‘The Development of Modern Trademark Legislation and Protection in Arab Countries of the Middle East’ (2002–3) 16(2) *The Transnational Lawyer* 233.

⁷⁰⁵ United States Trade Representative, ‘2015 Special 301 Report’ (2015) <<https://ustr.gov/sites/default/files/2015-Special-301-Report-FINAL.pdf>> accessed 31 May 2015.

⁷⁰⁶ R Sunna, ‘Bridging the Gulf: Harmonisation of Trade Mark Laws in the Gulf Cooperation Council Countries’ (2003) *Trade Mark World* 1.

⁷⁰⁷ *ibid*; A Khoury, ‘The Development of Modern Trademark Legislation and Protection in Arab Countries of the Middle East’ (2002–3) 16(2) *The Transnational Lawyer* 233.

⁷⁰⁸ R Sunna, ‘Bridging the Gulf: Harmonisation of Trade Mark Laws in the Gulf Cooperation Council Countries’ (2003) *Trade Mark World* 1.

8.4.1 Harmonisation and Regional Power

The trademark laws of the Gulf States are ripe for, and would significantly be enhanced by, a process of review, potentially leading towards regional harmonisation.⁷⁰⁹ There are clear inconsistencies in judicial enforcement procedures, not just regionally but within the states themselves, as seen in the UAE. A review process leading to harmonisation may contribute towards eliminating some of these inconsistencies and lead to the mutual adoption of the positive and comprehensive elements of the more recent laws.⁷¹⁰ Furthermore, it could contribute to the states' initiatives towards effective implementation. Since border control measures are crucial in any enforcement strategy, common provisions relating to the movement and control of goods across state borders would significantly contribute to combating the increasing problem of counterfeiting activities in the region.⁷¹¹ Harmonised laws would complement other GCC trade initiatives, such as regional free trade areas, common currency, and financial structures, and would lead to increasing their bargaining power against the demands of the United States.⁷¹²

The GCC member states have already embraced a regional patents protection law to complement their post-TRIPS national laws and are currently in the process of deciding whether to embrace a regional trademark law.⁷¹³ The Unified Trademark Law came into force in 2014 during the GCC Supreme Council Summit; however, the law has not been implemented yet, as each GCC member state must first ratify the Unified Trademark Law.⁷¹⁴ Furthermore, the harmonised trademark law may provide stronger protection for trademarks and guidelines for the seizure and detention of counterfeit products across all GCC member states.⁷¹⁵ Such an initiative to create harmonised trademark laws that encompass provisions for trademarks may prove promising and effective in meeting their TRIPS obligations, especially in terms of enforcement procedures.⁷¹⁶ More importantly, the unified law introduces 'binding legal provisions governing procedures such as opposition, cancellation and publication of

⁷⁰⁹ *ibid.*

⁷¹⁰ *ibid.*

⁷¹¹ *ibid.*

⁷¹² M Maguire and D Maguire, 'Unified GCC Trade Mark Law', Clyde & Co. <<http://www.clydeco.com/knowledge/articles/unified-gcc-trade-mark-law.cfm>> accessed 18 July 2014.

⁷¹³ *ibid.*

⁷¹⁴ O Shteivi, 'Time to Push through Unified Trademark Law in Gulf Region' (August/September 2009) *World Trademark Review*.

⁷¹⁵ *ibid.*

⁷¹⁶ *ibid.*; M Maguire and D Maguire, 'Unified GCC Trade Mark Law', Clyde & Co. <<http://www.clydeco.com/knowledge/articles/unified-gcc-trade-mark-law.cfm>> accessed 18 July 2010.

trademarks'.⁷¹⁷ This means that brand owners will be able to follow the same process across the GCC for filing and registration in the future.

8.4.2 Adopting the EU Model

In the meantime, the GCC, as an international organisation, may refer to the harmonisation of trade names throughout the EU as a model.⁷¹⁸ The GCC not only lacks substantive harmonisation in its trademark provisions consistent across all its member states but also certain mechanisms that would make such harmonisation possible. The creation of a unified court system for the GCC member states similar in function to the Court of Justice of the European Union (CJEU) may place the states' on the path towards the harmonisation of not only their trademark provisions but their IP laws in general, and bring them in compliance with TRIPS. A unified court may supply the courts with the necessary legal framework, especially in enforcement procedures concerning counterfeit goods and indeed those in transit.⁷¹⁹

According to Evans, one of the ways in which the EU has made harmonisation possible is the preliminary reference rule, where the national courts of the EU member states may refer to the CJEU on matters concerning Community law.⁷²⁰ By implementing the preliminary ruling reference within the GCC, the issue of complying with international agreements, in particular TRIPS, and enforcement procedures across all GCC member states may improve, as it would provide the national courts with the necessary framework in which to function.⁷²¹ The case of *Anheuser-Busch v Budejovicky Budvar*⁷²² demonstrates the relationship between the CJEU and the national courts. It is evident that the mechanism of preliminary reference has contributed to the harmonisation of the domestic laws because, without such mechanisms, the courts would not be able to assist the member states by providing guidance on the interpretation of TRIPS.⁷²³ Furthermore, the European Commission plays the role of bringing the member states to the

⁷¹⁷ O Shteivi, 'Time to Push through Unified Trademark Law in Gulf Region' (August/September 2009) World Trademark Review.

⁷¹⁸ G Evans, 'Substantive Trademark Law Harmonization by Means of the WTO Appellate Body and the European Court of Justice: The Case of Trade Name Protection' (2007) 41(6) Journal of World Trade 1127.

⁷¹⁹ *ibid.*

⁷²⁰ *ibid* 1132.

⁷²¹ *ibid* 1133.

⁷²² *Anheuser-Busch v. Budejovicky Budvar* Case C-245/0216 November 2004.

⁷²³ G Evans, 'Substantive Trademark Law Harmonization by Means of the WTO Appellate Body and the European Court of Justice: The Case of Trade Name Protection' (2007) 41(6) Journal of World Trade 1127.

CJEU for non-compliance, which is argued to relieve pressure from the CJEU for performing this task in addition to providing reference on Community law.⁷²⁴

8.4.3 Bargaining Position and External Pressure

It is worth noting that the pressure by leading developed countries in particular the United States to establish controlled regional trade on the GCC member states is not without costs.⁷²⁵ The main concern of the GCC member states is that the United States will continue to give its own interests priority, disregarding the interest of the Gulf States.⁷²⁶ For example, Oman has not forgotten the United States' pressure to adopt a 25-year patent protection before Oman's accession to the WTO. Although this move was successfully resisted by Oman, it has certainly generated Omani resentment.⁷²⁷

The GCC member states view the United States as interfering in their domestic affairs and consider its approach of aiming to reform the local character of the societies problematic.⁷²⁸ Furthermore, they often accuse it of not taking into consideration the needs of the countries or understanding the realities of their situation.⁷²⁹ Nevertheless, it is argued that pressure from the United States will continue to move towards the highest international standard by way of its FTAs.⁷³⁰ This argument has been further reinforced by US policy-makers' 'message of imposing change without consideration of local cultural values'.

The Gulf States may continue to accede to the demands of the United States in respect of providing higher standards of trademark protection and border measures that meet the United States' demands.⁷³¹ However, that may not stop the Gulf States from being able to modify the application of those demands to fit local and regional needs and sensitivities. The UAE and Qatar's stalled FTAs are further proof to the United States that there has been a shift in the

⁷²⁴ *ibid* 1134.

⁷²⁵ *ibid*.

⁷²⁶ Price, 'The Dynamics of Intellectual Property Protection in the Arab Gulf States' (March 2007) 3(1) *International Review of Business Research Papers* 147.

⁷²⁷ A Hirst, 'Oman: Comprehensive Reform, Extension of Intellectual Property Legislation' (2000) 23(10) *Middle East Executive Reports* 23.

⁷²⁸ C Fink and P Reichenmiller, 'Tightening TRIPS: The Intellectual Property Provisions of Recent US Free Trade Agreements' (7 February 2005) World Bank Group International Trade Department Trade Note 20.

⁷²⁹ *ibid*.

⁷³⁰ *ibid*.

⁷³¹ R Lawrence, *A US-Middle East Trade Agreement: A Circle of Opportunity?* (Peterson Institute for International Economics 2006).

balance of negotiating power. Indeed, although still in its initial stages, the Gulf States have begun to define their own national priorities and interests.⁷³² As Price notes, most matters ‘are always changeable in Arabic eyes and nothing is ever really concluded, even a formal agreement.’⁷³³ Conditions agreed to at one point in time may no longer be appropriate or tenable as circumstances change or time progresses. Thus the nature of the intellectual property protection regimes of the Gulf States as a whole and their efforts at combating counterfeiting will be subject to further change and development⁷³⁴, and that change is likely to encompass a greater degree of internal influence and direction than has been seen in the past.

⁷³² J Carroll, ‘Intellectual Property Rights in the Middle East: A Cultural Perspective’ (2001) 11(3) *Fordham Intellectual Property, Media & Entertainment Law Journal* 555; MR Hassanein, ‘Bilateral WTO-Plus Free Trade Agreements in the Middle East: A Case Study of OFTA in the Post-Trips Era’ (2007–2008) 8(2) *Wake Forest Intellectual Property Law Journal* 161.

⁷³³ David Price, *The Development of Intellectual Property Regimes in the Middle East: Infidels at the Gate* (Routledge 2009).

⁷³⁴ *ibid.*

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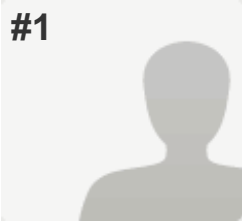
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Appendix 1: Questionnaire with interviewee responses

The objective of the questionnaire was to learn about the view of experts based on their expertise on the nature of counterfeiting activities the GCC region. The goal is to examine and identify the effectiveness of border measures as one of the enforcement mechanisms in combating counterfeiting. It is also to explore the obstacles they faced and their needs and concerns to overcome with the problem in enforcing counterfeiting through the border controls.

1. What is your post?
2. How long have you been in this current position?
3. Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation).
4. How did you qualify? Did you qualify through training or practice/experience?
5. What is your area of practice?
6. Other than your official duty, have you become a member of any other professional bodies?
7. Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?
8. Do you think that to address effectively IP infringement there is a need for co-operation among agencies?
9. Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?
10. Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?
11. Do you have any experience handling cases involving border measure provisions within the GCC?
12. In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?
13. Do you think that the current legislative frameworks are sufficient in handling IP matters?
14. Do you think that there are problems in its application?

#1

**COMPLETE****Collector:** General (Web Link)**Started:** Sunday, February 01, 2015 9:15:45 AM**Last Modified:** Sunday, February 01, 2015 9:27:36 AM**Time Spent:** 00:11:51**IP Address:** 89.148.43.217**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Intellectual Property Registration Consultant

Q2: How long have you been in this current position?

3 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

I have founded the IP department at our firm, and I am the one who is responsible to handle all the clients' IP rights

Q4: How did you qualify? Did you qualify through training or practice/experience?

Study - Experience

Q5: What is your area of practice?

Intellectual Property Registration and Enforcement

Q6: Other than your official duty, have you become a member of any other professional bodies?

Yes

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

That's true, counterfeiting activities are increasing due to the fact that most of the counterfeiters do not know about the IP rights, and some of them do that because they feel that no enforcements for the IP rights.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Sure, as the IP agents are the professionals of all these cases, they have to co-operate in order to explain the cases to their clients well.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

No

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes, with the customs in UAE

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

It depends on the case, and the two parties

PAGE 3: Section III: Closing

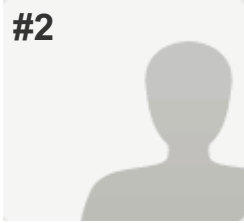
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

Yes

Q14: Do you think that there are problems in its application?

No

#2

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Monday, February 02, 2015 4:58:27 AM**Last Modified:** Monday, February 02, 2015 5:24:31 AM**Time Spent:** 00:26:03**IP Address:** 86.98.70.137**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Legal Associate

Q2: How long have you been in this current position?

9

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Head of Legal Department for UAE branch. I provide legal consultancy for clients on all Intellectual Property related matters including effecting and implementing border measures for brand owners and enforcing Intellectual Property Rights at borders and in local markets.

Q4: How did you qualify? Did you qualify through training or practice/experience?

I hold a law degree (2002), i am a member of the bar association in Lebanon (since 2004) and have specialized in Intellectual Property Law through practice since 2007.

Q5: What is your area of practice?

Intellectual property Law

Q6: Other than your official duty, have you become a member of any other professional bodies?

Bar Association in Lebanon

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

I agree with this statement. Trade in counterfeit goods is considered to be a high profit low risk business in the UAE. The penalties imposed against counterfeiters in the UAE does not act as sufficient deterrent to counterfeits which encourages the latter to engage in counterfeiting activities given the expected high rewards. We have seen an increase in seizure of fake goods by pertinent authorities in the local UAE markets which implies an increase in counterfeiting activities.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Co-operation among agencies is vital to combat IP infringement and counterfeiting acts. Customs, Police and other pertinent administrative and judicial authorities should all play their role to limit the damaging effects of counterfeiting and IP infringement.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

I cannot comment on international enforcement efforts but can state that regional and national enforcement lacks sufficient speed in tackling counterfeiting acts. This of course varies from country to country.

Q10: Based on your experience in handling Trademark, Patent infringement/counterfeiting cases, which IP right has been most frequently infringed?**Q11: Do you have any experience handling cases involving border measure provisions within the GCC?**

Yes, i have vast experience in handling customs cases in the UAE

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

In my opinion, border measures should be considered as the most effective measures in addressing counterfeiting. Customs are the first line of defense for IP Rights holders as border measures with customs authorities prevent goods from entering the markets and reaching consumers.

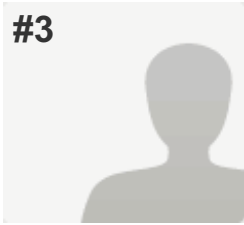
PAGE 3: Section III: Closing**Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?**

The legislative framework is sufficient as it provides for all the essential measures to tackle counterfeiting and infringement actions. Nevertheless, legislation for border measures could be more effective in particular with regards to goods in transit.

Q14: Do you think that there are problems in its application?

the main problem in implementing the laws is the tendency of authorities (both administrative and judicial) to treat counterfeiting as a minor crime and as such, refrain from imposing deterrent penalties (such as high fines).

#3

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Monday, February 02, 2015 10:47:48 AM**Last Modified:** Monday, February 02, 2015 11:10:37 AM**Time Spent:** 00:22:48**IP Address:** 85.154.17.102**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Country Level Manager / IP Counselor

Q2: How long have you been in this current position?

5 Yeras

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Provides legal advice in all fields of intellectual property in the light of the enforced legislation's namely Industrial Property Law, Commerce Law and Corporate Law. And insuring the broadest possible protection for the clients rights.

Prepares notices of oppositions and counter statements, preparing pleadings before court, very familiar with various TM's litigation's such as use requirements, cancellation action for none use, fame of TM's, similarity between marks and possibility of confusion, unfair competition, market investigation ... itc.

Provides the highest level of legal services in the form of legal research, drafting of legal documents like cease and desist letters, contracts, agreements, license agreements, letters of consent, no objection letters, agreements and assignments.

Carrying out registration formalities with the local authorities involved.
Managing client's portfolio and preparing reports.

Conducting meetings to explain, educate and to develop business.

Managing and directing staff and taking care of other related administrative issues.

Reporting to General Manager and the Operation's Manager.

Q4: How did you qualify? Did you qualify through training or practice/experience?

training and practice/experience

Q5: What is your area of practice?

Intellectual Property (Industrial Property and Copy rights).

Q6: Other than your official duty, have you become a member of any other professional bodies?

Intentional Association for the Protection of Intellectual Property AIPPI

PAGE 2: Section II: Expert Views

Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?

Yes, but unfortunately we do not have any statistics for Oman

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

of course and this is one the main challenges we face in Oman

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

No

Q10: Based on your experience in handling Trademark infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Border measures

PAGE 3: Section III: Closing

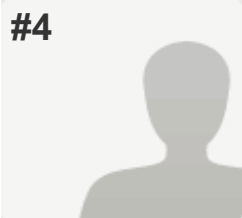
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

For Oman i can say the legislation is OK but the problem is in implementation and interpretation of the law by local authorities

Q14: Do you think that there are problems in its application?

certainly

#4



COMPLETE

Collector: Saba IP (Web Link)
Started: Monday, February 09, 2015 8:15:15 AM
Last Modified: Monday, February 09, 2015 8:21:34 AM
Time Spent: 00:06:19
IP Address: 37.210.150.95

PAGE 1: Section I: Interviewee Information

Q1: What is your post?
Partner

Q2: How long have you been in this current position?
15 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation) *Respondent skipped this question*

Q4: How did you qualify? Did you qualify through training or practice/experience?
Training and experience

Q5: What is your area of practice?
Intellectual Property Consultancy, Management, Prosecution and Enforcement

Q6: Other than your official duty, have you become a member of any other professional bodies?
INTA and AIPPA

PAGE 2: Section II: Expert Views

Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?
As far as Qatar is concerned; such activities have increased.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?
I strongly agree.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

enforcement effort in the international, regional and national level is not conducted within a reasonable time framework.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

limited.

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

the criminal one.

PAGE 3: Section III: Closing

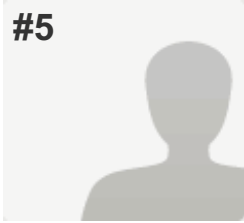
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

They exist but are deficient .

Q14: Do you think that there are problems in its application?

I strongly agree.

#5

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Sunday, May 03, 2015 11:26:48 AM**Last Modified:** Sunday, May 03, 2015 11:48:03 AM**Time Spent:** 00:21:15**IP Address:** 83.111.236.141**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Senior Associate

Q2: How long have you been in this current position?

3 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

legal and commercial advisory relating to IP, enforcement, brand protection and drafting commercial agreements relating to IP

Q4: How did you qualify? Did you qualify through training or practice/experience?

Law degree specializing in IP

Q5: What is your area of practice?

IP

Q6: Other than your official duty, have you become a member of any other professional bodies?

New York State Bar, INTA Member

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

Yes, historically counterfeiting was synonymous with high end goods, now we are seeing counterfeit items in all scales, for example toothbrushes, FMCG's and even food products. I have handled a case in Dubai for counterfeit Pineapples! the Counterfeiter was located in China and was exporting to Dubai.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Its imperative, without co-operating between agencies the fight against counterfeiting will not be effective.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

enforcement in the UAE is particularly fast and results can be obtained in a timely manner, in the other GCC Countries it is extremely slow moving and even non existing.

Q10: Based on your experience in handling Trademark infringement/counterfeiting cases, which IP right has been most frequently infringed?

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Administrative proceedings, it is fast, effective and the least costly.

PAGE 3: Section III: Closing

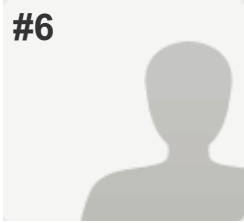
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

UAE has a new anti-counterfeiting law in the pipeline, I believe that in other GCC Countries they need to adopt the same legislations and frameworks as those developed in the UAE.

Q14: Do you think that there are problems in its application?

yes, since case law is not prevalent in the regional the application of the law can be at times inconsistent.

#6

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Sunday, May 03, 2015 12:35:41 PM**Last Modified:** Sunday, May 03, 2015 12:47:44 PM**Time Spent:** 00:12:03**IP Address:** 108.171.128.165**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Partner

Q2: How long have you been in this current position?

4 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

I am responsible for the firm's intellectual property and technology group in the Middle East.

Q4: How did you qualify? Did you qualify through training or practice/experience?

Bachelor of Laws and Articles of Clerkship (two years of training)

Q5: What is your area of practice?

Non-contentious technology, media and telecoms commercial contracts.

Q6: Other than your official duty, have you become a member of any other professional bodies?

no

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

Counterfeiting activities are prevalent around the world, including the UAE. We see most counterfeiting in the context of consumer goods and brands.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Absolutely.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

At times but not always.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Theoretical only.

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Border measures.

PAGE 3: Section III: Closing

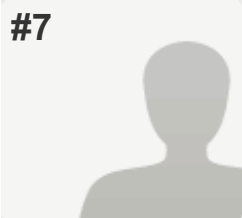
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

Intellectual property frameworks need to constantly evolve to accommodate market developments. One area which probably requires attention in the GCC relates to civil remedies, such as the ability to obtain and enforce injunctions in relation to IP infringement.

Q14: Do you think that there are problems in its application?

Yes, it is difficult to pursue those who infringe intellectual property rights in the GCC and, as a consequence, this can have a negative impact on the willingness of people to invest in innovation and intellectual property in the GCC.

#7



COMPLETE

Collector: Saba IP (Web Link)
Started: Monday, May 04, 2015 8:22:33 AM
Last Modified: Monday, May 04, 2015 8:31:51 AM
Time Spent: 00:09:18
IP Address: 37.210.183.184

PAGE 1: Section I: Interviewee Information

Q1: What is your post?
 IP Specialist

Q2: How long have you been in this current position?
 8 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)
 All matters related to trademarks and patents

Q4: How did you qualify? Did you qualify through training or practice/experience?
 Experience

Q5: What is your area of practice?
 IP

Q6: Other than your official duty, have you become a member of any other professional bodies?
 No

PAGE 2: Section II: Expert Views

Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?
 From our practice, we found the level of counterfeiting activities to be minimal

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?
 This is a must

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

Yes

Q10: Based on your experience in handling Trademark infringement/counterfeiting cases, which IP right has been most frequently infringed?

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

No

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Civil measures

PAGE 3: Section III: Closing

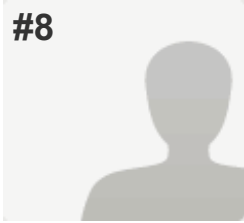
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

No, much work needs to be done, especially in establishing IP focused courts

Q14: Do you think that there are problems in its application?

No

#8

**COMPLETE**

Collector: Saba IP (Web Link)
Started: Monday, May 04, 2015 9:56:53 AM
Last Modified: Monday, May 04, 2015 10:03:36 AM
Time Spent: 00:06:43
IP Address: 80.76.167.2

PAGE 1: Section I: Interviewee Information**Q1: What is your post?**

Associate and Managing Partner (response on behalf of two people)

Q2: How long have you been in this current position?

1 year

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Both responsible for advising local and international clients on Qatari law. Managing Partner additionally responsible for managing the office and supervision.

Q4: How did you qualify? Did you qualify through training or practice/experience?

Period of academic training and then qualification for more senior positions through practice

Q5: What is your area of practice?

Corporate/commercial law

Q6: Other than your official duty, have you become a member of any other professional bodies?

No

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

It is not clear that counterfeiting is increasing as opposed to the market becoming more aware of the existing counterfeiting.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Yes

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

Enforcement actions can be lengthy and very expensive to conduct - this can mean that clients are reluctant to pursue actions, exacerbating the problem.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

No

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Civil - criminal penalties are minimal in Qatar and do not act as a significant deterrent in practice.

PAGE 3: Section III: Closing

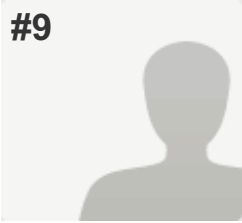
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

Yes

Q14: Do you think that there are problems in its application?

There needs to be more governmental resource dedicated to the issue.

#9

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Monday, May 04, 2015 9:57:30 AM**Last Modified:** Monday, May 04, 2015 10:11:41 AM**Time Spent:** 00:14:11**IP Address:** 5.36.21.209**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Managing Partner

Q2: How long have you been in this current position?

4 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

My responsibilities include and are not limited to managing the firms operation.

Q4: How did you qualify? Did you qualify through training or practice/experience?

i am qualified by both practice and experience

Q5: What is your area of practice?

Corporate/commercial, banking and finance and commercial litigation.

Q6: Other than your official duty, have you become a member of any other professional bodies?

i am a member in the International Bar Association (IBA)

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

I believe this is true. The process of counterfeiting have increased dramatically by the availability of technology which makes it much easier to counterfeit. The U.S dollars currency is one of the most counterfeited currencies in the world.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Definitely. Intelligence/information is required by government authorities to address IP infringement thus such co-operation between government authorities is needed.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

i would say that enforcement effort is conducted within a reasonable time frame mostly in Europe, US & UK rather than in GCC or Middle east.

Q10: Based on your experience in handling Trademark infringement/counterfeiting cases, which IP right has been most frequently infringed?

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes.

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Criminal

PAGE 3: Section III: Closing

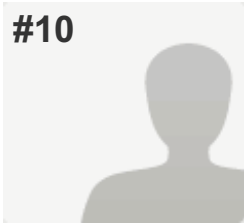
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

Not in Middle east however definately in Europe, US, UK and some other Asian countries.

Q14: Do you think that there are problems in its application?

Application of it is an ongoing process and very challenging.

#10



COMPLETE

Collector: Saba IP (Web Link)
Started: Sunday, May 03, 2015 5:45:14 PM
Last Modified: Monday, May 04, 2015 10:48:57 AM
Time Spent: 17:03:42
IP Address: 78.101.51.147

PAGE 1: Section I: Interviewee Information

Q1: What is your post?

Attorney

Q2: How long have you been in this current position?

9 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Respondent skipped this question

Q4: How did you qualify? Did you qualify through training or practice/experience?

New York Bar

Q5: What is your area of practice?

IP; Corporate; Energy

Q6: Other than your official duty, have you become a member of any other professional bodies?

American Bar Association; Law Society England and Wales; Hispanic National Bar Association

PAGE 2: Section II: Expert Views

Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?

Yes, I agree. Counterfeiting is on the rise across the GCC. For example, many counterfeiters consider Oman and UAE a target for their goods to pass through to other countries and also for circulation in Oman and UAE.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Absolutely. The GCC needs to ensure effective cooperation across all six states and agencies.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

No

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

criminal and border measures is most effective due to seriousness of the issue

PAGE 3: Section III: Closing

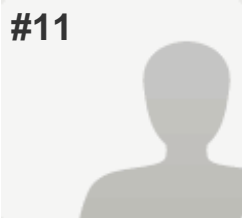
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

The framework in Oman is ok due to the FTA agreement. Kuwait, Saudi Arabia, and Bahrain require more strict legislation. The biggest problem is in enforcing and interpreting the law

Q14: Do you think that there are problems in its application?

Yes there are.

#11



COMPLETE

Collector: Saba IP (Web Link)
Started: Sunday, May 03, 2015 3:02:22 PM
Last Modified: Monday, May 04, 2015 11:00:12 AM
Time Spent: 19:57:49
IP Address: 80.76.167.2

PAGE 1: Section I: Interviewee Information

Q1: What is your post?
Partner

Q2: How long have you been in this current position? *Respondent skipped this question*

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation) *Respondent skipped this question*

Q4: How did you qualify? Did you qualify through training or practice/experience? *Respondent skipped this question*

Q5: What is your area of practice?
Law

Q6: Other than your official duty, have you become a member of any other professional bodies? *Respondent skipped this question*

PAGE 2: Section II: Expert Views

Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?

I agree. Counterfeiters consider this to be a high profit low risk business across the GCC. Penalties imposed are not enough. For example, there has been an increase in seizure of fake goods by the authorities in Qatar markets. This shows high level of activity among counterfeiters.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

This is an absolute must in combating IP counterfeiting. All six states, including custom officials, police, and judicial authorities need to play a more cooperative role amongst each other.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

Generally it lacks appropriate speed in dealing with this issue.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes. I handled custom cases in Qatar and UAE.

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Border measures and criminal proceedings. In my opinion, together with cooperation among agencies, may help in counterfeit goods from coming into GCC markets.

PAGE 3: Section III: Closing

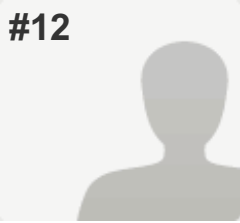
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

Generally they are sufficient. However border measure legislation could be more effective with the problem of goods in transit.

Q14: Do you think that there are problems in its application?

Yes. Custom authorities, for example, treat counterfeiting as a minor crime especially if it is not intended for circulation in the GCC. Also enforcement is another problem.

#12

**COMPLETE****Collector:** General (Web Link)**Started:** Monday, May 04, 2015 1:42:17 PM**Last Modified:** Monday, May 04, 2015 2:10:23 PM**Time Spent:** 00:28:06**IP Address:** 62.150.72.155**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Attorney

Q2: How long have you been in this current position?

3 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Legal drafting, research and giving legal opinion to clients.

Q4: How did you qualify? Did you qualify through training or practice/experience?

I qualified through practice as well as experience.

Q5: What is your area of practice?

General corporate and commercial laws.

Q6: Other than your official duty, have you become a member of any other professional bodies?

No.

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

Counterfeiting activities are rampant almost everywhere but more so in the GCC.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Indeed. There should be joint effort to check this menace.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

Unfortunately not. Such efforts usually suffer due to lack of coordination and regional limitations.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

criminal and border measures

PAGE 3: Section III: Closing

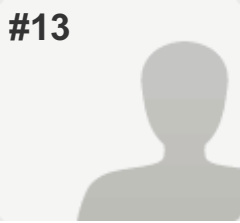
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

Laws are somewhat effective and there is room for reform but their enforcement is poor.

Q14: Do you think that there are problems in its application?

Yes. Proper mechanism needs to be put in place to effectively apply such laws.

#13

**COMPLETE****Collector:** General (Web Link)**Started:** Monday, May 04, 2015 2:19:27 PM**Last Modified:** Monday, May 04, 2015 2:49:42 PM**Time Spent:** 00:30:15**IP Address:** 62.150.72.155**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Associate

Q2: How long have you been in this current position?

2 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

matters related to Trademarks and drafting commercial agreements

Q4: How did you qualify? Did you qualify through training or practice/experience?

law degree (LLB)

Q5: What is your area of practice?

general corporate and commercial laws, IP, labor laws, M&A's and corporate transactions

Q6: Other than your official duty, have you become a member of any other professional bodies?

No

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

yes especially with consumer goods and brands in Bahrain

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

yes especially cooperation among government authorities such as customs and judiciary.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

no and it makes it lengthy and expensive for clients.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

border measures first as customs are the ones facing this issue of counterfeit goods entering markets and civil measures.

PAGE 3: Section III: Closing

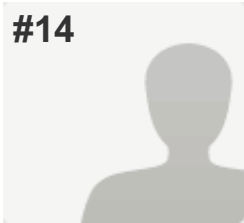
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

no - reform of trademark laws need to take place, establishing strong border controls, training customs officials to handle such matters, and establishing unified IP court for the GCC.

Q14: Do you think that there are problems in its application?

yes enforcement is the biggest problem. Also custom authorities lack the expertise and knowledge.

#14

**COMPLETE****Collector:** General (Web Link)**Started:** Monday, May 04, 2015 3:20:32 PM**Last Modified:** Monday, May 04, 2015 3:36:45 PM**Time Spent:** 00:16:13**IP Address:** 62.150.72.155**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Senior Lawyer

Q2: How long have you been in this current position?

Three years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

1. Litigation in Civil, Commercial, labour & Criminal cases
2. Legal counseling & solicitation

Q4: How did you qualify? Did you qualify through training or practice/experience?

Both. Training & Practice/Experience

Q5: What is your area of practice?

I practice in mainly four areas, Civil, Commercial, labour & Criminal laws

Q6: Other than your official duty, have you become a member of any other professional bodies?

Lex Mundi & World Services Group

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

I agree. We have an issue in Kuwait relating to counterfeit currency & bank documents. We are also suffering from brand counterfeiting.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Yes. Especially cooperation among government authorities across the gcc

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

No and this is an obstacle

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes i worked on a case of counterfeit shoes coming into kuwait from china. There are many more examples of such practices occurring

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Criminal and border measures are most sufficient if applied

PAGE 3: Section III: Closing

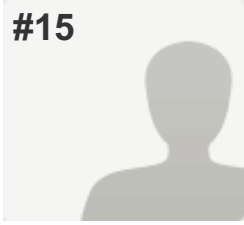
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

No they lack proper mechanism to protect against trademark infringers. Also custom authorities lack training in IP related issues.

Q14: Do you think that there are problems in its application?

Yes and enforcement is the key area to strengthen here.

#15

**COMPLETE****Collector:** General (Web Link)**Started:** Monday, May 04, 2015 3:01:02 PM**Last Modified:** Monday, May 04, 2015 3:39:29 PM**Time Spent:** 00:38:26**IP Address:** 62.150.72.155**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

I work with the foreign division of a reputed Kuwaiti law firm

Q2: How long have you been in this current position?

5 years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Interestingly, I have worked with a multi-billion dollar IT company before my current job, listed in India and NYSE - So I believe that I have worked on a plethora of legal issues related to Intellectual Property in my career.

Q4: How did you qualify? Did you qualify through training or practice/experience?

training and practice

Q5: What is your area of practice?

My areas of practice are general corporate and commercial laws, dispute resolution, M&A's and corporate transactions, with a specialization in technology/IP.

Q6: Other than your official duty, have you become a member of any other professional bodies?

no

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

Yes, I agree with your statement on increase in counterfeiting activities. I feel it is more due to ignorance amongst the educated populace regarding Intellectual Property and also due to the technological ease with which counterfeiting may be done these days.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Yes, there definitely is a need for co-operation amongst agencies and government authorities.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

No. While it happens to a certain extent and/or on certain occasions, it would be great to have real-time enforcement efforts.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

While I have had considerable experience around the globe for technology sector, I am yet to work upon cases involving border measure provisions within GCC

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Making it impossible to create financial benefits out of counterfeiting is the best solution, so it definitely has to be effective border measures

PAGE 3: Section III: Closing

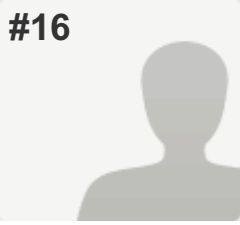
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

There is scope for vast improvements in handling IP matters. My two cents - making the legislative frameworks dynamic to allow real-time responses should be the way ahead.

Q14: Do you think that there are problems in its application?

Yes, since the field of intellectual property keeps evolving, it would be rather helpful to either keep the law dynamic or to constantly keep it abreast as per the crimes being committed.

#16

**COMPLETE****Collector:** General (Web Link)**Started:** Tuesday, May 05, 2015 8:16:15 AM**Last Modified:** Tuesday, May 05, 2015 8:20:38 AM**Time Spent:** 00:04:23**IP Address:** 62.150.72.155**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Senior Lawyer

Q2: How long have you been in this current position?

1.5 yrs

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

I am responsible for Foreign Law transactions.

Q4: How did you qualify? Did you qualify through training or practice/experience?

Practice and Experience

Q5: What is your area of practice?

Corporate, Banking and Finance

Q6: Other than your official duty, have you become a member of any other professional bodies?

No

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

Yes. Art & Literature

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Yes

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

No

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

No

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Criminal

PAGE 3: Section III: Closing

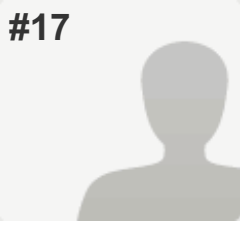
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

Yes

Q14: Do you think that there are problems in its application?

No

#17

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Tuesday, May 05, 2015 12:06:09 PM**Last Modified:** Tuesday, May 05, 2015 12:18:02 PM**Time Spent:** 00:11:52**IP Address:** 82.178.39.156**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Country Level Manager

Q2: How long have you been in this current position?

Sep 2009

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Yes, and my main responsibility is Providing legal advice in all fields of intellectual property in the light of the enforced legislation's namely Industrial Property Law, Commerce Law and Corporate Law. And insuring the broadest possible protection for the clients rights.

also Managing and directing staff and taking care of other related administrative issues.
Reporting to General Manager and the Operation's Manager.

Q4: How did you qualify? Did you qualify through training or practice/experience?

Both

Q5: What is your area of practice?

Law

Q6: Other than your official duty, have you become a member of any other professional bodies?

AIPPI

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

Yes,

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Yes

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

No

Q10: Based on your experience in handling Trademark infringement/counterfeiting cases, which IP right has been most frequently infringed?

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

border measures

PAGE 3: Section III: Closing

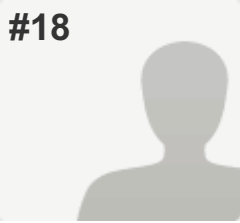
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

No

Q14: Do you think that there are problems in its application?

Yes

#18

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Tuesday, May 05, 2015 2:34:35 PM**Last Modified:** Tuesday, May 05, 2015 2:42:14 PM**Time Spent:** 00:07:38**IP Address:** 178.152.0.208**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Deputy Manager

Q2: How long have you been in this current position?

one year

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

I am responsible for technically organizing the work.

Q4: How did you qualify? Did you qualify through training or practice/experience?

practice and training

Q5: What is your area of practice?

Trademarks and Patents

Q6: Other than your official duty, have you become a member of any other professional bodies?

No

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

I believe that we need to make the Intellectual Property definition more recognizable by the communities in order to reduce the counterfeiting activities and to encourage the governments all over the world to implement new regulations regarding this matter.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

sure.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

no

Q10: Based on your experience in handling Trademark infringement/counterfeiting cases, which IP right has been most frequently infringed?

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

no

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

infringement case

PAGE 3: Section III: Closing

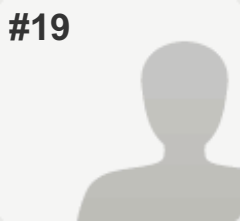
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

No

Q14: Do you think that there are problems in its application?

yes

#19

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Tuesday, May 12, 2015 7:44:34 AM**Last Modified:** Tuesday, May 12, 2015 7:48:30 AM**Time Spent:** 00:03:56**IP Address:** 178.152.57.153**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

Managing Partner

Q2: How long have you been in this current position?

9 Years

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

Currently, I am advising clients on best practices of managing, protecting and commercializing their IP capital and assets, managing clients' trademarks portfolios in Qatar and more than 40 countries around the world, and handle the strategic planning for AraMarks Intellectual Property operations.

Q4: How did you qualify? Did you qualify through training or practice/experience?

Experience and Training

Q5: What is your area of practice?

Trademarks and Patents and General IP Consultancy

Q6: Other than your official duty, have you become a member of any other professional bodies?

International Trademarks Association, INTA

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

Yes. Sports wear and accessories are a good example

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Sure

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

Yes

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

No. Border Measures Law is not yet enforced in Qatar

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Border Measures

PAGE 3: Section III: Closing

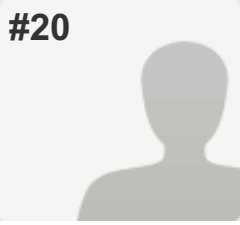
Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

No.

Q14: Do you think that there are problems in its application?

Yes.

#20

**COMPLETE****Collector:** Saba IP (Web Link)**Started:** Thursday, June 04, 2015 8:53:48 AM**Last Modified:** Thursday, June 04, 2015 9:06:27 AM**Time Spent:** 00:12:39**IP Address:** 94.56.83.17**PAGE 1: Section I: Interviewee Information****Q1: What is your post?**

UK and European Trade Mark Attorney, based in Dubai heading a regional filing practice.

Q2: How long have you been in this current position?

I have been based in the region for 9 years, prior to that in UK practice for 5 years, and prior to that I spent 10 years at the UK IPO.

Q3: Would you like to tell me something about your work and your responsibilities? (Please comment on how far your responsibilities extended throughout the organisation)

I head the IP filing practice for my company. This involves managing filings throughout the MENA region for local and international clients, and also globally for local clients. I am also involved in enforcement and contentious work for clients involving their IP rights. I also give strategic advice for rights creation, rights enforcement and rights protection.

Q4: How did you qualify? Did you qualify through training or practice/experience?

I qualified through the Institute of Trade Mark Attorneys in the UK

Q5: What is your area of practice?

My practice is mainly focused on trade marks, though touches on designs and copyright.

Q6: Other than your official duty, have you become a member of any other professional bodies?

I am a member of INTA - the international trade mark association

PAGE 2: Section II: Expert Views**Q7: Statistics from various studies showed that counterfeiting activities are increasing nowadays. What do you think about this? Do you have an example?**

I agree that there has been a general increase, though it can vary depending on many factors. For example, post 2008 economic crisis, there was a noticeable increase in counterfeiting/infringing activity, as consumers were looking for cheaper options.

Q8: Do you think that to address effectively IP infringement there is a need for co-operation among agencies?

Yes this is the very core of the issue.

Q9: Do you think that enforcement effort in the international, regional and national level is conducted within a reasonable time framework?

The answer to this can vary considerably depending on which country you are looking at and also which authority within that country you are dealing with. Generally speaking for the MENA region, Jordanian Customs and JISM are widely considered to be the most effective authorities in enforcement matters. There are times elsewhere, we have explored looking at non-IP solutions to an infringement/counterfeit (such as public safety issues through a different department) in order to bring about a swift solution for clients.

Q10: Based on your experience in handling infringement/counterfeiting cases, which IP right has been most frequently infringed?

Trademark, Copyright

Q11: Do you have any experience handling cases involving border measure provisions within the GCC?

Yes. In many respects, it can be easier dealing with authorities and getting them to speak to one another across borders in the region, than it is asking different agencies within the same country, or region of a country to speak with one another.

Q12: In your opinion, among civil, criminal and border measures, which proceeding is considered to be the most effective in addressing counterfeiting?

Criminal action should be the most effective, but it is not used as often by rights holders. Most will look at administrative actions, as these can be cheaper to run, with less burden on the complainant.

PAGE 3: Section III: Closing

Q13: Do you think that the current legislative frameworks are sufficient in handling IP matters?

The position has improved in the 9 years I have been in the region, but there is a still a long way to go.

Q14: Do you think that there are problems in its application?

Yes. There is insufficient training and awareness provided to the officials involved. For example, we expect within 12 months that the new GCC Trade Marks Law will come into effect. this brings about significant changes in the powers for customs and enforcement authorities. Training should really start now, but the expectation is that the officials may not yet be aware that the new law is soon to come into effect.

**Appendix 2: The Trademark Act of the Member States of the Gulf Cooperation Council
States**

The Trademark Act of the Member States of the Cooperation Council for the Arab States of the Gulf

Title I:

Definitions

Article 1: Definitions

In the implementation of the provisions of this Act, the following terms shall have the meanings assigned to each hereunder unless otherwise provided by context:

GCC States: The Member States of the Cooperation Council for the Arab States of the Gulf

Competent Authority: The Ministry in the member state with jurisdiction over trade and mandate to implement this Act.

Minister: The Minister in charge of implementing the provisions of this Act.

Executive Regulations: The regulations issued by the Trade Cooperation Committee in implementation of this Act.

The Register: The Trademark Register.

Article 2

Trademark: A trademark is any name, word, signature, letter, number, address, seal, drawing, picture, inscription, symbol, packaging, pictorial element, figure, one color or more, or a combination thereof, or sign or a group of signs that are used or intended for use to distinguish goods or services resulting from the goods or services of other firms, or to indicate, or to render a service or to indicate that control or inspection has been carried out on goods or services.

A trademark associated with a sound or smell shall be considered as Trademark.

Title II: Procedures

Chapter 1: Procedures of Registration of Trademarks

Article 3

None of the following shall be considered or registered as a trademark or part thereof:

1- Marks devoid of any distinctive characteristic or formed of data which is merely nomenclatures given by the established usage of the goods, services, drawings or the natural figures of the goods.

2- Expressions, drawings or signs that contravene with public morals or order.

2. Public slogans, flags, military and honorary decorations and other national or otherwise foreign insignia, coins and banknotes and other symbols of a GCC State or any other state, Arab or international organization or any affiliate institutions or any imitation of any of the aforementioned.

4- Logos of the Red Crescent or Red Cross and such other similar symbols and the marks being an imitation thereof

5- Marks that are identical or similar to symbols of a purely religious character.

6- Geographical names and data , should their use create confusion with regard to the origin or source of goods or services.

7. The name, title, picture or logo of a third party unless he or his heirs approve its use beforehand.

8- Particulars of honorary and scientific degrees to which the applicant fails to prove his legal entitlement.

9. Marks that may mislead the public or include false statements on the origin or source of goods or services or their other properties as well as the marks that include a fictitious, imitated or forged trade name.

10- Marks owned by natural persons or legal entities with whom it is prohibited to deal in accordance with a decision from the Competent Authority.

11- Any mark identical or similar to a mark that has been registered or filed by third parties in respect of the same or similar goods or services should the intended registration of the new mark create an impression of its affiliation with the goods and services of the owner of the registered trademark to the detriment of his interests.

12- Marks whose registration in respect of some goods or services may devalue the goods or services of a previously registered trademark.

13- The marks deemed as just a copy, imitation or translation of a third party's well-known mark or a part thereof with intent to use such marks to distinguish

such goods or services that are identical or similar to those distinguished by the well-known trademark.

14- The marks deemed as just a copy, imitation or translation of a third party's well-known mark or a part thereof with intent to use such marks to distinguish such goods or services that are neither identical nor similar to those distinguished by the well-known trademark but raise the likelihood of bringing harm to the interest of the well-known trademark's owner.

15- Marks that include any of the following words or expressions:

Concession, Concessionaire, Registered, Registered Drawing, Copyright, or any such similar words and expressions.

Article 4

1- No well-known trademark whose fame transcend the boundaries of their first country of registration may not be registered for the same or similar goods or services except if such an application is made by or with the explicit consent of the owner of such well-known trademark.

2- The criterion for determining whether or not a trademark is well-known shall consider the awareness of the intended public of such a trademark in light of its promotion, registration period, use, number of countries where it is registered or where it became well-known, its value or the impact of such a mark on the promotion of the goods or services in respect of which the trademark is used.

3- Well-known trademarks may not be registered even if the distinguished goods or services are not identical or similar to those belonging to the well-known trademark if:

a. The use of the trademark indicated an association between the subject goods or services and those belonging to the owner of the well-known trademark.

b. The use of the trademark has the potential of prejudicing the interests of the owner of the well-known trademark.

Article 5

The following categories of applicants shall have the right to register their trademarks:

1- Any natural or legal person holding the nationality of any GCC State, whether such a person is a manufacturer, producer, merchant professional or a service enterprise owner.

2. Foreign persons residing in any GCC State wherein they are authorized to engage in commercial, industrial, professional or service business activities.

3- Foreigners holding the nationality of any state that is a member to a multilateral international convention to which a GCC State is a party or any residents therein.

4. Public authorities.

Article 6

1. A register shall be established with the Competent Authority and shall be called the "Trade Marks Register", which shall record all trademarks, names and addresses of their owners, particulars of goods or services, any action affected on such trademarks including assignment, licensing, mortgage, renewal, cancellation of any other amendments thereto. Any person with a rightful interest may peruse the Register and obtain certified extracts therefrom.

2. The trademark register in use at the time this Act enters into force shall be merged with the Trademark Register provided for hereabove and shall be considered as a part and parcel thereof.

Article 7

1- Any person who registered the trademark with good intentions shall be its owner. The ownership of the mark may not be disputed as long as the mark registration is associated with its use for at least five years without any judicial feuds pertaining the mark.

2- Any person first using a trademark before the owner may request the competent court to cancel this registration within five years as of the date of registration, unless the first has been proven to have given an implied or explicit consent to the use of the mark by the registered owner.

Article 8

An application for a trademark shall be filed by or on behalf of the owner with the competent authority on a special form designed for this purpose, subject to the terms and conditions prescribed by the Executive Regulations of this Act.

Article 9

1. A trademark may be registered for one or more of the classes of goods or services, subject to the Executive Regulations of this Act.

2- Goods or Services are not envisaged similar to each other merely because they are under the same class nor the goods or services are considered different to each other merely because they are under different classes of the same classification

Article (10):

If two or more persons concurrently apply to register the same or similar mark(s) for goods or services in the same class , the registration of all applications shall be suspended until one party submits an attested assignment signed by all adversaries and thus ratified by the competent authority, or until a final court decision is rendered in favor of any of them.

Article 14

1- Should the competent authority accept a trademark application, it shall, before entering it in the Register, publish a relevant notice of registration through the means of publication defined by the Executive Regulations of this Act at the cost of the applicant.

2- Any concerned person may oppose in writing at the competent authority to the decision of the registration within sixty days of the publication thereof. In such a case, the Competent Authority shall serve a copy of the objection upon the applicant within thirty days of the date of the objection, after which the applicant shall submit an answer with the Competent Authority in writing within sixty days of the notification date, or else he shall be deemed to have withdrawn the application.

Article 15

1- The Competent Authority shall decide the opposition filed therewith after hearing the opposing party and/or the applicant if necessary.

2- The Competent Authority shall issue a decision to accept or otherwise decline the registration application in the former case of which it may impose any restrictions it deems fit.

3. Any concerned party may appeal the decision of the Competent Authority before the competent court within thirty days from the notification date. Such an appeal shall not preclude

the process of accepting the trademark registration unless otherwise decided by the competent court.

Article 16

If no opposition has been filed against the registration of trademark after the lapse of the opposition period, the competent authority shall immediately register the said trademark.

Article 19

The Competent Authority may enter into the Register any data that may have been overlooked and likewise may amend or cross out any data that have been proven to be false or not duly entered therein.

Any concerned person may appeal to the competent court any such relevant procedural action made by the Competent Authority.

Chapter 2: Period of Trademark Protection

Article 20

1- The protection period of a registered trademark is ten years. It may be renewed for similar periods thereafter if the owner submitted an application for that purpose in accordance with terms and conditions prescribed by this Act and the Executive Regulations hereof.

2- A trademark owner may renew a registered trademark within a period of six months following the expiration of the antecedent period.

3- If the prescribed six-month period expires and the trademark owner fails to apply for renewal, the Competent Authority shall strike off the relevant trademark from the Register.

4- The renewal of a trademark shall not require a new inspection and a renewal notice shall be published through such media prescribed by the Executive

Regulations irrespective of any opposition that may have been filed by third parties.

Article (21):

Subject to the registration requirements herein, the marks affixed to goods displayed at official international exhibitions or officially recognized exhibitions held inside the State shall enjoy temporary protection. The protection shall be given throughout the display period subject to the registration terms and conditions stipulated in this law. The Executive Regulations shall define the rules and procedures for granting such a temporary protection.

Chapter 4: Assignment, mortgage and seizure of trademarks

Article 27:

1. A trademark may be assigned fully or partially for or without consideration. It may also be subject to mortgage or seizure along with the trading store or enterprise using such a trademark in marking its goods or services, unless otherwise agreed.
- 2- Title to trademarks may be transferred to third parties by inheritance, testament or endowment.
3. Under no circumstances may the assignment, mortgage or seizure of trademarks be effective vis-a-vis third parties except after such actions are annotated in the Trademark Register and published through the means of publication defined by the Executive Regulations of this Act.

Article 28:

1. The assignment of the commercial store or enterprise in which the trademark is used shall imply the assignment of such a trademark if deemed closely affiliated with such commercial store or enterprise, unless otherwise agreed.
2. If the ownership of the commercial store or enterprise is assigned exclusive of the ownership of the trademark, the assigner shall have the right to continue to manufacture the same goods or render the same services for which the trademark has been registered and trade in such goods and services, unless otherwise agreed.

Title III: Licensing contracts

Article 29:

The owner of a trademark may license any natural or legal person to use such trademark in respect of all or part of the goods and services for which the trademark is registered. The trademark owner shall have the right to license other persons to use the same trademark and may opt for using it himself unless otherwise agreed. The licensing period shall not exceed the prescribed protection period of the trademark.

Article 30

No restrictions may be imposed on the licensee if such restrictions do not arise from the rights granted by the trademark registration or if they are not necessary for the protection of such rights.

Notwithstanding, a license contract may impose the following restrictions:

1. Restrict the geographical area or period through which the trademark may be used.
2. Impose terms and conditions in compliance with effective controls applicable to the quality of goods and services.
3. Impose on the licensee the obligation of refraining from such acts that may bring harm to the trademark.

Article 31:

The trademark licensing contract shall not be deemed effective unless it is executed in writing. The licensing contract is not required to be recorded in the Register. If such a contract is not recorded in the Register, the Executive

Regulations shall define the manner through which the recordal and publication thereof shall be made.

Article 32

The licensee may not assign the licensed rights to third parties nor may subcontract any of such rights unless otherwise is agreed.

Article 33:

The license's contract shall be struck off from the Register upon a request from the trademark owner or licensee after producing evidence of the expiration or termination of such a contract.

The Competent Authority may not strike off a license record unless and after it notifies the other party of such an action, in which case the other party may appeal in accordance with the procedures prescribed by the Executive Regulations.

Title IV: Collective trademarks, certification marks and marks allocated for public bodies or professional institutions.

Article 34:

1- Collective marks may be registered to distinguish the goods and services of enterprises belonging to members of a legal entity.

The registration of such marks shall be filed by the representative of such entity so that it can be used by the members thereto subject to the conditions and manners he prescribes and the approval of the Competent Authority.

2- An applicant for a collective mark application shall state in the application form that the registered mark is collective and shall attach to the form a copy of the terms and conditions governing the use of the filed trademark.

Under all circumstances, the owner of a registered collective trademark shall notify the Competent Authority of any changes that may affect such terms and conditions. Such a change shall not be effective unless approved by the Competent Authority.

3- After cancellation, a collective trademark may not be registered in the name of a third party in respect of similar or identical goods or services.

4. The competent court upon a request for persons concerned may issue an order to cancel a collective trademark if it establishes that the registered proprietor is the sole user thereof or that he is using or permitting third parties to use it in contradiction to the terms and conditions referred to in Paragraph (2) above or is using it in a way that may mislead the public regarding the origin of the goods or a common feature of the goods or services registered thereunder.

Article 35:

1- Legal entities in charge of controlling or inspecting some goods or services in terms of origin composition, method of manufacturing, quality, integrity or other such characteristic may request the Competent Authority to register a trademark specially for such entities to reflect their monitoring or inspection services.

In all events, such a trademark may not be registered or assigned except with the approval of the Competent Authority.

2- The applicant of a collective mark application shall state in the application form that the registered mark is collective and shall attach to the form a copy of the terms and conditions governing the use of the filed trademark.

Under all circumstances, the owner of a registered trademark shall notify the Competent Authority of any changes that may affect such terms and conditions. Such a change shall not be effective unless approved by the Competent Authority.

Article 36:

Trademarks may be registered for non-commercial purposes such as the logos of public utility institutions or those used by professional institutions to mark their respective correspondences or members.

Article 37:

1- Signs that can be used in the trade context as geographical indicators may be registered as certification or collective trademarks.

2- The Executive Regulations shall define the terms and conditions for the registration of trademarks provided for in Articles 34, 35 and 36 of this Act along with the exhibits that shall be produced for registration purposes and all such matter pertaining thereto. The registration of any such trademarks shall incur all effects stipulated in this Act.

Title V: Enforcement of rights

Article 38:

1- If a right holder has justifiable reasons to believe of the possibility of importation of imitated or counterfeit goods or otherwise goods that hold a trademark similar to his own registered trademark in a manner that confuses the public, he shall have the right to file a written petition with the authority in charge of customs release to suspend such goods from release and prevent the trading thereof.

The petition shall be supported by evidence adequate for convincing the said authority of a prime facie infringement of the trademark right holder. It shall also include adequate information reasonably available with the petitioner to allow the said authority to reasonably detect the subject petition goods.

2- The custom release authority shall notify the petitioner in writing of its decision on his petition within seven days from the petition date. If the petition is granted, the decision shall be

valid for one year from the date of the petition or until the expiration of the trademark protection, whichever expires first, unless the petition requires a shorter time.

3- The custom release authority may require the petitioner to submit a warranty or equivalent guarantee that is sufficient to protect the respondent and the competent authority and to avoid abusing the right to petition for the suspension of custom release.

4- Without detriment to the above provisions, the custom release authority may, of own motion without the need for the right holder or a third party to submit a petition or application, decide to suspend the release of imported or transit goods or the goods prepared for re-export upon their arrival to the custom territory under its jurisdiction, if it has adequate rime facie evidence that such goods are imitated or illegally hold a trademark similar to a registered trademark to the extent that it confuses the public.

8- The Minister of Finance, after coordinating with the Minister, shall issue a decision prescribing the conditions, controls and procedures pertaining to petitions for the suspension of custom releases, the decision to be taken thereon and documentation requirements. Nevertheless, such requirements shall not be set in a manner that impedes recourse to the aforementioned petition.

For the purposes of this article, the phrase “imitated goods” shall mean any goods, including the packages thereof, that hold without license a trademark that is similar to another trademark registered in respect of the same goods or that has such intrinsic elements making it impossible to distinguish it from the registered trademark.

Article 39:

The provisions of Article 38 of this law shall not apply to any of the following:

- a. non-commercial items in small quantities that are found among the belongings of passengers or that are sent in small parcels.
- b. goods that have already been traded in the market of the exporting country by the holder of the trademark right or with his consent.

Article 40:

1. In cases of infringement or for the prevention of imminent infringement on any of the rights prescribed by this Act, the right holder may submit a petition to the competent court on the subject dispute requesting a writ for the enforcement of one or more preventive actions including the following:

- a. provide a detailed description of the alleged infringement, the subject infringement goods and such material, tools and equipment used or intended to be used in the infringement and preserve relevant evidence.
- b. seize any of the things mentioned in the above paragraph along with any proceeds made from the alleged infringement.
- c. prevent the alleged subject infringement goods from accessing commercial channels and prevent its exportation including the imported goods upon their custom release.

d. stop or prevent the infringement

2- The court may require that the petitioner submit all the evidence that he has to support the alleged infringement of the right or to prove that the infringement is about to happen. It may also require him to submit any information that is deemed necessary for the competent authority to enforce the precautionary action sought by identifying the concerned goods.

3- The court shall decide the petition within a maximum period of ten days from the date of the petition unless in extraordinary cases, subject to the court's discretion.

4- The court may issue if necessary a writ upon the petitioner's request without the need to summon the other party if the delay in issuing such a writ will likely result in causing the petitioner an inescapable harm or in case of fear of disappearance or destruction of the evidence. In this case, the other party shall be forthwith notified of the writ upon its issuance. If necessary, the notification may be made immediately after the enforcement of the writ.

5- If the court decides to take a precautionary measure without summoning the other party, the respondent may after being notified of the matter challenge the order before the competent court without twenty days from the notification date. In such a case, the court may decide to uphold, amend or strike down the writ.

6- The court may require the petitioner to submit a warranty or equivalent guarantee that is sufficient to protect the respondent and to avoid abusing the right to petition. Nevertheless, the value of such guarantee shall not be too large with the effect of unreasonably inhibiting the right to request the enforcement of the above mentioned precautionary measures.

7- The right holder may file the case on the origin of the dispute within twenty days from the date of the writ for precautionary measure or from the date of notification of rejecting the appeal prescribed in Paragraph (5) of this article. Failure to comply with this provision shall render the writ revoked upon the request of the respondent.

Article 41:

2- If the right holder sustains harm as a direct result of infringement on any of his rights prescribed by this Act, he may bring action with the competent court to claim adequate compensatory damages that may have afflicted him including any profits gained by the respondent.

The court shall determine what constitutes sufficient damages provided that it shall consider in their calculation the value of the subject infringement goods or service in light of such information provided by the complainant such as the retail price, any other legitimate standard he may invoke or expert testimony.

2- Instead of claiming damages, including any profits gained by the offender in accordance with the above paragraph, the right holder may request at any time before the case is decided to be appropriately compensated if it is proven that the infringement was perpetrated by using the trademark by offering a deliberate imitation or other form of the usage of the goods.

3- On deciding cases related to the rights prescribed by this Act, the competent court may order the following:

- a. seize the goods that are suspected of involving infringement and any such material or tools and evidence related thereto.
- b. force the offender to stop the infringement, prevent the exportation of such goods that infringe upon the rights prescribed in this Act and prevent the imported infringing goods from entering the commercial channels directly upon their custom release.
- c. force the offender to furnish the competent court or the right holder any information at hands in relation to any person or entity that took part in committing the infringement, the ways of producing and distributing such goods and services including the disclosure of the identify of any person who was involved in the production or distribution of the goods and services and his own channels of distribution.

4- The competent court, upon the request of the right holder, shall order the destruction of the goods proven to be imitation, except in extraordinary cases, without awarding any compensation or damages to the respondent. It may also order without delay the destruction of such material and tools used in the manufacturing or production of the imitated goods without awarding any compensation or damages to the respondent. The court may furthermore, in such cases it deems exceptional according to its sole discretion, dispose of such goods outside the commercial channels in a manner that shall prevent any further possible infringements.

As an alternative to the destruction of goods, material and tools used in the manufacturing of production of the imitated goods, the court may order to dispose of such goods, material and tools outside the commercial channels, should the destruction thereof be deemed to result in unacceptable damages to public health or the environment.

5- The removal of the trademark that was illegally placed on the imitated goods shall not count alone as adequate grounds for the release thereof into commercial channels.

6- The competent court shall estimate the expenses and fees of those whom it commissions in relation to the case including experts and specialized persons. The fees and expenses shall be commensurate with the size and nature of the assignment of the commissioned persons in a manner that does not preclude resort to such procedures.

Article 43

In the case of repeat offenses, the offender shall be punished by a maximum of double the original penalty. The business place or enterprise shall also be closed down for a period not less than fifteen days but not exceeding six months and the relevant sentence shall be published at the expense of the offender in accordance with such procedures defined by the Executive Regulations.

In implementing the provisions of this Act, a repeat offender is one who has been sentenced on the grounds of an offense stipulated herein and repeats another similar offense within a period of three years from the date of the final verdict delivered on the previous offence.

Article 44:

The respondent may pursue damages from claims lodged by an ill-intended complainant as a result of invoking the procedures prescribed in Article 40 of this Act. Such an action may be

taken within ninety days of the expiration of the period prescribed in that same article, if the garnishor has not revoked his claim, or from the date of the final decision on the garnishor's claim on the trademark. Except where otherwise is stipulated in the court decision, the financial guarantee may not be released to the garnishor unless a final decision is issued by convicting the garnishee or after the lapse of the grace period given for the lodging the case.

Title VII: Closing Provisions:

Article 45

Officers in charge of implementing the provisions of this Act and any decisions issued thereby designated by a decision following the procedures of each GCC State shall have the judicial police status, and as such shall have the right to access any places falling under their jurisdiction in the context of implementing this Act and for the purpose of handling violations.

The Competent Authorities shall afford such officers the facilities required for the performance of their tasks.

Article 46

The Competent Authority may establish a publically accessible electronic system and database including an internet portal offering such services as trademark filing and renewal applications and following up and completion of the requirements for trademark registration.

Article 47

All trademarks previously registered in accordance with effective laws, decisions or bylaws before this Act enters into effect shall be deemed as valid and shall enjoy the same protection afforded herein.

Article 48

The provisions of this Act shall apply to all pending trademark applications filed before this Act enters into force, provided that such pending applications shall be amended so as to comply with the provisions of this Act.

Article 49

Nothing in this law shall prejudice any controls or obligations enshrined by bilateral and international conventions in force in respective the GCC State.

Article 50

The Executive Regulations shall define the fees to be charged for the procedures stipulated in this Act and the Executive Regulations.

Article 51

The Commercial Cooperation Committee shall have the right to construct or propose and amendment to this Act.

Article 52

The Commercial Cooperation Committee shall issue the Executive Regulations of this Act

**Appendix 3: Unified Customs Law (Regulation) of the Member States of the Gulf
Cooperation Council States**

GCC Unified Customs Law (Regulation)

[Effective 1 January 2003]

Chapter I General Definitions and Provisions

Article 1

This Law shall be named "**The Unified Customs Law (Regulation) for the Arab States of the Gulf Cooperation Council.**"

Article 2

The following words and expressions wherever they occur in this law(regulation), its aide-memoire or rules for implementation shall have the meaning assigned against each, unless the context requires a different meaning.

GCC	: Arab States of the Gulf Cooperation Council
Minister	: The Minister to whom the Directorate General of Customs reports
Competent	: The agency to which the Directorate General of Customs is Authority attached
Director general	: Director general of Customs
Director	: Director of the Customs Department
Department	: The Directorate General of Customs
Customs Circuit	: The scope designated by the Minister in each sea, air or

land port or any other place where the administrative centre is authorized to complete all or part of the Customs formalities.

Law(regulation) : The rules and provisions that regulate the Customs work or any other supplemental, complimentary or amending rules or provisions.

Customs Scope : The portion of the lands or seas that are subject to specific Customs controls or procedures designated in this law(regulation), including:

A: Marine Customs zone, covering the offshore area located between the coast and the end of the regional water boundaries.

B: Land Customs zone includes the lands between the coasts or land boundaries on one hand and an internal line on the other to be determined by a decision of the Minister or competent agency.

Customs Line : A line that corresponds to political borders separating the state from neighboring states and the sea coasts surrounding the state.

Customs Tariff: : Schedule embodying the names of goods and Customs fees categories that such goods are subject to and the rules and notes on the types and varieties of goods.

Customs Tax : The amounts collected on goods in accordance with the "duties" provisions of this law(regulation).

Fees : The amounts collected by Customs against a service rendered.

Goods	: Any natural substance or animal, agricultural, industrial or Intellectual product.
Type of goods	: The nomenclature listed in the Customs tariff schedule
Actually paid or Payable price	: The total payment of amount directly or indirectly payable to the seller for the goods imported by the buyer.
Imported goods Under-valuation	: The goods whose price is being identified for Customs purposes.
Goods in conformity	: Goods which conform in every respect, including material properties, type and commercial name. Minor differences in appearance shall not preclude conforming goods.
Identical goods	: Goods which have, though not in every respect, similar characteristics and material components that would enable them to perform their functions and commercially replace each other. Things to be taken into consideration to determine if the goods are identical are the type and name of goods and the presence of the trade mark.
Sales Commission	: The commission payable to the seller's agent who is associated with or subject to the factory or seller or acts in his favor or in his behalf.
Packing costs	: Cost of all vessels, excluding containers, cover, irrespective of their type, packaging, labor and materials used to put the goods in packages worthy for shipment to the GCC states.
Unit rate at greatest	: The unit rate at which specific goods are sold to persons not

wholesale quantity : involved at first commercial level after importation in the condition the goods are imported in or following further processing and treatment if requested by the importer.

Involved parties : ♦ Legal work partners
Means : ♦ Employees or directors of one with the other
♦ Employer and his staff
♦ Any persons who directly or indirectly owns, controls or retains 5% of the voting shares
♦ If one party supervises or controls the other
♦ If both are directly or indirectly under the supervision of a third party
♦ If they both directly or indirectly supervise a third party
♦ If they are members of the same family.

Value Agreement : Agreement to enforce Article 7 of the General Agreement on Tariff and Trade for the year 1994.

Country of origin : Country where the goods are produced whether they are natural resources or agricultural, animal or industrial products.

Prohibited goods : Goods whose imports and exports are prohibited by the State based on the provisions of this or any other law(regulation).

Restricted goods : Goods whose imports or exports are restricted under the provisions of this or any other law(regulation).

Source : Country from which the goods have been imported.

Importer : The natural or legal person who imports the goods.

- Exporter : The natural or legal person who exports the goods.
- Bill of Lading : The document (manifest) which embodies comprehensive description of the goods shipped on the various means of transportation.
- Duty free Zone : A section of the state territory where commercial or Industrial activities are performed in accordance with the pertinent regulations. Any goods entering the duty free zone is considered outside the Customs area and are not subject to the usual Customs formalities.
- Duty free Market : The authorized building or location where goods are deposited on Customs duties suspended status for the purpose of display and sales.
- Customs Declaration : The goods declaration or statement submitted by the owner or his representative embodying identification elements of the declared goods and their quantities in detail in accordance with the provisions of this law(regulation).
- Warehouse : The building or location designated for provisional storage of goods pending withdrawal in accordance with one of the Customs statuses, whether such building is directly managed by the department, by the official public organizations or investing agencies.
- Storehouse : The location or building where goods are deposited under the supervision of the department in a suspended Customs duties status in accordance with the provisions of this law(regulation).

- Carrier : The owner of the means of transportation or his Representative as per a formal authorization.
- Designated roads : The roads identified by the minister or competent agency for the traffic of the goods, imported into or exported from the state or in transit.
- Treasury : The public treasury.
- Customs clearance : Documentation of the Customs data of the imported or exported goods or goods in transit in accordance with the Customs procedures provided for in these regulation(law).
- Customs broker : Any natural or legal entity licensed to engage in Customs brokerage for the account of others.
- Customs broker Representative : Any natural person licensed to follow up on completion Customs procedures.

Article 3

The provisions of this law (regulation) shall apply to the lands and territorial waters under the sovereignty of the state. Duty free zones to which Customs provisions do not apply partially or wholly may be established in such lands.

Article 4

All goods that cross the Customs lines to the inside and outside shall be subject to the provisions of this law(regulation).

Article 5

The department shall engage in its work in the Customs Circuit and Customs zone and may exercise its powers across all lands and territorial waters of the state within the conditions designated in this law(regulation).

Article 6

The Customs Circuit shall be established and annulled by a decision of the Minister or competent agency.

Article 7

The jurisdictions and business hours of the Customs departments shall be determined by a decision of the Minister or competent agency.

Article 8

With due regard to the provisions of the articles on goods inspection, Customs procedures shall be performed only within the competent Customs department as provided for in article 7 hereof.

Chapter II

Provisions on Application of Customs Tariff

Article 9

Goods entering the state shall be subject to Customs duties in accordance with the unified Customs tariff and designated fees, except those excluded under the provisions of this law(regulation), the GCC unified economic protocol or any other international agreement within the GCC framework.

Article 10

The Customs tariff bracket shall be either a percentage of the value of the goods or specific, (i.e. a lump sum amount on each unit of the goods) or both types of tariff for a single type of goods.

Article 11

The Customs duties shall be imposed, amended or scrapped by the legal tool applicable in each member state, taking into consideration the pertinent decisions issued by the GCC states and the provisions of current international agreements.

Article 12

The decisions involving modification of the Customs duties shall indicate the date on which such changes become effective.

Article 13

The imported goods shall be subject to the Customs duties in force on the date the Customs declaration is registered with the Customs department, unless provided otherwise in the text of the decisions modifying the Customs duties.

Article 14

When Customs duties have to be settled by default [?] on the goods kept in the warehouse due to the elapse of the storage period, the tariff applicable on the date of registration of the Customs declaration shall apply.

Article 15

The goods leaving the duty duty free markets and zones to the local market shall be subject to the Customs duties applicable on the date the goods exit the duty free zones.

Article 16

The smuggled goods shall be subject to the Customs tariff applicable on the date the smuggling is discovered or the date of its occurrence if such date can be identified, whichever is earlier.

Article 17

The Customs tariff applicable on the date of sale shall apply to the goods sold by the Customs department in accordance with the provisions of this law(regulation).

Article 18

The Customs tariff applicable to damaged goods shall be according to the goods' value and the condition that the goods are in at the time of registration of the Customs declaration.

Chapter III

Prohibition and Restriction

Article 19

A tax declaration shall be submitted for all goods that enter or leave the state and the goods shall be presented to the Customs authorities at the nearest Customs department.

Article 20

Means of marine transportation entering the state are allowed to call only at the ports prepared to receive them, excluding a case of marine emergency or a force majeure. In such event, the captain shall duly notify the nearest Customs department or security post without delay.

Article 21

Vessels whose capacity tonnage is less than 200 nautical tons shall be prohibited from entering or moving within the offshore Customs zone while loaded with restricted or prohibited goods or goods that are subject to high duties, excluding events arising from a marine emergency or a force majeure. In such event, the captain shall notify without delay the nearest Customs

department or security post. To be excluded from this requirement are the goods being transported between the state's ports and whose Customs procedures have been completed.

Article 22

Airplanes leaving or coming into the state shall be prohibited from landing at or taking off from airports unmanned by Customs departments, excluding cases of force majeure. In that case, the pilot shall notify without delay the nearest Customs department or security post, and shall submit to the Customs department a report, authenticated by the Customs department so notified, unless provisions to the contrary are provided for in any other law(regulation) or decision.

Article 23

Means of land transportation shall be prohibited from entering or leaving the state in the areas where Customs departments do not exist.

Article 24

The department prohibits entry, transit or exit of the contrabands or goods in violation under the provisions of this law(regulation) or any other law (regulation). It shall also allow entry, transit or exit of restricted goods only with the approval of the competent agencies of the state.

Chapter IV

Distinguishing Elements of the Goods

(Origin, Value, Type)

Article 25

Imported goods shall be subject to validation of origin in accordance with the origin rules agreed to within the framework of valid international and regional economic organizations.

Article 26

For Customs purposes, the value shall be calculated in accordance with the terms and bases set forth in the rules for implementation.

Article 27

Acceptance of value as a distinguishing element of the goods shall require the following:

1. A detailed original invoice shall be attached to each Customs declaration. The director general or any person authorized by him may, however, allow completion of clearance procedures without the need to present the required original authenticated invoices and documents against an undertaking to submit them within a maximum period of 90 days from the date of the undertaking.
2. Validation of the goods value shall be by submitting all original invoices and documents which indicate the value in accordance with the requirements provided for in Article 26.
3. The Customs department reserves the right to demand the documents, contracts, correspondence and other things related to the goods without being committed to the contents thereof or of the invoices themselves.
4. The department may demand, if necessary, an Arabic translation for the invoices and other documents issued in a foreign language, indicating the details of the goods in conformity with the Customs tariff.

Article 28

The value of the exported goods shall be their value at the time of registration of the Customs declaration plus all costs incurred pending arrival of the goods at the Customs department.

Article 29

Goods not mentioned in the Customs tariff schedules and their endorsements shall be classified in accordance with the related documentations issued by the International Customs Organization. Goods that are subject to local sub-categories in the tariff schedule shall be classified within the framework of the GCC categories.

Chapter V

Import and Export

Section I : Import

1. Marine Transportation

Article 30

- I. Any goods imported into the country by sea shall be recorded in the bill of lading.
- II. A single statement shall be produced for the entire shipment to be signed by the ship's captain. Such statement shall embody the following information:
 1. Name, nationality and registered tonnage of the vessel
 2. Type, gross weight and tare weight, if any, of the goods. If the goods are prohibited, their true nomenclature shall be given
 3. Number of parcels and pieces, description of packages, marks and numbers
 4. Name of consignor and consignee
 5. The ports from which the goods are loaded.
- III. Upon entering the Customs zone, the vessel's captain shall present the original bill of lading to the competent authorities.
- IV. Upon entering the port, the captain shall submit to the department the following documents:
 1. Bill of lading
 2. Bill of lading on ship supplies, seamen's effects and commodities
 3. List of passengers' names
 4. List of the goods to be unloaded at that port
 5. All shipping documents and policies that the Customs department may demand for implementation of the Customs regulations.
- V. The statements and documents shall be submitted within 36 hours from the vessel's entry into the port. Such duration shall not include Official holidays.

Article 31

If the bill of lading belongs to a vessel that does not make regular voyages or if it has no maritime agent at the port, or if the vessel is a sail boat, the fact must be noted by the Customs authorities at the port of shipping.

Article 32

- a Consignments of vessels and all other marine transportation craft may be unloaded only in the port's Customs department. Goods may be unloaded or transshipped to another only under the supervision of Customs department.
- a Unloading and transshipment from one vessel to another shall be made in accordance with conditions set forth by the director general.

Article 33

With due regard to the provisions of Article 54 of this law(regulation), the vessel's captain, agent or representative shall be responsible for any shortfall in the number of packages or parcels, their contents, or the quantity of bulk goods pending acceptance of the goods at the Customs warehouse or by the goods owners when allowed to take delivery of the goods.

Article 34

If there is a shortage in the number of unloaded packages or parcels or in the quantity of bulk goods below those stated in the bill of lading, the vessel captain or his representative shall indicate the reason for such shortage and support it by documents substantiating the fact that it has occurred outside the marine Customs zone. If such documents cannot be presented immediately, a maximum grace period of six months may be allowed for submittal but after securing a bond that guarantees the department's rights.

2. Land Transportation

Article 35

Customs formalities for goods imported by land shall be completed at the first Customs department. Such shipments may, however, be referred to one of the internal Customs departments in the cases determined by the director general.

Article 36

1. A comprehensive bill of lading shall be made out for each means of land transportation, to be signed by the carrier or his representative, embodying sufficient information on the vehicle, its cargo and all other data in accordance with the conditions set by the director general.
2. The goods carriers or their representative shall submit the bill of lading to the Customs department immediately upon arrival.

3. Air Transportation

Article 37

With due regard to the provisions of Article 22 hereof, aircraft shall be required to follow the air lanes designated for them once they cross the state borders and shall land only at airports manned by Customs departments.

Article 38

A comprehensive bill of lading shall be generated for the entire cargo of the craft, signed by the pilot in accordance with the conditions provided for in paragraphs A, B, C and of Article 30 hereof.

Article 39

The aircraft pilot or his representative shall surrender the bill of lading and the lists specified in article 38 hereof, to the Customs officials immediately upon arrival.

Article 40

Unless required for safety reasons, no cargo may be unloaded or ditched during flight, and subject to the condition that the Customs department be duly notified and with due regard to the related special provisions of the other pertinent laws.

Section II : Export

Article 41

Owners of goods carriers or their agents, whether their media were loaded or empty while leaving the state, shall submit to the Customs department a bill of lading consistent with the provisions of Section I of this chapter and shall secure a permit to leave. The director general may, however, make exceptions to this condition in certain cases.

Article 42

Exporters shall deliver and declare in full details the goods slated for exports to the competent Customs department. Carriers operating towards land borders shall be prohibited from bypassing the Customs department.

Section III : Transportation of Mail

Article 43

Goods shall be imported or exported by mail in accordance with the provisions of this law (regulation) and with due regard to the provisions of international mail agreements and other applicable internal rules and regulations.

Section IV : Common Provisions

Article 44

The bill of lading or any substitute thereof shall not provide for several packages that are sealed and in any way combined in a single parcel. The instructions issued by the director general with respect to containers, crates and trailers shall be observed.

A single consignment of goods shall not be divisible. The director general may, however, authorize such division on the understanding that it shall not entail any loss to the state treasury.

Article 45

The provisions of articles 32,33 and 34 of this law(regulation) on cargo unloading transportation and transshipment which apply to marine cargo shall also apply to land and air cargo. Drivers, pilots and transportation companies shall be held responsible for any shortfall in the case of land and air transportation.

Article 46

The department reserves the right to electronically exchange the data related to Customs clearance.

Chapter VI

Customs Clearance Stages

Section I

Customs Declarations

Article 47

At the time of clearing any goods, even if they were Customs duty exempt, a detailed Customs declaration shall be submitted in accordance with the GCC approved format. Such declaration shall embody all the information required to allow enforcement of the Customs regulations, collection of Customs duties due and for statistical purposes.

Article 48

With due regard to the provisions of paragraph 1 of article 27 hereof, the director general shall identify the documents to be attached to the Customs declaration and the information to be contained in such documents. The director general may allow completion of clearance formalities without presenting any of the required documents against cash or bank guarantees or a written undertaking to submit such documents in accordance with the conditions he may set.

Article 49

The data contained in the Customs declaration shall not be amended after registration. The proponent may submit a written application to the director general to correct the declaration before it is referred for inspection.

Article 50

Owners of the goods or their representatives may view their goods prior to submitting their declarations and may collect samples therefrom under the Customs' supervision and after securing the director's approval. Such samples shall be subject to the prescribed Customs duties.

Article 51

To the exclusion of judiciary and other official competent agencies, persons other than owners of the goods or their representative shall not have access to the Customs declarations and documents.

Section II

Inspection of goods

Article 52

The competent official shall inspect all or part of the goods after registration of the Customs declaration in accordance with the director's instructions.

Article 53

- a- Inspection of goods shall take place within the Customs department. In certain cases, inspection outside the department may be allowed in accordance with the rules to be established by the director general
- b- Transportation of the goods to the inspection site, opening of parcels, repackaging and all other activities required for inspection shall be at the owner's expense. The owner shall be held liable for the goods pending arrival at the inspection site.
- c- Goods placed in the customs warehouse or locations designated for inspection shall not be relocated without the approval of the Customs department.
- d- The workers involved in cargo transportation and presentation for inspection shall be acceptable to the Customs department.
- e- No person shall be allowed access to the Customs warehouses, storehouses, shelters, laydown areas or locations designated for inspection without the department's approval.

Article 54

Inspection shall take place only in the presence of the goods owner or his representative. In the event any shortage in the contents of the packages appears, liability therefor shall be assigned as follows:

- a- The cargo entering the Customs warehouses and storehouses in packages in seemingly intact condition is a confirmation that the shortages must have occurred in the exporting country prior to shipment. Such shortage shall not be pursued
- b- If the cargo enters the customs warehouses and storehouses in packages that are seemingly in an unsound condition, the agency in charge of the storehouse or warehouse shall, in conjunction with the carrier, take the necessary action to preserve the cargo, document the case in a delivery report and verify their weight, contents and numbers. In such cases, the carrier shall be held responsible unless there are reservations to the bill of lading noted by the Customs authority in the exporting country and pursuance of such cases shall be disregarded.
- c- If the cargo enters in packages in seemingly intact condition then became suspect of having been tampered with after entry into the Customs warehouse, the agency in charge of the storehouse shall be held liable in the event of any shortfall or substitution.

Article 55

The Customs department reserves the right to open and inspect parcels if prohibited goods or goods contrary to those stated in the Customs documents are suspected in the absence of the goods owner or his representative or if they fail to witness the inspection on the designated time in spite of being notified. If necessary, the Customs department shall inspect the goods and have a report on the findings of inspection drawn by an ad-hoc committee formed by the director general, all prior to notifying the goods owner or his representative.

Article 56

- a- The Customs department reserves the right to have the cargo undergo analysis by the competent agencies to ascertain itself as to the type of goods, its specifications and conformity with the rules and regulations.
- b- A cargo whose clearance requires special conditions and specifications shall be subject to analysis and inspection. The director may release such cargo against the necessary bonds that would guarantee that it is disposed of only after the findings of the analysis are out.
- c- The director general reserve the right to order re-exportation or, if necessary, destruction of the goods that the inspection or analysis concludes that they are harmful or inconsistent with the approved specifications. Such destruction shall take place in the owner's presence and at his expense and the necessary report shall be drawn up.

Article 57

Customs duties shall be collected in accordance with the contents of the Customs declaration. If the inspection reveals a result different from the contents of the declaration, the duties shall be collected based on the result, without prejudice to the Customs' right to collect the fines due in accordance with the provisions of this law (regulation).

Article 58

If the Customs department is unable to verify the veracity of the declaration contents through inspection of the goods or the documents submitted, it shall suspend the inspection process and demand the documents that provides the requiered elements of evidence.

Article 59

The department reserves the right to reinspect the cargo in accordance with the provisions of articles 52 to 56 hereof.

Section III

Terms Related to Passengers

Article 60

The competent Customs departments shall inspect and clear article accompanying or belonging to passengers in accordance with the principles and rules established by the director general.

Section IV

Determination of value

Article 61

Committees for determination of value shall be formed from the department's personnel by a decision of the director general. The duties of such committees are to resolve the disputes that may arise between the Customs department and the parties concerned over the imports value, enlisting the experts they deem necessary.

Without prejudice to the importer's right to resort to courts, the importer may appeal by registered mail excessive value decisions before the valuation committee within 15 days from the date of registration of the Customs declaration or the date of being notified of the department's assessment. The decisions of the committee shall pass by majority vote and become effective upon endorsement by the director general. The committee's decision on the appeal shall be communicated in writing to the importer, providing justifications therefor.

Article 62

- a- Should a dispute arise between the competent Customs personnel and the goods owner over the value of the goods due to the difference of type, origin or any other reason, the matter shall be referred to the director. If he upholds the opinion of the Customs' employee, and the goods owner rejects it, the matter shall be referred to the director general or the valuation settlement committee for resolution.
- b- The director shall have the right to release the disputed goods which are not subject to prohibition after submittal of a cash bond covering the duties as assessed by customs. Samples of the goods shall be retained temporarily for reference in case of need. Such samples shall be returned to the owner when no longer required unless they are consumed for inspection and analysis purposes.

Section V

Payment of Customs Duties and Other Fees and Release of the Goods

Article 63

- a- Goods shall be retained pending payment of the duties and may be released only after completion of Customs formalities and payment of any Customs duties and other fees due thereon under the provisions of this law (regulation).
- b- Delivery of the goods shall be made to their owners or duly authorized representatives in accordance with the procedures set by the director general.

Article 64

Employees assigned to collect Customs duties shall issue the importer official receipts in accordance with the format designated by the minister or competent agency.

Article 65

In cases of emergency, arrangements shall be made to withdraw the goods against special guarantees and conditions to be set by the minister or the competent agency.

Article 66

As part of the conditions and rules set by the director general, goods may be released prior to payment of Customs duties and after completion of Customs formalities against cash, bank or documentary guarantees.

Chapter VII

Unresolved Issues and Reimbursement of Customs Duties

Section I

General Provisions

Article 67

Goods may be allowed access and relocation from one place to another within the state, in accordance with the instructions of the director general, without payment of Customs duties subject to submittal of cash or bank guarantee equivalent to the attendant duties.

Article 68

The cash and bank guarantees and bonds shall be released on the basis of the release certificates issued in accordance with the conditions set by the director general.

Section II

Transit Goods

Article 69

With due regard to the provision of article 67 hereof and the provisions of the GCC unified economic agreement, goods shall be allowed to transit the lands of the GCC states in accordance with applicable international regulations and agreements.

Article 70

Transit operations shall be allowed only at authorized Customs departments.

Article 71

With due regard to the provisions of applicable international and regional agreements, transit cargo shall use the designated routes for the various means of transportation at the carrier's responsibility in accordance with the instructions of the director general. The roads and routes on which transit goods are allowed and the conditions of such transportation shall be determined by a decision of the minister or the competent agency.

Article 72

In the event of relocation from one Customs department to another, the parties concerned may be relieved of submitting a detailed declaration at the point of entry and referral shall be in accordance with the documents and conditions set by the director general.

Article 73

The minister or the competent agency shall issue the necessary decision to regulate the process of suspension of Customs duties on all types of transportation of other transit methods.

Section III

Storehouses

Article 74

Storehouses shall be established inside or outside Customs departments by a decision of the minister or competent agency and the minister shall draw up the regulatory rules and conditions for this process.

Article 75

Goods may be deposited in the storehouses inside or outside the Customs department without payment of the Customs duties thereon in accordance with the terms and conditions set by the director general.

Article 76

The department reserves the right to supervise and control the storehouses managed by other agencies in accordance with the provisions of this law (regulation) and other applicable rules and regulations.

Section IV

Duty Free Zones and Shops

Article 77

The duty free zones and shops shall be established by the legal tool of each state and the related Customs rules, conditions and procedures shall be determined by a decision of the minister or competent agency.

Article 78

- a- With due regard to the provisions of articles 79 and 80 hereof, all foreign goods irrespective of their type or origin may enter and leave the duty free zones and shops to outside the state or to other duty free zones without being subject to Customs duties and fees.
- b- Foreign goods being re-exported from inside the state may enter the duty free zones and shops on the condition that they be subject to the export restrictions and Customs formalities applicable to re-exportation.
- c- The goods located within the duty free zones and shops shall not be subject to any restriction in terms of duration of stay therein.

Article 79

The goods listed on the bill of entry on import fees[?] may be relocated or entered the duty free zones and shops only with the approval of the director general and in accordance with the designated conditions and controls.

Article 80

Entry of the following goods into the duty free zones and shops shall be prohibited:

- a- Inflammable materials, excluding the operation fuels allowed by the supervising agency of the duty free zones and shops and in accordance with the conditions set by the competent agency.
- b- Radioactive materials.
- c- All types of military arms, ammunition, and explosives, excluding those authorized by the competent agency.
- d- Goods in violation of the regulations on the protection of commercial, industrial, literary, intellectual and artistic rights as per decisions issued by the competent agencies.
- e- All types of narcotics and their derivatives.
- f- Goods whose origin is an economically boycotted country.
- g- Goods whose entry into the state is prohibited. Each state shall generate its own list of such goods.

Article 81

The Customs department shall inspect duty free zones and shops for prohibited articles and may audit the documents and inspect the goods if smuggling operations are suspected.

Article 82

The duty free zones and shops management shall submit to the department upon request lists of the goods entering and leaving the zones and shops.

Article 83

Goods within the duty free zones and shops shall be relocated to other duty free zones, shops or warehouses only in accordance with the guarantees, undertakings and procedures determined by the director general.

Article 84

Goods shall be withdrawn from the duty free zones and shops to inside the state in accordance with applicable regulations and the instructions of the director general.

Article 85

Goods leaving the duty free zones to the Customs department shall be treated as foreign goods even if they contained any local raw materials or components on which Customs duties have already been paid prior to admission to the duty free zones.

Article 86

National and foreign vessels shall be allowed to be supplied from the duty free zones with all their marine equipment requirements.

Article 87

The duty free zones and shops management shall be held liable for all violations committed by its personnel and for illegitimate infiltration of goods outside the shops. It shall be subject to all regulations and instructions related to security, public health and prevention of smuggling and fraud.

Article 88

Goods leaving the duty free zones and shops to inside or outside the state shall be treated as foreign goods.

Section V

Temporary Admission

Article 89

With due regard to the provisions of this section, the GCC unified economic agreement and other applicable international agreements, goods shall be allowed temporary access into the state without payment of Customs duties in accordance with the conditions set in the rules for implementation.

Article 90

The director general reserves the right to allow temporary access to the following:

- a- Heavy equipment and machinery required for completion of projects or performance of their practical and scientific experiments.
- b- Foreign goods imported to complete plants.
- c- Articles imported temporarily for sports fields, theaters, exhibitions...etc
- d- Machinery, equipment and instruments imported for repairs.
- e- Containers and packages for imported for refills.
- f- Animals entering for grazing.
- g- Commercial samples for display purposes.
- h- Other cases requiring this treatment.

The commodities provided for in this article shall be re-exported or else deposited in the duty free zone, Customs department or warehouses during the temporary admission period specified in the rules for implementation.

Article 91

The provisions of the GCC unified economic agreement and other applicable international agreements on temporary access for vehicles shall be observed in accordance with the instructions set forth in the rules for implementation.

Article 92

Materials and articles cleared based on temporary admission arrangements shall be used, assigned and disposed of only for the purposes and objectives for which they have been imported and declared in the submitted documents.

Article 93

Any shortfall in the quantity of the goods released based on temporary admission arrangements shall be subject to the Customs duties due thereon at the time of entry.

Article 94

The rules for implementation shall define the conditions for the practical application of temporary admission status and the guarantees to be furnished.

Section VI

Re-exportation

Article 95

The goods which entered the state without Customs duties may be re-exported outside the state or to the duty free zone in accordance with the procedures and guarantees set forth in the rules for implementation.

Article 96

In certain cases, goods which have not been entered into the Customs warehouses may be transhipped or withdrawn from the berths to the ships in accordance with the conditions set forth by the director general.

Section VII

Customs Duties Reimbursement

Article 97

The Customs duties collected on foreign goods shall be reimbursed wholly or partially in case of re-exportation in accordance with the rules and conditions provided for in the rules for implementation.

Chapter VIII

Exemptions

Section I

Customs duty exempt goods

Article 98

The goods exempted from Customs duties in the GCC unified Customs tariff shall be exempted from Customs duties.

Section II

Diplomatic Exemptions

Article 99

Subject to similar treatment, imports of diplomatic and consular corps, international organizations and state approved members of diplomatic and consular corps shall be exempted from Customs duties in accordance with applicable international agreements and laws.

Article 100

- a- Goods exempted under article 99 hereof shall be assigned or disposed of in any way contrary to the purpose for which they have been exempted only after notification of the department and payment of the Customs duties due thereon.
- b- Subject to similar treatment, the Customs duties shall not be paid if the beneficiary disposes of the thing exempted under article 99 hereof three years after the date of clearance by Customs department.
- c- A vehicle exempted may be disposed of only after the elapse of three years to the date of exemption, excluding the following cases:
 - 1- Expiration of the tour of duty of the diplomatic or consular beneficiary in the state.
 - 2- The vehicle is damaged in an accident that renders it unsuitable for the dictates of use by the diplomatic or consular corps member based on a joint recommendation by the traffic and Customs departments.
 - 3- Sale to another diplomatic or consular corps member, subject to the condition that the buyer should enjoy the exemption right.

Article 101

For beneficiaries under article 99 hereof, the exemption right shall commence on the date they start working at the official work premises in the state.

Section III

Military Exemptions

Article 102

Ammunition, arms, supplies, military transports, parts and any other materials imported by all sectors of the armed forces and internal security shall be exempted by a decision of the council of ministers or the competent agency in each state.

Section IV

Personal Effects and Home Appliances

Article 103

- a- Personal effects and used home appliances brought in by citizens residing abroad and expatriates arriving to reside in the state for the first time shall be exempted from Customs duties subject to the conditions and controls set forth by the director general.
- b- Personal effects and gifts accompanying passengers shall be exempted from Customs duties provided that they should not be of a commercial nature and in conformity with the conditions and controls provided for in the rules for implementation.

Section V

Charitable Societies Requirements

Article 104

The requirements of charitable societies shall be exempted from Customs duties in accordance with the conditions and controls set forth in the rules for implementation

Section VI

Returned Goods

Article 105

The following shall be exempted from Customs duties:

- a- Returned goods of national origin which have been exported previously.
- b- Foreign goods being returned to the state within one year from the date of re-exportation
- c- Goods temporarily exported for completion of their manufacture or repairs. Customs duties shall be collected on the increase arising from completion of manufacturing or repairs in accordance with a decision to be taken by the director general.

The minister or the competent agency shall set the conditions to be satisfied in order to benefit from the provisions of this article.

Section VI

Common Provisions

Article 106

- a- The exemptions provided for in this chapter shall apply to the goods covered by the exemption, whether they are imported directly or indirectly or whether they are purchased from the Customs warehouses or duty free zones, provided that the conditions set by the department be observed.
- b- In the event of dispute over whether or not the goods provided for in this chapter are exempted, the director general shall resolve such dispute.

Chapter IX

Service Charges

Article 107

- a- The goods placed in Customs yards and warehouses shall be subject to storage, handling, insurance and other fees at the designated rates as required by the goods storage and inspection process. The storage fees shall by no means exceed the assessed value of the goods. If the storehouses are run by other agencies, they may collect such fees at the prescribed rates and provisions.
- b- The goods may be subject to stacking, stamping, analysis and all other services rendered fees and charges.
- c- The services and charges provided for in this article as well as conditions for their collection shall be determined by a decision of the minister or competent agency.

Chapter X

Customs Brokers

Article 108

A Customs broker shall be any natural or legal person engaged in the business of preparation, execution and submittal of Customs declarations to the Customs department and completion of Customs formalities for the clearance of goods for the account of others.

Article 109

The natural and legal citizens of the GCC states shall be entitled to engage in the profession of Customs brokerage after obtaining the license from the department.

Article 110

Declaration of goods and completion of Customs clearance for exports, imports and transit goods shall be accepted by the Customs departments from the following:

- a- owners of goods or their authorized representatives who satisfy the requirements designated by the director general, including the authorization conditions.
- b- Licensed Customs brokers.

Article 111

Endorsement of the delivery permit in the name of the Customs broker or representative of the goods owner shall be considered an authorization to complete the Customs formalities and the department shall not assume any liability for delivering the goods to the person to whom the delivery permit has been endorsed.

Article 112

The Customs broker shall be held responsible for his and his employees' actions by importers, exporters and the department in accordance with the provisions of this law(regulation).

Article 113

The director general shall issue the necessary instructions for the following:

- a- Conditions for issuance of licenses to engage in the profession of Customs brokerage.
- b- Conditions for issuance of licenses to engage in the profession of Customs brokerage representative.
- c- Procedures for Customs lissuances for brokers and representative.
- d- Obligations of the Customs broker and the broker's representative.
- e- Conditions for opening Customs brokerage offices.
- f- Number of Customs brokers allowed to engage in Customs brokerage in Customs departments.
- g- The Customs departments or departments where brokers are allowed to operate.
- h- Procedures for dispensing with Customs brokers.
- i- Procedures for transfer of Customs brokers representatives between brokerage offices.
- j- Procedures for revocation of Customs brokerage licenses.
- k- Cases of cancellation of brokers from the department's record.

Article 114

With due regard to the provisions of article 141 hereof and without prejudice to any civil or criminal liability provided for herein or in any other law or regulation, the director general may, after the necessary investigations by the competent department and in a manner commensurate with the magnitude of the violation of the broker's obligations, impose the following penalties:

- a- Warning notice.
- b- Monetary fine not exceeding SR5000 or equivalent in other GCC currencies.
- c- Suspension from work for a maximum period of two years.
- d- Revocation of license and barring from engaging in the profession.

Any party suffering damage or grievance as a result of the above penalties may appeal the decision before the minister or competent agency within thirty days from notification. The minister's or the competent agency's decision shall be final and conclusive.

Article 115

As part of the conditions set by the department, the Customs broker shall be required to retain records for five years, providing a summary of the Customs transactions completed for the account of customers. Such records shall indicate the fees paid to the Customs department, the payments made to the broker and any other amounts spent on the transactions. The director or

his designated assign shall have absolute authority to have access at any time to such records without any objection by the Customs broker.

Chapter XI

Rights and Obligations of the Department's Personnel

Article 116

- a- While discharging their duties, the department's personnel shall have the capacity of judiciary control within the scope of their jurisdictions.
- b- Upon employment, the department personnel shall be issued identifications which they shall be required to show upon request.
- c- The department personnel shall be required to sport the official uniform while discharging their duties if the nature of their work requires.

Article 117

Civilian, military and internal security authorities shall provide to the department's personnel any assistance as soon as such assistance is requested. The department shall likewise cooperate with the other official agencies.

Article 118

Customs personnel, whose nature of work requires, shall be authorized to carry arms. Such personnel shall be determined by a decision of the minister or competent agency.

Article 119

Any department employee whose services are terminated for any reason shall be required to return the things in his custody to the department.

Article 120

A decision by the minister or the competent department, based on the director general's proposal shall identify the incentives and allowances granted to Customs personnel according to the nature of their work. Such package or perks shall become effective once approved by the competent agencies.

Chapter XII

Customs Zone

Article 121

All prohibited and restricted goods, goods that are subject to high Customs duties as well as the goods designated by the director general shall be subject to the conditions applicable in Customs zones. The rules for implementation shall set forth the conditions for the transfer of goods within these zones as well as the required documents and procedures.

Chapter XIII

Customs Cases

Section I

Investigation of Smuggling

Article 122

- a- Customs officials shall be required to combat smuggling. To this end, they shall be entitled to inspect the goods, means of transportation and persons in accordance with the provisions of this law(regulation) or any other applicable rules and regulations.
- b- Personal search or frisking of women is allowed only if undrtaken by female inspectors.

- c- In the presence of sufficient evidence of the existence of smuggled goods and after obtaining the permission of the competent department, the Customs personnel may search any house, storehouse or place in accordance with the applicable regulations and rules.
- d- The Customs personnel shall not be held liable for any damages arising from engaging in their functional duties in the manner required of them.

Article 123

The authorized Customs personnel shall be entitled to board any vessel at the local ports as well as vessels entering or leaving the ports, to stay on board until they unload their cargo, and search all sections of the vessels.

Article 124

The authorized Customs personnel shall be entitled to board the ships inside the Customs zone for inspection or to demand submittal of the bills of lading and any other documents required under this regulation. If submittal of bill is denied or in the absence thereof or suspicion of the existence of smuggled or prohibited goods, they shall be entitled to take all necessary actions to seize subject goods and lead the vessel to the nearest Customs department.

Article 125

The department reserves the right to take the appropriate action to investigate smuggling inside and outside the Customs zone in accordance with the rules established by the minister or competent agency.

Article 126

Investigation of smuggling cases and Customs violations across the entire land of the state and impounding of goods may be conducted as follows:

- a- In land and marine Customs zones.
- b- In Customs departments, seaports, airports and all locations under the jurisdiction of Customs control.

- c- Outside land and marine Customs zones when smuggled goods are being actively tracked and pursued by responsible Customs officials after such goods are seen within the zone in a state indicative of the intent of smuggling.

Article 127

The Customs personnel reserve the right to review and flag any violations in the papers, documents, records, correspondence and commercial contracts of any kind directly or indirectly related to Customs operations, as such violations may be committed by the navigation and transportation establishments and all natural and legal entities involved with the Customs operations. Such establishments and entities shall retain all documents referred to above for five years following finalization of the Customs processes.

Article 128

The Customs personnel may detain any person if they suspect that such person has committed or attempted to commit a crime or is involved in the following crimes:

- a- smuggling.
- b- Transportation or possession of smuggled goods.

Section II

Seizure Reports

Article 129

A seizure report shall be generated on the Customs smuggling crimes and violations in accordance with the basic rules provided for herein.

Article 130

The seizure report shall be drawn up by at least two Customs employees upon detection of the smuggling crime or violation. The report may, however, be drafted by a single employee if need be.

Article 131

The following facts shall be documented in the report:

- a- Place, date and hour(in words and figures) the report is drafted.
- b- Names, signatures and work nature of the employees who discovered the violation and those who draft the report.
- c- Names, nationalities, capacities, professions and detailed addresses of the violators or smugglers.
- d- The impounded goods, their types, quantities, value and Customs classification.
- e- Detailed description of the events, and the statements made by the violators, smugglers and witnesses, if any.
- f- Incorporation of a paragraph in the report to the effect that the report was read to the violators or smugglers and that they either acknowledge it by their signatures or decline to endorse it.
- g- All other supporting documents, indicating whether the violators and smugglers attended or declined to attend the inventorying of the goods.
- h- Submittal of specimens of the seized goods to the competent agency to confirm that they involve prohibited materials.
- i- Identification of the agency to which the smuggled goods have been delivered and its signature indicating receipt of the goods.
- j- Identification of the security agency to which the smugglers are to be turned over and the date and hour of such turnover.

Article 132

- a- The seizure report generated in accordance with articles 130 and 131 shall constitute evidence with respect to the material events witnessed first hand by the Customs officials themselves, unless it is proven to the contrary.
- b- Any deficiency in form in the seizure report shall not constitute cause for annulment and can be returned back to its drafters only if the deficiency involves material events.

Article 133

The Customs department reserves the right to impound the goods in violation or involved in the smuggling crime as well as the things used for hiding the goods, including all kinds of means of transportation, such as boats, vehicles and animals, but excluding vessels, aircraft, and public transportation buses. This exclusion shall not apply if such means of transportation have been rigged specifically for the purpose of smuggling.

Article 134

The smuggled materials or materials whose smuggling has been initiated, such as narcotics or similar substances, shall be disposed of in accordance with the rules and regulations applicable in each state.

Section III

Precautionary Arrangements

Part I

Precautionary Seizure

Article 135

- a- The compilers of the seizure report on the smuggling violation, crime, the things used to hide them, and means of transportation, may seize and impound such articles to substantiate the smuggling crime or violation and to use them as bond for any possible duties, fees and fines.
- b- If necessary, the director general may have the competent agency issue an order to impound the monies of the violators and smugglers as a guarantee for payment of Customs duties, fees and fines in execution of final decisions or awards issued for payment thereof.

Article 136

If necessary, and to protect the public treasury rights, the director general may impose Customs insurance[? Liens] on the monies of the dutypayers and their associates.

Article 137

Arresting the culprits shall be allowed only in the following events:

- a- Smuggling crimes that have actually been committed.

b- Resistance of Customs officials or security men in a way that impedes seizure and investigation of Customs violations and smuggling crimes or seizure of the accused parties.

The arrest warrant shall be issued by the Customs officials empowered with judiciary control capacity or by the security agency. The detainee shall be presented to court within 24 hours from the time he/she is apprehended.

Part II

Travel Ban

Article 138

The director general or his assignee may demand the competent agency to ban the violators or parties accused of smuggling from leaving the country in the event the value of the seized goods is not adequate to cover the taxes, fees and fines.

The travel ban shall be abrogated if the violator or the accused party furnishes a bond equivalent to the amount of possible claims, or if it is concluded subsequently that the value of the seized goods is adequate to cover the amounts claimed.

Section IV

Customs Violations and their Penalties

Article 139

The Customs fines collected and the confiscations provided for herein shall be deemed civil compensation to the department and are not subject to general amnesty rules.

Article 140

In the event of recurrence, the penalty shall apply to each violation separately. The severer penalty shall apply if the violations are linked together in such a way that it is difficult to divide them up.

Article 141

Excluding cases that are considered virtual smuggling as provided for in article 143 hereof and without contradiction with the provisions of applicable agreements, a monetary fine shall be imposed in accordance with the provisions of the rules for implementation for the following violations:

- a- Violations involving imports and exports.
- b- Violations involving Customs declarations.
- c- Violations involving transit goods.
- d- Violations involving warehousing.
- e- Violations involving areas supervised by Customs.
- f- Violations involving temporary admission.
- g- Violations involving re-exportation.
- h- Any other Customs violations.

Section V

Smuggling and its Penalties

Part I

Smuggling

Article 142

Smuggling means entering or attempting to enter goods or taking or attempting to take them out of the country in a way that violates applicable legislations without total or partial payment of

the Customs duties or that violates the prohibition or restriction rules provided for herein or in other rules and regulations.

Article 143

Forms of smuggling and evasion shall specifically include the following:

- a- Failure to proceed with the goods upon arrival to the first Customs department.
- b- Failure to follow the methods used for entering and withdrawing the goods.
- c- Loading or unloading the vessels in a manner inconsistent with Customs regulations or loading or unloading them within the marine Customs zone.
- d- Loading and unloading goods from aircraft in an illegitimate manner outside official airports or ditching them during air transport with due regard to the provisions of article 40 hereof.
- e- Failure to declare the goods being imported or exported at the Customs department in the absence of a bill of lading, including goods of a commercial nature accompanying passengers.
- f- The goods being exported or imported bypassing the Customs department without declaration.
- g- Discovery of undeclared goods in one of the Customs departments placed in hidden or camouflaged places that are not usually designated to accommodate such goods.
- h- Increasing, decreasing or changing the number of packages or their contents declared in duty suspended status as provided for in Chapter VII of this law(regulation) and which may be discovered after the goods exit from the Customs department. This rule shall include goods that transit the state by smuggling or without completing their Customs formalities. The carrier shall assume full responsibility therefor.
- i- Failure to submit the evidence required by the department to substantiate the data of the Customs duties status provided for in Chapter VII hereof.
- j- Taking goods from the duty-duty free zones, duty-duty free markets, Customs warehouses or Customs zones without completing their Customs formalities.
- k- Submittal of false, faked or fabricated documents and lists or placing false marks for the purpose of evading payment of all or part of the duties or the purpose of circumventing prohibition or restriction rules.
- l- Transportation or acquisition of restricted or prohibited goods without submitting evidence to support that they have been imported in accordance with the regulations.
- m- Transportation or acquisition of goods under the control of the Customs authorities within the Customs zone without statutory documents.
- n- Failure to re-import goods whose exportation is prohibited or goods provisionally exported for any purpose

Part II
Penal Liability

Article 144

For the penal liability for the evasion crime to be substantiated, it is imperative that deliberate intent has to be present. Applicable penal provisions shall be observed in defining this liability. Specifically, the penal liability shall include the following cases:

- a- The original perpetrators.
- b- Accessories
- c- Those who intervene with the intent of sedition
- d- Persons who acquire smuggled goods
- e- Owners of means of transportation used in smuggling as well as the drivers and their assistants who are involved in the smuggling operation.
- f- Owners or lessees of the locations where the smuggled goods have been placed or the beneficiaries who are found to be aware of the existence of the smuggled goods in their stores.

Part III
Penalties

Article 145

Without prejudice to any stricter penalty provided for in any other provisions applicable in the state, smuggling and initiation of the smuggling operation shall be punishable as follows:

- a- If the smuggling involves goods that are subject to high Customs duties, the penalty shall be a fine of not less than twice the Customs duties due and not more than twice the value of the goods and imprisonment for not less than two months and not more than one year, or either of the two penalties.
- b- If the smuggling involves other goods, the penalty shall be a fine of not less than twice the Customs duties due and not more than the value of the goods and imprisonment for not less than one month and not more than one year, or either of the two penalties.
- c- If the smuggling involves goods that are not subject to Customs duties(exempted), the penalty shall be a fine not less than 10% of the value of the goods and not more than the value of the goods and imprisonment for not less than one month and not more than one year, or either of the two penalties.
- d- If the smuggling involves prohibited goods duties, the penalty shall be a fine not less than the value of the goods and not more than three times its value and imprisonment for not less than six months and not more than three years, or either of the two penalties.

- e- Confiscation of the smuggled goods or payment of an amount equal to its value if not impounded.
- f- Confiscation of the means of transportation, tools and materials used in smuggling or payment of their value if not impounded, excluding means of public transportation such as ships, aircraft, trains and public vehicles, unless they are rigged or chartered for this purpose

Article 146

The director general reserves the right to seize and sell, in accordance with the provisions of chapterXIV hereof, the impounded goods and means of transportation if the smugglers escape and cannot be located. The sales proceeds shall revert to the state after the elapse of one year without the smugglers being captured. If they are captured or brought before the court during this period and a ruling is made to sell the goods, the confiscation award shall apply to the sales proceeds.

Section VI

Prosecution

Part I

Administrative Prosecution

Article 147

- a- The director general shall issue the decisions required for the collection of Customs duties, other fees and the established fines which the payer has failed to pay.
- b- The collection decisions may be appealed before the department within 15 days from the date of communication. Such appeals shall not, however, suspend the execution unless a bank or cash guarantee is furnished to fully cover the claimed amounts.

Article 148

- a- The fines provided for in chapter IV shall be imposed by a decision of the director general or any person authorized by him/
- b- The fine shall be communicated to the violator or his representative by written notice to be served by the competent agency and the violator shall be required to pay the fines within 15 days from the date of notification.

Article 149

Decisions involving payment of fines may be appealed before the minister or the competent agency within the same period of time. The minister or the competent agency reserves the right to either uphold, ammend or cancel the fine.

Part II

Judiciary Prosecution of Smuggling Crimes

Article 150

Judiciary proceedings for smuggling crimes shall be initiated only on the basis of the written request of the director general.

Part III

Reconciliatory settlement

Article 151

- a- The director general or any person authorized by him may, at the written request of the party concerned, reach a reconciliatory settlement for smuggling cases either before

initiation, during hearing and before a preliminary ruling, by enforcing [?] the Customs penalties and fines provided for in article 145 hereof

- b- The reconciliatory settlement guide shall be issued by a decision of the minister or the competent agency.

Article 152

With due regard to the provisions of article 151, the reconciliatory settlement shall be as follows:

- a- If the smuggling involves goods that are subject to high Customs duties, the penalty shall be a fine of not less than twice the Customs duties due and not more than twice the value of the goods .
- b- If the smuggling involves other goods, the penalty shall be a fine of not less than the Customs duties due and not more than 50% of the value of the goods.
- c- If the smuggling involves goods that are not subject to Customs duties(exempted), the penalty shall be a fine not less than 10% of the value of the goods and not more than 50% of its value.
- d- If the smuggling involves prohibited goods duties, the penalty shall be a fine not less than the value of the goods and not more than three times its value.
- e- Confiscation,clearance or partial or total re-exportation of the smuggled goods.
- f- Confiscation of the means of transportation, tools and materials used in smuggling or payment of their value if not impounded, excluding means of public transportation such as ships, aircraft, trains and public vehicles, unless they are rigged or chartered for this purpose

Article 153

The case shall be dropped upon completion of its reconciliatory settlement formalities.

Section VII

Joint Liability

Article 154

- a- The violation and the civil liability for smuggling cases shall be deemed to have occurred with the satisfaction of its material components. Good faith or ignorance shall not serve as an excuse therefor. However, a person who can substantiate that he/she has been a victim of a force majeure or that he/ she has not committed any of the actions that

constituted a violation or caused the smuggling crime to be committed shall be absolved of the liability.

- b- In addition to the person who commits the violation, the civil liability shall include the associates, financier, guarantors, beneficiaries, intermediaries, agents, donors, carriers, possessors and consignors.

Article 155

Investors in stores and places where smuggled goods of subject violation are deposited shall be held liable therefor. However, investors and employees of public stores as well as owners, drivers and assistants of public transportation shall be held responsible unless they can prove that they are not aware of the presence of the smuggled goods and that they do not have a direct or indirect interest therein.

Article 156

Guarantors shall be liable within the limits of their bonds for payment of the Customs duties, fines and other amounts due to the department or to be due from the original committed parties[?].

Article 157

Customs brokers shall be held fully responsible for the smuggling crimes they commit in their Customs declarations as well as for the smuggling crimes and violations committed by their authorized personnel. They shall not, however, be liable for undertakings made in the Customs declarations, unless they themselves made such undertakings or guaranteed the undertakers

Article 158

Goods owners, employers and carriers shall be held liable for the actions of all their employees in connection with the duties and fees collected by the Customs department as well as the fines and confiscations provided for in this law(regulation) incurred as a result of such actions.

Article 159

Heirs shall be liable for payment, from their shares in the legacy, of the fines incurred by the deceased only if they are party thereto. The case shall be dismissed in the event of the violator's demise.

Article 160

The prescribed or awarded duties, fees and fines shall be collected jointly from the violators and those responsible for smuggling in accordance with the principles applicable to the collection of the funds of the state treasury. The impounded goods and means of transportation, if any, shall serve as a collateral for payment of the required amounts.

Section VIII

Court Fundamentals[?]

Article 161

Preliminary Customs courts may be set up in each department in accordance with the legal tool used in each state.

Article 162

The Customs preliminary court shall have the following jurisdictions:

- a- Considering all smuggling and similar crimes.
- b- Hearing all crimes and violations committed against the provisions of this law and its rules for implementation.
- c- Considering objections to collection decisions in accordance with the provisions of article 147 hereof.
- d- Hearing objections to decisions involving fines pursuant to the provisions of article 148 hereof.

- e- The court may require any person accused under this law (regulation) to provide a sponsor to guarantee that he will appear before the court or else he will be detained pending resolution of the case.

Article 163

- a- The ruling of the Customs preliminary court may be appealed before a special court of appeals to be instituted in accordance with the legal tool in each state.
- b- This court shall consider the cases referred to it and shall pass its decisions by the majority vote.
- c- Decisions shall be appealed within 30 days from the date of communication of the preliminary ruling if in absentia and from the date of its announcement if in presence.

Article 164

The rulings made by the appeals court shall be final and conclusive.

Article 165

The collection and fine resolutions and rulings made in Customs cases shall be carried out once they become final by all means of implementation on portable and non-portable assets of the fine payers. The minister or competent agency may issue a lien to withhold adequate assets to cover payment of the claimed amounts.

Chapter XIV

Sales of the Goods

Article 166

- a- The department may elect to sell the seized goods if they are perishable, can be subject to shortfalls or infiltration or in a condition that may impair the integrity of the other goods or the installations they are in.
- b- The seized goods whose value depreciates remarkably may be sold as per the director general's authorization.

Such sales shall be made based on a report that documents the condition of the goods and the justification of sales without having to wait for a ruling by the competent court, but on the proviso that the goods owner be notified accordingly. If a subsequent ruling provides for returning the goods to their owner, the value of the sold goods shall be reimbursed after deduction of any duties or fees due thereon.

Article 167

Upon expiry of the period granted by the Minister or competent agency, the department may sell the goods stored in the Customs warehouse, yards or berths or the goods left in the Customs department.

Article 168

The department shall sell the following:

1. The goods, materials and means of transportation which became property of the Customs through confiscation, reconciliation or written assignment.
2. Goods which have not been withdrawn from the warehouse within the legal period specified in article 75 of the regulation.
3. Goods and materials whose owners are unknown or unclaimed within the period specified by the Minister or competent agency for safe keeping.

Article 169

The department shall not assume any liability for the damage to the goods that it sells under the conditions and rules set by the Minister or competent agency.

Article 170

1. The sales processes provided for in this chapter shall be made in a public auction in accordance with the conditions and rules set by the minister or competent agency.

2. The goods, things and means of transportation shall be sold net of Customs duties and other fees and taxes, excluding the brokerage commission incurred by the buyer during the sales procedures.

Article 171

- A. The sales proceeds shall be distributed as follows:
 - a- Customs duties and taxes.
 - b- Expenses of any kind incurred by the department.
 - c- Any transportation charges.
 - d- Any other fees
- B. The balance of the sales proceeds of allowed goods on the day of sale after deduction of the amounts provided for in paragraph 'A' of this article shall be deposited in the custody of the department. The parties concerned may claim it within a year of the date of sale after which it shall be the property of the treasury.
- C. The balance of the sale proceeds of the goods whose importation is not allowed shall be the property of the public treasury.
- D. The balance of the sale of prohibited or restricted goods, or of goods whose importation is allowed, goods sold as a result of a reconciliatory settlement, fine decision or a court ruling in connection with smuggling operation shall be distributed, after deduction of taxes, duties and expenses in accordance with article 172 hereof.

Article 172

The treasury's 50% share from the proceeds of Customs fines, value of the goods, and confiscated means of transportation shall be determined after deduction of the taxes, duties and expenses. The balance of the proceeds shall be deposited in the Customs reward fund or any other Customs account and shall be disbursed to the persons who discover the violation and those who aid them. The rules for the distribution of the rewards shall be determined by the Minister based on the Director general's proposal.

Chapter XV

The Concession of the Customs Department

Article 173

In order to collect the Customs duties, fees, other taxes, fines, compensations, confiscations and refunds, the department shall enjoy first general concession to the movable and immovable assets of the payers in case of bankruptcy as well as priority over all debts, excluding court expenses.

Chapter XVI

Statute of Limitation

Article 174

Claims for Customs refunds shall not be entertained after the elapse of more than three years.

Article 175

The department reserves the right to destroy the records, receipts, data and other Customs documents for any single year after the elapse of 5 years from the date of completion of the Customs formalities. It shall not be required thereafter to present them or produce any copy thereof to any agency.

Article 176

Without prejudice to other regulations and laws applicable in the state, the statute of limitation where the department of Customs is concerned and in the absence of any objection thereto, shall be as follows:

- A. Fifteen years for the two following events:
 - 1. Smuggling and similar crimes from the date of commission thereof.
 - 2. Enforcement of smuggling rulings from the date of issue.

- B. Five years for the following cases unless a claim is filed in connection therewith:

1. Investigation of the violations as of the date of occurrence.
2. Collection of imposed fines and confiscations as of the date of issue of the ruling.
3. Collection of Customs duties and other fees which have not been collected as a result of department's inadvertent error as of the date of registration of the Customs declaration.

Chapter XVII

Final Provisions

Article 177

1. The Director general may exempt the ministries, government departments and official general organizations from some procedures to facilitate their operations.
2. The Director general may sell at the price he deems appropriate the confiscated or waived goods and things to the state's ministries, official departments and general organizations if such agencies expressed the need for them or may alternatively have them assigned free of charge by a decision of the Minister or competent agency.

Article 178

The GCC Financial and Economic Cooperation Committee shall approve the rules for implementation of this law. Such rules shall be issued in accordance with the legal tool of each state.

Article 179

Once the GCC unified Customs law becomes effective, it shall, within the limits of the constitutional rules, regulations and fundamental systems applicable in each state, replace and supercede the Customs regulations and laws currently applicable in the member states

