

Understanding Trademark Rights for Saudi companies.



Kadasa & Partners

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A real property and intellectual property

The rights in intellectual creativity in field of literature, art and science is a basic right of every human being as provided in Article 27 of Universal Declaration on Human Rights. Intellectual property refers to the same rights of human beings and declare creations of mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce as a property right.

The term 'property' used in combination with 'intellectual' affirms the rights in creative activities and is somewhat similar to the concept of real property for example land, building, house etc.

Experts agree that defining a property is a challenging task, at least agreement over single definition of property remained a challenge. The concept of property for a common man is a complete ownership of a thing, while a legal fraternity would see it as a set of rights, with limitations, over a certain thing. The concept is same, the approach is different. For a common man ownership of a property means complete and absolute ownership having right to do anything with property under ownership without limitation. It may not be true in legal sense.

A term property in eye of law will mean a set of rights recognized by laws of state conferred upon owner of property. In real property sense, purchase of property for example would transfer the ownership to buyer. If one purchase a pair of shoes, pay money to seller, ownership is transferred without any right left for a seller. This may not be necessarily sufficient for all kind of properties, for example purchase of car or a land would require documentation with relevant department. It means that in a real tangible property sense, ownership is acquired by transfer of physical property from one person to another, by paying a price, and recordal of right with relevant department. Ownership transfer completes with completion of transaction with or without necessary documentation. By all means, there is transfer of a tangible object which one can use, rent, sell, and dispose-off. This is a concept of property.

Intellectual property rights on the other hand are intangible rights. A right in trademark, copyright, patent and industrial design is an intangible right with certain limitations. An intangible intellectual property right provide a similar right as a real property i.e an owner can sell, license to use, use freely, and dispose-off. These rights makes it a 'property'. A trademark therefore is a 'property' just like a land is a 'property'. The notable difference may be acquiring an intellectual property right and maintaining it. Limitations over rights are equally applicable on intellectual property right like real property. Intellectual property rights in trademarks or patents provide

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two rights in single article. For example, Al Marai milk pack is owned by the company producing it. The trademark Al Marai and the product (milk) are two set of rights embodied in a single product. Selling of Al Marai milk product transfer ownership of product to buyer, however rights over trademarks embodied in products will remain with company. Intellectual property rights does not transfer to a buyer with sale of product—this is one of notable difference between real property and intellectual property.

This write-up attempts to define trademark rights, acquisition of trademark rights, use of trademark right, and importance of professional advice to acquire, and maintain such right. Where necessary, concepts are explained by way of examples to make it easy to understand for a common reader.

What can be a trademark?

Not everything can be a trademark. The law of each country specifies the subject matter of trademarks. The basic requirement of every trademark is distinctive character i.e it should be capable of distinguishing the goods and services of an entity from those of competitors. A trademark can be names, words, signatures, letters, symbols, numbers, titles, stamps, drawings, pictures, inscriptions, packaging, figurative elements, shapes or color, groups of colors, or combinations thereof, or any sign or a group of signs used or intended to be used to distinguish the goods or services of one undertaking from the goods or services of another undertaking. The new GCC trademark law adopted by Saudi Arabia allows registration of unconventional marks. For example sound and smell marks can be registered as trademarks.

Tradenames and Trademarks—Do not confuse it!

A common misunderstanding in local business community is that a tradename registration with Ministry of Commerce and Investment is sufficient to protect trademark rights. Most of litigations are addressed on this core issue. For example Company A registers tradename ABC with commercial registry in Saudi Arabia. Another Company B can register ABC as a trademark with trademark registry. Registration of tradename ABC does not provides trademark right to Company A. Trademark rights are acquired through a different set of procedure. There is no confusion between tradename and trademark, and this is important to understand. Such issues arises when a Company A with a tradename ABC also intends to use ABC or variation of it as a trademark. A tradename is registered with Saudi Ministry of Commerce and Investment in a concerned section. A trademark is registered within the same ministry, but in a trademark office. Tradenames are governed under law of tradenames, while trademarks are governed by law of trademarks, with completely different set of regulations and requirements. Therefore both these

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distinct rights should not be confused, and proper registration of rights should be acquired with concerned departments. While a tradename registration may be straightforward, trademark procedure can be complicated and require proper advice.

Why a trademark is important?

A trademark represents reputation of a company. It distinguishes goods and service of an entity from competitors in a market place. Consumers associate a quality to and confidence over a trademark. A trademark may also become a status symbol for buyers. Certain consumers in market would like to be associated to a famous trademark without much concern for quality. The power of a brand encourages counterfeiters and infringers to produce fake goods. Fake products are sold using goodwill of famous brands, but not necessarily all the times—associative function of a trademark may push a buyer to go for a fake product with knowledge of its fake nature. This is commercial power of a brand created through heavy advertisement, promotions, and consistency in quality over years. Reputation of a brand is created over years. When a brand is launched, promoted, and consumers recognize it, there is still a chance of losing right over brand if proper protection plan is not in place.

Here comes the concept of an important area of intellectual property rights—the trademark rights.

A nicely designed mark, unique representation and heavy marketing campaigns does not protect rights over a trademark, specially in Saudi Arabia where un-registered rights are not recognized. You need to plan for protection of your trademark, and plan well.

Who can file a trademark?

A trademark can be registered by an individual or a business entity by filing an application with trademark office in Ministry of Commerce and Industry. Any natural or legal person who is a national of a Gulf Cooperation Council (GCC) state and an owner of a factory or a product, a craftsman or trader, or owner of a private service project, a foreigners residing in any of the GCC states and who are licensed to engage in any activities relating to trade, industry, craft or service, or a foreigners who are nationals of a country which is a member of an international multilateral treaty that a state of the GCC countries is a party to or persons residing in that country, and public agencies can file trademark application.

It is not a requirement to provide evidence of use or statement of intention to use trademark. Filing application is not a straight forward process. It is a specialized job from filing until grant, and should be handled through professionals.

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Every mark is not a trademark

Not every trademark can be registered. A company will always love to register a trademark which describes or has a relationship with products or services. Trademark law discourages this practice. For example a trademark SUPER CLEAN may not be registrable for selling washing machines or soaps. A mark SWEET may not be registered for selling chocolates or any other sweet edible products. Trademark law categorizes it as descriptive marks, and prohibits registration of such marks. Additionally a word which is a common name for product itself cannot be registered for the same product. For example APPLE for selling apples cannot be registered, but APPLE for selling computers is very distinctive trademark and registered. Such marks are known as generic marks, and cannot be registered.

In some countries a descriptive mark can be registered if used for a long period; in Saudi Arabia this is not a case.

A lesson learned is, that before adopting a trademark, and spending heavy amount of money on promotions, professional advice should be sought. It might not be able to register a mark used over years if it does not qualify distinctiveness test under trademark law. Under Saudi trademark law a list of marks which cannot be registered are as following:

- i. A trademark which is already registered by other entities.
- ii. A trademark which is descriptive or generic of goods or services applied for. As discussed above with examples.
- iii. A trademark which is contrary to public morality.
- iv. A trademark which violates Shariah (Islamic) law.

Filing a trademark and understanding Nice Classification

An application for a trademark is filed for certain goods and services. The goods and services which a company intends to trade in needs to be clearly identified for the purpose of filing a trademark. Under trademark system, Nice classification, an internationally followed classification of goods and services is adopted in Saudi Arabia as well. Nice classifications have total 45 classes, further divided into 34 classes for goods and 10 classes for services. Each class of goods and service further includes a detailed list of goods and services. Each class is also represented by class heading, which broadly indicates the type of goods and services included in each class. A class of goods and services are divided based on type of goods. E.g class 5 relates to medicinal

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products, class 29 includes food products, class 35 includes business management/consultancy services, and class 25 includes clothing related items.

One application, one class

In Saudi Arabia, so far, a rule is, that a single application should be filed for a single class. A trademark can be filed for all goods or services in a single class or for limited goods or services. Important point to keep in mind is that a mark applied for one class is protected and registered only for the same class. For example, a trademark applied and registered in class 5 for medicine products will be registered only in class 5. This has an implication. A similar trademark can be filed by another company in a different class, say for example in class related to sale of refrigerators.

It means rights over trademarks are not similar to rights over physical property. There are additional limitations over intellectual property rights. A more confusing part in trademark filing is overlapping of certain goods and services in different classes. For example a company involved in production of foods products may file an application in class 29, relating to food products. Other classes, for instance 29 and 30 are also relevant to food products. Class 43 might also be relevant for food products for a broader protection. What if company A register its trademark in class 29 for selling eggs or related products, and company B registers the same mark in class 43 for selling pastry which is also a related food products. If both company A & B acquires registration for same trademark, this can be commercially challenging to any one of both companies. For example company A is expending heavy budgets on promoting its business through advertisement and quality control system. The created goodwill may benefit company B due to same trademark registered in different classes with overlapping goods i.e food products. This will be not less than free riding. Imagine Company B selling low quality products in such case.

The above situation needs to be visualized before deciding filing a trademark. This is what intellectual property professionals can advise to a company with wide range of products. It is important to understand that for purpose of trademark law similarity of goods and services does not mean identical goods or services. A trademark registered for retail services will fall in class 35, while a similar trademark registered by a company in class 25 for selling clothes can also deal in retail service with a same trademark. This can be a difficult situation for companies, and needs professional portfolio advice before filing marks.

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Complexity in Nice classification

In most countries of the world, it is possible to frame nomenclature for goods and services while applying for trademark if the goods or services as described in nice classification are not well describing actual products of a company. Say for example, Company A is dealing with service “organization of balls”, and keeping in mind that the word "balls" here refers to A formal gathering for social dancing, there is no equivalent specification available in Saudi adopted Nice classification. In Saudi Arabian online trademark filing system, goods and services must be selected from available list, there is no flexibility in adjustment of terms to accommodate certain goods and services, and to clarify scope of protection. In such circumstances, Company A needs a proper advice to cover its relevant service. In the absence of exact alternate and close specifications, a trademark expert will advise that ‘*Entertainment*’ with broader meaning and as available in nice classification, class 41 can cover this. In addition, *Party Planning [Entertainment]* is also close to this.

Now let suppose, Company A is dealing in manufacturing of computer memory devices, which is again not available in relevant class. It is necessary to take advice on filing strategy to make sure that a trademark registration will actually protect your rights. Mere long use of a trademark, or registration of a trademark does not protect a trademark well—only a well-planned filing strategy protects trademark well. So take advice prior to filing to avoid heavy cost of litigation and free riders at a later stage.

In some instances, goods of interest may be found in different classes. For example Gas Cookers are available as ‘Stove’ in Class 11, and as ‘non-electric cookers’ in Class 21. Application for covering manufacturing of ‘Grills’ might be possible in Class 7 and 11 as well. In such cases, adequate protection of trademark for goods of interest might require more than one application.

Understanding Territorial principle of trademark protection

A trademark registered in one country does not extend to another country. For example a mark registered in Bahrain is not registered in Saudi Arabia. Every country has laws in place with a prescribed procedure for registration of trademark. The laws and procedure may vary from country to country. It is possible that a mark registered in UAE may be refused registration in Saudi Arabia and vice versa. A same mark may be registered for different entities in two countries, which may be a barrier for import or export of genuine products.

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Territorial principle may impact import and exports

Traders which are exporting goods to foreign countries needs advise on every country trademark system where there is a business interest. Requirements may be different, fees are different, documents required are different, procedure of conflicts between two parties over trademark ownership during registration process are different, and this means that a country specific trademark portfolio plan does not work for companies with business interest in number of countries.

A pre-launch selection of a trademark by a Saudi company having export plan needs to be cautious. A trademark ABC may be available for registration in Saudi Arabia for company A, but might be registered for another company B in Qatar. For example two different companies have registered a similar trademark ABC in Saudi Arabia and Qatar. A Saudi company A exporting goods with its registered home trademark ABC to Qatar might be problematic and may rise a liability of trademark infringement of trademark ABC owned by Qatari company B. Consignments may also be seized and in certain cases destroyed by custom authorities in country of export. This might lead to criminal sanctions as well, and advertisement of criminal sanctions publically in country of export leaving a stigma on commercial reputation. A trademark clearance in every country of export is therefore necessary for a Saudi company in all countries of business interest.

Selection of trademark is therefore a well thought and clearance based choice. A careless selection of trademark in a haste may lead to a huge waste. Be aware, take proper advice before selection of trademarks, filing strategy, making a portfolio advice, and international registration of trademarks. Your exports and even imports in certain cases might be returned or destroyed.

Registration of trademark beyond Saudi Arabia

In practice, we have experienced most of Saudi companies asking a similar question—can we register a trademark internationally through one application? The answer is partially ‘yes’, and partially ‘no’.

There are following three routes of trademark registration worldwide:

- i. A National route, where application is filed in every country where protection is sought. For example, filing with Saudi trademark office or with UAE trademark office.
- ii. A regional route, where applications are filed with regional offices created by countries of specific region, e.g ARIPO, OAPI, CTM (discussed below).

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- iii. International trademark registration system, e.g Madrid System (agreement and protocol), which is an international system created by members of Paris Union and World Trade Organizations.

Madrid System

A trademark may be registered by filing a single application under international system known as Madrid System. Madrid system is further divided into two systems i.e Madrid Agreement and Madrid Protocol. Both systems have complex rules in place. A country which is member of any of the aforesaid system makes its individuals and companies eligible to utilize these systems. Saudi Arabia is not a member of any of Madrid systems i.e protocol or agreement. A Saudi company therefore is not eligible to file application for trademark through Madrid system. With the exception of Oman and Bahrain, all GCC member states are non-members of international Madrid system.

There is still a hope for Saudi companies. A Saudi company with a real and effective business establishment in any Madrid member country may file application through that company. For example, a Saudi Company A has commercial establishment in Egypt or Sudan. Both Sudan and Egypt are members to Madrid system. A Saudi company can file its international trademark applications through its Sudanese or Egyptian affiliated company.

Benefit of Madrid system is that an applicant can select list of countries in one application. Madrid trademark applications are processed in World Intellectual Property Organization (WIPO) based in Geneva, Switzerland. For information, WIPO will communicate its decision of acceptance of international trademark to all selected countries, and selected countries may refuse to accept application on stated reasons. Madrid system have currently 98 members.

Madrid system is not the only system for registration of trademark in multiple countries—there are regional trademark registration systems in place as following:

Community Trademark registration system

Community trademark registration is a regional route of trademark registration. A single application can register a trademark in all member states of European Union. The Office for Harmonization of Internal Market, with office in Alicante, Spain administers community trademark applications. Currently member countries of community trademark system are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

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African Regional Intellectual Property Organization, ARIPO

ARIPO, an African Regional Intellectual Property Organization is a regional route for trademark registration. It is possible to acquire trademark registration for multiple countries in African region which are members of ARIPO Banjul protocol. Unlike Madrid System, an applicant does not need to be from a country which is member of ARIPO. A company from a non-member state may also submit a trademark application in ARIPO. For Saudi companies which have business interest in African countries may, instead of filing separate national applications in each African country, opt for ARIPO regional route.

An application filed with ARIPO does not automatically protect trademark in all ARIPO member countries. An applicant has to designate member country for which protection is sought. Every additional country will add additional cost.

Currently the member countries of Banjul protocol, ARIPO are Sudan, Kenya, Botswana, Gambia, Ghana, Lesotho, Malawi, Mozambique, Namibia, Sierra Leone, Liberia, Rwanda, Sao Tome and Principe, Somalia, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

African Intellectual Property Organization, OAPI

OAPI, a french language abbreviation; an African Intellectual Property Organization is another regional route for acquiring registration of trademark through one single trademark application. A Saudi company intending to acquire registration in central African countries is eligible to apply through OAPI regional route. A single application can cover all member states of OAPI, and unlike ARIPO, an applicant filing through OAPI does not require designation of member states. An application registered with OAPI will register trademark in all member states by paying single fee.

Current member states of OAPI are Senegal, Mauritania, Burkina Faso, Cameroon, Central Africa, Comoros, Congo, Ivory Coast, Gabon, Guinea Bissau, Equatorial Guinea, Mali, Niger, Chad and Tongo.

Choice between selections of route is an important decision and requires multiple considerations. A Saudi company may file national application in each member state separately, file regional route like ARIPO, OAPI, Community Trademark application, or international route like Madrid System (through related companies established in Madrid member states).

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Deciding on filing route

Following points should be considered while deciding on adoption of protection route for international registration of trademarks:

- i. Cost consideration.
- ii. Administrative ease.
- iii. Time required for registration.
- iv. Ease of trademark portfolio maintenance.
- v. Single renewal procedures etc.

Almost all the member countries of international or regional trademark systems have national trademark registrations in place with the exception of Senegal and Mauritania, which does not have national route filing available. Therefore a Saudi company intending to protect trademark in these two countries are left with only one option i.e. to file with OAPI.

Why to register a trademark?

Registration has following effects or benefits:

- i. Ownership in trademark is acquired through registration in Saudi Arabia.
- ii. The registration provides presumption of lawful and true ownership.
- iii. Owner of registered trademark acquires exclusive right to use its trademark.
- iv. Right to license is recognized only for registered marks in Saudi Arabia.
- v. In case of opposing third party trademarks or in infringement actions, the owner of registered mark does not need to prove any other evidence in relation to ownership claims.
- vi. Infringement actions in Saudi Arabia whether administrative or before courts are recognized only for registered trademarks.
- vii. Owner of registered marks can record its trademark with Saudi Custom authorities for taking advantage of effective border control measures in Saudi Arabia.

Licensing trademark rights

Permission to use trademark by other entities shall be made under proper license agreement. License to produce or distribute goods should be accompanied with a trademark license clauses. An agreement with distributors for distribution or promotion of goods in another country may not be sufficient to maintain control over trademarks. A trademark owner has legal right to dictate the terms of use of trademark to ensure that goodwill attached to trademark is maintained. A trademark owner can license trademark to multiple entities, and not necessarily for all goods covered under trademark.

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Recordal of trademark license with trademark office is optional in Saudi Arabia as in many other countries. From point of view of enforcement of trademark vis-à-vis third parties, it is always advisable to record license agreement for easy recognition of licensee right in event of legal disputes.

Recordal of license also provides better protection to licensee as well. A licensee of recorded license can oppose removal of license from trademark register on proper grounds.

Be Careful over maintenance of rights

- i. Registration of tradename with relevant ministry does not protect trademark rights.
- ii. A trademark is registered for a period of ten years starting from date of filing. Non-renewal on time may cancel registration.
- iii. A registered trademark might be cancelled if not used for continuously 05 years in Saudi Arabia, with no justifiable excuse. Every country has different rules over non-use. Advice should be taken for proper maintenance of international trademark portfolio.
- iv. A trademark registration acquired by fraud can be cancelled.
- v. Indication of un-registered trademark as 'registered' is an offence under Saudi trademark law.
- vi. Municipality in Saudi Arabia might not allow you to use trademark on sign boards without registration.
- vii. A carelessly drafted license agreement may be detrimental to your registered trademark rights.

Kadasa trademark services

Kadasa and Partners has wide range of intellectual property services including Patents, Copyrights, Domain Names, Industrial Designs, and Trademark. Our trademark related services includes following:

- i. Audit of Trademark assets for identification of registrable trademarks.
- ii. Pre-launch trademark assessment and clearance internationally.
- iii. Advise on filing strategy.
- iv. Filing National applications worldwide.
- v. Filing in ARIPO.
- vi. Filing in OAPI.
- vii. Filing Community Trademark Applications.

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- viii. Filing through Madrid System for companies having establishment in Madrid member countries.
- ix. Advise on legal use of trademark.
- x. Assignment of trademarks.
- xi. Licensing of trademarks.
- xii. Extension in trademark portfolio.
- xiii. Infringement Actions.
- xiv. Custom measures for seizure of consignments with infringing or counterfeit products.
- xv. Cancellation actions of trademarks.
- xvi. Advise on trademark legal transactions in mergers and acquisitions.

Contributor Profile:



Asif Iqbal, LL.M (IP Laws) , LL.B, M.Phil.

Intellectual Property Attorney at Kadasa & Partners.

Having 08 years of experience in Intellectual Property law & Management, he is a counsel in different areas of Intellectual Property legal matters and IP Portfolio Management.

aiqbal@kadasa.com.sa, info@kadasa.com.sa,

Tel: + 966-11-4792053 Ext 201, Mobile:+966542803655