



Legal Guide To Trade Names in the Emirate of Abu Dhabi

Introduction

THIS GUIDE IS DEALING WITH THE ISSUE OF HOW A TRADE NAME IS APPROVED BY CONCERNED AUTHORITIES, AND WHAT LAWS AND REGULATIONS GOVERN THIS PROCESS. IT ALSO INCLUDES ADVICES INSTRUCTIONS AND SPECIMEN COURT ORDERS ISSUED TO SETTLE DIFFERENT DISPUTES OVER TRADE NAMES.

Due to certain factors, such as the huge economic development undergone in the United Arab Emirates in general and in the Emirate in general and in the Emirate of Abu Dhabi in particular, the market expansion, the increase in the number of products similar to one another in respect of type but different in respect of shape and producer, and due to the fact that there may be more than a score of products belonging to the same category, yet each item has its own package, appearance, trade name and producer, then it was a must for a manufacturer to specify a certain name for his product or to find an appropriate trade mark to distinguish it from other similar items available in the market. This could help the consumer to reach such a product more easily, as he knows what he wants beforehand and can request a well known and specific trade name.

However, due to stiff competition, some people may try to use trade names similar to those already used by other producers and already had their reputation and familiarity in the market where consumers can go for a famous brand in which they are confident.

The UAE legislator has already dealt with such practices. The Commercial Dealings Code No. 18 of 1993 provided for the rules that regulated and protected private trade names in order to ensure stability in the market and stimulate investors and producers to improve the quality of their products and to maintain their own trade names through which they also protect the consumer against cheating, manipulation and imitation.

Actually, a businessman shall have the right of priority in respect of a trade name registration in the Commercial Register once being approved by the respective Department of Planning and Economy and once the require licenses are duly issued. In case a dispute rises due to non-registration of a trade name, the right of priority shall belong to that party who has used it first. According to the law and legislation, the right of a trader in a trade name is initiated once being registered with the competent authority, i.e. the Commercial Register. If a trader fails to get his trade name duly registered and it happened that a dispute arose thereby, priority will be the right of whoever used it

first. But if a trader has his trade name duly registered once being approved by the Department of Planning and Economy and once having the required licenses duly issued by other competent authorities, then nobody involved in the same line of business can use the same trade name. He shall further have the right of "monopoly" or confinement, according to which he may prevent any third party involved in the same trade from using it or any other similar one so that to exclude misleading from the consumer side.

Since such issues are extremely significant, and within the context of apprising its members of the different rules, laws and regulations relating to business practice, the Chamber deemed it useful to prepare this guide to be one in the series of other guides issued for the said purpose.

Definition

Trade name is that name used by a trader to distinguish his shop, establishment or company from those of others.

Because a trade name is used to distinguish a trading place from others, then it is usually shown on the façade, printed on all stationery items and papers, yet it is even stitched on workers uniforms and appears in all published ads.

However, one has to differentiate between a trade name adopted by a businessman and that adopted by ordinary individuals. An ordinary name is used to differentiate between individuals and it remains their own impartible right, whereas a trade name is used to differentiate between trading places but it remains partible and subject to being waived or sold in accordance with different legal means and actions.

One must also differentiate between a trade name and a trade mark which is used only to differentiate between different products.

Usually, a trader uses his own proper noun or sometimes with certain addition that makes it a trade name distinguishing his establishment. Yet, a trade name may be an innovative one, but when it comes to companies, the selection of a trade name will be subject to other restrictions.

Local Acts Dealing with Trade Names

The Executive Council in the Emirate of Abu Dhabi provided the Department of Planning and Economy the issuance of trade names.

Articles (57) through (68) of Law no. (18) of 1993 concerning commercial transactions also provided for the rules governing trade names. Among these was that a businessman's trade name shall be composed of his own name and surname, yet it may include certain data associated with the personal name and associated with the line of business he is exercising, or it may, otherwise be a completely innovative name.

In all cases, a trade name must be in conformity with reality, must exclude misleading and do not breach the public order or manners. Trade name shall have to be registered in the Commercial Register in accordance with the relevant rules and regulations determined in this regard. Once being registered, it may not be used by any other businessman involved in the same line of business. In case of similarity between two trade names composed of the traders' personal names, the right of priority shall be applied, whereas the latter shall have to add to his name whatever may distinguish it from that of the priority right holder.

A trader, however, may not use the trade name of another trader unless upon the lapse of one year from the date the said name is expired or extinguished. Yet, a trade name may not be subject of a disposition, independently from a disposition in the trading place with which it is associated. But the vice-versa may not be applied here, i.e., suppose it happened that a trading place was subject to a disposition by its owner, disposal then shall not include the trade name used to identify the said place unless it is otherwise so provided, whether explicitly or implicitly. However, to whomever the trading place ownership is transferred without that of the associated trade name may not be liable for precedent obligations unless, again, it is otherwise agreed upon in an agreement duly registered with the Commercial Register.

Also, it may not be possible for whomever a trading place proprietorship is transferred to use the former's trade name unless it goes along to him or is permitted to use it by the former owner on a condition that he must add to it whatever statement may denote such alienation of proprietorship. Whoever a trade name proprietorship is alienated as a result of a trading place proprietorship transfer shall be liable for the rights and obligations incurred thereby under the said name. Any agreement on the otherwise shall not be effective vis-à-vis other third parties but as from the date of re-registration of the trade name in the Commercial Register and of a notification in this regard to whoever concerned.

If it happened that a trader used others' trade name in absence of a relevant agreement, or if he used it in such a manner that was found in contradiction to the law provisions, whoever may be concerned shall have the right to request the competent authority to prohibit usage and de-registration of the trade name, in case it had been already registered in the Commercial Register, yet without prejudice to the requester's rights in indemnification as per exigencies.

Regarding the names of trading companies, Article (24) of the Commercial company law no. (8) of 1984 already amended by law no. (13) of 1988 and law no. (15) of 1998 provided that the name of a "General Partnership" company shall be formed of the names of all partners, but may be confined to the name of one or more partners. However, it may be a private trade name. But if the company's trade name knowingly includes the name of a non-partner, he shall jointly be liable for the company's obligations.

Article (49) of the said law provided that the name of a "Simple Limited partnership" should be composed of the name(s) of one or more general partners with an indication to the existence of a

company. The company, in addition, may have a special trade name i.e., an innovative one, but the name of a limited partner may not be included in the company name. If it so knowingly happened, the limited partner should be treated as a general partner vis-à-vis other bona fide parties.

Article (65) of the said law provided that the name of a "Joint Stock Company" should be derived from its purpose. The name may not be that of an individual unless the company's objects were the utilization of a patent registered in the name of the individual or if the company had, upon or after its incorporation, opened a trading place and adopted its same name. In all cases, the term "Joint Stock" must be added to the company name.

Article (219) of the law provided that the name of a "Limited Liability Company" shall be derived from its purpose or from the name of one or more of the partners. In all cases, the term "Limited Liability" should appear in the name and on all its papers along with a shown paid-up capital. In case of negligence of the above by the company's managers, they will be jointly responsible for indemnification and for the company's obligations from their own assets.

Article (259) also provided that the name of a "Partnership Limited by Shares" shall be composed of the name of one or more general partners. A novel designation or one derived from its objects may be added to its name.

The name of a participating partner may not be mentioned in the company name. If his name was knowingly mentioned in its name, he should be treated as a general partner vis-à-vis other bona fide parties. In all cases, the term "Partnership Limited by Shares" should be added to the company name.

International Laws Protecting Trade Names

By virtue of the Federal Decree no. (20) of 1996, the UAE joined the Paris Convention For The Protection Of Industrial Property Of March 20, 1883, As Revised At Brussels on December 14, 1900, At Washington on June 2, 1911 At The Hague on November 6, 1925, At London on June 2, 1934, At Lisbon on October 31, 1958, And At Stockholm on July 14, 1967, and revised on 2nd October 1979.

Article (1) of the said convention provided as follows: "The countries to which this Convention applies constitute a Union for the protection of industrial property.

The protection of industrial property has as its object patents, utility models, industrial designs, indications of source or appellations of origin, and the repression of unfair competition."

Article (8) of the said convention, which is entitled "Trade Names" provided "A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark."

Clause (a) of article (9) provided "All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection."

Whereas article (10) entitled "Unfair Competition" provided as follows:

- (1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
 1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
 2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
 3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity of the goods.

Trade Name Legal Principles Adopted by the UAE Court of Cassation

Right of priority

According to comparative legislation and jurisprudence, the ownership of a trade name starts once being used for the first time by the person who adopted it with the objective of introducing his products or trade to customers and distinguish himself among other persons involved in the same line of business. In other words, it is sufficient for such a person to start using the distinguished name in order to acquire the right of priority in it. If it happened that a competitor businessman trespassed such a right on the pretext of unfair competition, the trespasser shall be liable for compensation, exactly equivalent to the loss or damage he incurred thereby. He shall also be obligated to stop using the said name. Otherwise, he may modify it in such a way that may exclude misleading. This is, of course, applicable even if the trade name in question was not duly registered. According to the purport of article (3) of law no. (5) concerning the Commercial Register, a trade name which may be still under-registration shall not deprive its owner from his right to defend and take whatever actions required to protect his name by the force of priority, despite the fact that completed registration will endow the legal protection according to which nobody else can register the same or a similar name in his favor. Among the action that can be taken for protection, is bringing a law suit built on the pretext of "Unfair Competition". If it happened that trespasser succeeded in registering the trespassed name in his favor after the suit being brought, but before reaching a judgment, such registration may not affect the right of priority, because the dispute over the name will remain on the court tapis until it determines who is the one that has the right in the name. Once it is determined according to the right of priority, the court may also order to amend registration in the Commercial Register on this basis. (ref. Challenge no. 89 of the ninth judicial year, dated 28 June 1988).

Trade Name or Trade Mark? Provisions & Differences

As we have previously mentioned, it is according to comparative legislation and jurisprudence, that the ownership of a trade name starts once being used for the first time by the person who adopted it with the objective of introducing his products or trade to customers and distinguish himself among other persons involved in the same line of business.

The matter is different when it comes to a trade mark, which is shown on a certain product in order to distinguish it from other similar items. However, the right in a trade mark proprietorship may not simply be incurred through depositing it at the relevant register. Such proprietorship is originated from the priority of usage, whereas, deposition is considered a legal pre-emption which remains apt to prove the contrary. Hence, a lawsuit on "Unfair Competition" is viewed to be the most important medium to protect the trade mark.

As we have mentioned before, it is sufficient for a person to start using the distinguished name in order to acquire the right of priority in it. If it happened that a competitor businessman trespassed such a right on the pretext of unfair competition. The trespasser shall be liable for a compensation, exactly equivalent to the loss or damage he incurred thereby. A trade name which may be still under registration shall not deprive its owner from his right to defend and take whatever actions required to protect his name by the force of priority. Accordingly, registration of the name by a trespasser may not affect the lawsuit brought against him on the basis of "Unfair Competition". Therefore registration may not give him a right that was not for him before. If the judgment appealed against was inclined to adopt this view, it would not be a default vis-à-vis the challenge brought against it. (Challenge no. 57 of the fourteenth judicial year, dated 11 October 1992).

Trade Name Usage & Proprietorship Clause

It is well known that the municipality trade license cannot be used as a pretext if it is not renewed every year. Therefore, the law which provides protection over the whole validity of a trade license and a Municipality license, may not continue to provide such protection in case of renewal failure. Add to this the fact that this protection provided to a trade place is not designed for merely being acquired, but for the purpose of being involved in the licensed activity. Otherwise, it will turn out to be that is obstructing the national economic activity, a matter which was not meant by the legislator when he drew the law and provided for the protection of the trading address. That is why it concluded to that a rising dispute may not be targeting the issue of registration rather than the issue of activity-exercising. Thus, he who may be the first to register, must also be persevered to protect his trading address through continuous practice, or else, the license acquisition will be merely an arbitrary action and exploitation of the right of getting a trade name, which was made available for everyone by the force of law, whereas the freedom of choice was turned upside down to become an act of trade name monopoly without any economic feasibility supporting the licensed activity. Such elaboration had once been made by the Court of law (Challenge no. 84 of the thirteenth judicial year- 21 January, 1992).

First Comes First

The subject matter of one of the disputes arising from the misuse of trade names, was that a couple of later individuals used the same trade name adopted by a couple of former individuals involved in the same line of business. This was an obvious trespass by the later defendants against the former claimants who had used the name first and acquired the right of priority in it. Such trespass resulted in incurring misleading and confusion in the minds of the public and customers who used to buy from the former claimants' place that was located in the same trading area of that of the latter defendants, a matter which caused the former claimants to suffer a great loss due to such unfair competition. That is why it was the formers' right to eliminate trespassing inflicted on their trading address; to request preventing the latter defendants from using their name and the removal of all adverse impacts they suffered due to unlawful usage of their name by others. (Challenge no. 89 of the ninth judicial year – 28 June 1988).

Definition & Registration Sequences

One court judgment included a definition to the Commercial Register and explanation of the relevant provisions and sequences. Registration in the Commercial Register may not necessarily result in acquiring the adjective of profession in a certain trade and it may not be used as a pre-emption on such professionalism. In case the court of law adopted such a registration as an evidence of professionalism, its judgment will be challengeable.

According to comparative legislation and jurisprudence, a trader's right to use a trade name is based on priority of usage. In case a trader has not registered his respective trade name in the Commercial Register and a relevant dispute arises therefrom, priority of usage prevails in this connection." (Challenge no. 43 of the seventh judicial year – 7th January 1986).

Trespass – Liability - Indemnification

Liability is not essentially incurred due to proven illwill and intention to mislead dealers. A trespasser could be held responsible only on the basis that he attempted to attract clients of another shop and not necessarily on proven illwill and intention to harm another trader by taking his clients. In this case, it would not be possible to pass an award for compensation. However, relevant measures should be taken to prevent future confusion. In this connection, decry shall be deemed inappropriate. (Challenge no. 89 of the ninth judicial year – 28th June 1988).

Trade Address Or Trade Feature

The Right of Priority prevents Legal Action Despite non-registration in the Commercial Register

According to the general rules, the trade address or trade feature is deemed the name that a trader – individual or company – uses while commencing trade activity to distinguish it from others. To a trading shop, it is an indispensable moral element, not to mention the less important material elements. The moral and material elements should combine together for one person to use the shop and acquire proprietorship of the trade name based on priority of usage. Thus his right to level a lawsuit due to illicit competition is maintained. Such a lawsuit is based on dereliction and could be attributed to acts resulting in confusion in the marketplace. The doer shall, therefore, be held liable for compensation. A proprietor of a trade name may bring a case to the court of law to deter trespass taking into account that a trade address acquired due to priority of usage is classified under trade as well as industrial property rights though not recorded in the Commercial Register, even if the trespasser managed to register the same in the Commercial Register. Accordingly, registering in the Commercial Register does not entail false rights nor does non-registration mean that a party has lost its due right (Civil Appeal no. 567 of 1992 – Session of 28th December 1992).

Legal Rules Related to Trade Names

As Adopted by the Court of Cassation in the Comparative Jurisprudence

1. Any act committed in violation of the laws, customs or to the prejudice of integrity, honesty and dealings, intended to cause confusion between two trading establishments, interruption, attract or distract the customers of any of them shall be deemed as unfair competition." (Challenge no. 62 of the twenty-fifth judicial year – 25th June 1995).
2. If the judgment appealed to was based on the contract, concluded to amend the company status, in identifying the responsibilities of the two parties and explained that the contract restricted the use of the trade name of their company to the defendant company; whereas the claimants who dissociated from the company undertook not to use this name; and the judgment was drawn out due to the compatibility of the trade name used by the claimants with the name of the defendant's company; and in reason of the similarity of the two names that might lead to confusing the consumers in identifying the sources of the products of the two parties, and that was considered unfair competition, and the judgment was based on the said considerations and on the phrases used to amend the company status, without misrepresentation or misstatement, then the conclusion in this connection supports enforcement of the judgment where the appeal is based on inadequacy of justification. (Challenge no. 78 of the twenty – fifth judicial year – 12th November 1995).

3. Usually, a trader uses his name and nickname as a trade name to distinguish his shop from others'. Therefore, a trader is not to be deprived of using a trade name derived from his civil name in reason of similarity between his name and other persons' names. However, the Judiciary shall adopt all necessary measures to prevent confusion, misleading or unfair competition emanating from resemblance of names". (Challenge no. 121 of the twenty-fifth judicial year – 10th December 1995).
4. A judgment is not deemed to have gone wrong, from the legal point of view, if it doesn't respond to a claimant's desire to write off the name of – from the record of registration of the first defendant kept at the Commercial Register Department, if based on the fact that the word used is not a trademark but a trade name derived from the name of the family to which belong the claimant and the first and second defendants." (Challenge no. 121 of the twenty-fifth judicial year – 10th December 1995).
5. "If it becomes obvious through the judgment appealed to that the claimant did not use the term as a trade name, but used a name for himself, whereas the first and second defendants used it for themselves on the pretext that it is a nickname they are known for, as their father was known for before. To resolve the dispute between the two parties, the real condition has to be investigated with regard to this term. As the competent court verified all evidences and documents submitted thereto in this connection, and by making a comparison, it concluded that it is a nickname for which the father of the two parties was known, and it remained impartible to him a long time ago before the claimant got involved in the profession, industry or trading in perfumery. The first and second defendants and the claimant used this nickname as their fathers' predecessors, and have been known for using it all along their lives. The first defendant did not bear it from the date of adding it to his name in his birth certificate. Through revision of the detailed contents of the judgment passed by the competent court, the facts proved do not contradict any of the said contents. Consequently, the conclusion is deemed acceptable. The Court of Cassation control over the competent court is limited to verify the aforementioned fact, which has no basis, rendering the evidence void and the nullifying the referment. (Challenge no. 121 of the twenty-fifth judicial year – 10th December, 1995).