

COSMETIC TRADEMARKS PROTECTION THROUGH THE GCC TRADEMARK LAW

Dr. Christiane Bou Khater, Prince Sultan University
Ms. Kholod AlKosayyer, Prince Sultan University

ABSTRACT

The existence of counterfeit cosmetic products in Saudi Arabian markets prompted the government to enact laws to control the importation of such products, hence protecting consumers from the substandard quality of these products. A huge number and a large diversity of cosmetic products known across the globe are conquering the Saudi markets. The omnipresence of cosmetic products and their identification through specific trademarks, known as cosmetic trademarks (CTM) necessitated their protection in the Saudi markets. Over the years, the protection of CTM has not been studied and analyzed in Saudi Arabia, thus proving the existence of an intellectual gap that can be filled by an in-depth trademark study. The primary objective of this study is to expand the scope of trademark's regulation and protection by incorporating CTM through the presentation of facts that answer questions regarding the laws that govern CTM and the ways of obtaining their protection.

Saudi markets are rich with genuine high-quality cosmetic products with globally known CTM. However, the situation has since changed because of the smuggling of fake and cheap imports from different countries. Counterfeit cosmetic products constitute a huge portion of the products in most markets of the region, which made the Saudi legislature eager to come up with specific rules and regulations to combat trademark counterfeiting that is affecting the image of trademarks and misleading consumers by offering lower-quality products and services. The government has seized over 84 million fake goods since 2015 under the rules of trademark's protection, a large portion of which includes food and cosmetic products. This study will reflect how the protection of CTM applies within the limits of the Kingdom of Saudi Arabia and analyze the different means of CTM's enforcement and it will adopt for that purpose a mix of qualitative and quantitative method.

The qualitative method is demonstrated in library research using primary and secondary sources, while the quantitative method is demonstrated in an online question-based survey that was randomly distributed. The survey was conducted between 24 October 2019 and 5 November 2019 with 126 participants from both genders living in the Kingdom of Saudi Arabia. The purpose of the survey was to know the most purchased cosmetic products and the consumer awareness regarding the impact of cosmetic trademark preference in the choice of product. From another end, the survey aims to evaluate consumer behavior regarding counterfeited cosmetic products to determine whether it participate in the spread of counterfeited cosmetic products and cosmetic trademark imitation or not, in addition to consumers awareness of their rights in that matter. This survey will pave the way to understand the environment of the CTM's enforcement.

Keywords: Cosmetic Trademarks, Well-Known Trademark, Enforcement, Consumer Protection, Counterfeit, GCC Trademark Law, Board of Grievances, Penalties.

INTRODUCTION

The Kingdom of Saudi Arabia, acknowledging the importance of trademarks in the world of trade and commerce, issued the Law of Trademark by Royal Decree No. M/21 of 28 Jumada I 1423 (August 7, 2002). In 26/07/1435 H (April 26, 2016), Saudi Arabia adopted the New Trademarks Law (NTL) of the Gulf Cooperation Council States (GCC) by Saudi Royal Decree No. M/51 approving the Saudi Council of Ministers decision No. 306 dated 20/07/1435 H (April 20, 2016). Consequently, the NTL replaced the old law (Law of Trademark 2002) (The GCC Trademark Law, 2016).

The NTL aims to create uniformity between the local trademarks for the (GCC) countries such as Saudi Arabia, Bahrain, Qatar, Oman and the United Arab Emirates.

This uniformity starts when article 2 of the NTL identifies any name, word, signature, letter, figure, drawing, logo, title, hallmark, seal, picture, engraving, and pack as a trademark if it has a distinctive form or any other mark or group of marks thereof used to distinguish goods or products of a company from another company. This identification, through a non-limitative list of signs that can be considered or registered as trademarks, led us to incorporate the CTM specially that it can replace easily the word trademark when mentioned by the law due to the similarity of nature and function as distinctive signs identifying products and services.

The distinction of CTM has a merit specially that the NTL has enlarged the scope of trademark protection by identifying odor as parts of the trademark's definition (Khater, 2017). The new identification of odor intersects with the scope of this study, as it identifies the scent of perfumes and other cosmetic products to be recognized as part of the trademark and shall be protected; stipulation that was absent in the trademark law of 2002 mentioned hereinabove.

Hence, after inserting the CTM in the concept of trademarks as identified by the NTL, it is important to analyze the possibility of its protection through the NTL. This study will take into consideration a survey analyzing the CTM's concept from the consumer's perception in the Saudi markets that will lead us to analyze the means of CTM's enforcement through the NTL.

Data Analysis on Enforcement of CTM Rights in the Kingdom of Saudi Arabia

A survey was conducted to study CTM's protection in the Kingdom of Saudi Arabia from the consumers' perspective. The survey had 126 random participants, most of who live in the Kingdom of Saudi Arabia. The survey is based on the following criteria:

1. The most used cosmetic products.
2. Consumers CTM preference, and the reason for it.
3. The consumer trust of product authenticity in the Saudi market.
4. Consumer behavior regarding willingly purchasing counterfeited cosmetic products.
5. Consumer knowledge on how to report counterfeit traders.
6. Consumer satisfaction with the application of anti-counterfeiting policies and procedures.

METHODOLOGY AND DESIGN

The survey was online with multiple choices and short questions leading to short answers. It was designed to be short and broad reaching written in both Arabic and English languages to encourage all recipients to participate. It was randomly distributed via different social media outlets such as WhatsApp, Twitter, Snap Chat, etc. The survey was conducted between 24 October 2019 and 5 November 2019 with 126 participants from both genders living in the Kingdom of Saudi Arabia.

RESULT AND ANALYSIS

According to the survey, when the participants were asked about the cosmetic products they purchased, the result was that the Saudi consumers tend to buy hair and skin care products as well as perfumes and essential oils more than other cosmetic products. This result supports a study conducted in 2014 revealing that Arabian Oud kept a leading position among premium fragrances and beauty and personal care products together (Tambo et al., 2016). This survey showed the substantial use of cosmetic products among Saudi-based consumers (Figure 1).

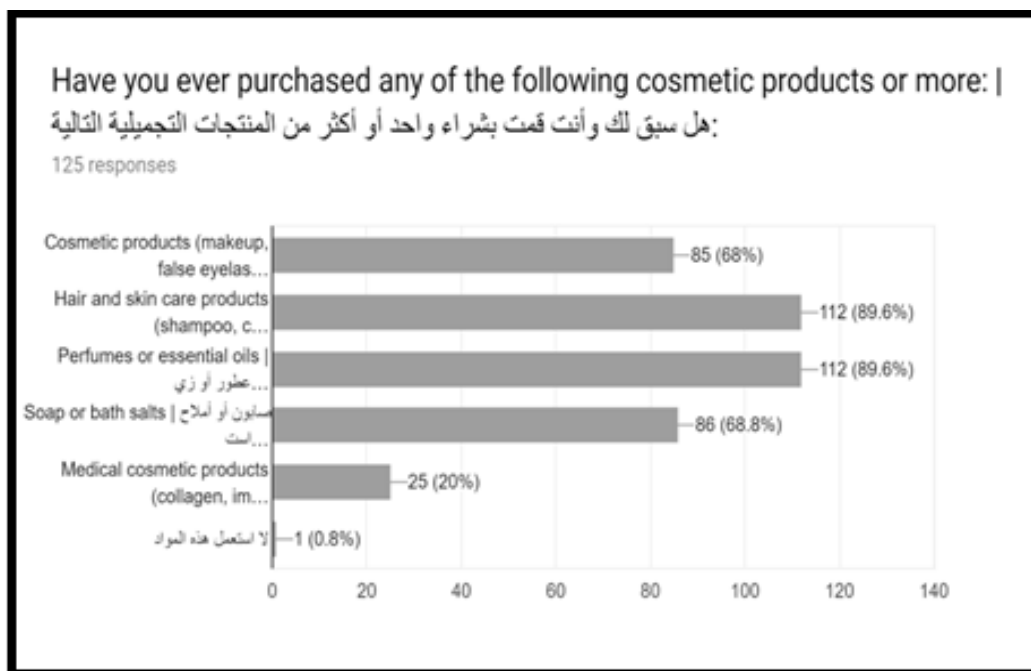


FIGURE 1
THE MOST PURCHASED COSMETIC PRODUCTS

The survey also showed that 54% of the consumers have a specific preference when it comes to purchasing cosmetic products. Consumers attempt to go for their favorite CTM when they buy their cosmetic products; the reasons behind consumer loyalty for a particular brand are related to the product's quality, its price, and the reputation of a well-known CTM. In fact, the CTM plays a major role in attracting the consumer to purchase the identified products. This indicates that counterfeit cosmetic products could easily deceive consumers because of the

similarity in the appearance of the product and its packaging. Indubitably, the consumer will be deceived by the quality of the cosmetic product if it is not genuine and is a counterfeit.

Around 69% of the participants have suspected the authenticity of the cosmetic product after purchasing it, and realized that it is a counterfeit of the original product. This approach shows that Saudi consumers are aware of the presence of counterfeit CTM in the Saudi market. Moreover, 80% of the participants have never chosen to purchase a counterfeit product, meaning most of them never wanted to buy a fake cosmetic product, which indicates the level of intellectual property's awareness among Saudi consumers and their respect for the genuine products (World Intellectual Property Organization, 1883).

It is worth mentioning that the higher the demand of a counterfeit cosmetic product is, the higher it is supplied, and this is considered to be a key factor in the increase of cosmetic product's counterfeiting (Hamelin et al., 2012).

This high demand of counterfeit cosmetic products cannot be considered as a factor encouraging the presence of counterfeit cosmetic products, at least in the Saudi markets, since there is no high demand for counterfeit cosmetic products: the Saudi consumer aims to buy original and genuine cosmetic products unless he is misled as shown by the survey.

On the other hand, 55% of the participants know how to report counterfeiting traders to the competent authorities. As for the others, they have suggested conducting awareness campaigns to report counterfeit CTM; again, this factor shows the level of awareness in Saudi society concerning trading counterfeit cosmetic products. In fact, 66% of the participants are quite satisfied with the Saudi trademark protection laws and regulations governing the market of CTM and their enforcement (Figure 2). Let us analyze the NTL' stipulations relevant to the enforcement.

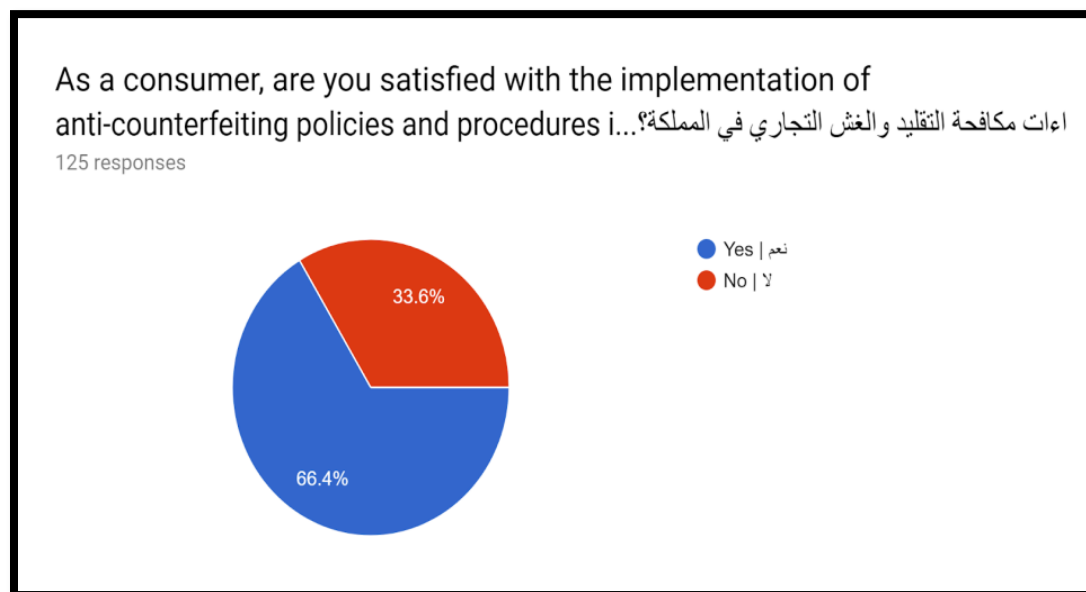


FIGURE 2
THE LEVEL OF CONSUMER SATISFACTION REGARDING CTM
PROTECTION IN KSA

DISCUSSION

The NTL is opening the door for the CTM's owner to refer to the Saudi Customs or specialized Courts to stop trading and importing imitated goods similar or identical to those identified by this registered trademark. Having said the above, the relative procedures are related in article 38 of the NTL.

In fact, as part of enforcing CTM's protection, article 38 of the NTL grants the owner of the CTM the right to submit a written application to the Department of Customs Authority requesting to seize and detain cosmetic products from being traded if he has justified reasons that those imported cosmetic products are imitating, forging, or carrying a mark that is identical or similar to his registered CTM in a way that may confuse the public. Moreover, the owner of a CTM may file a lawsuit before the competent court, the Board of Grievances (BOG), and notify the Customs Authority of that jurisdiction, within 10 days from his awareness of the shipment, to stop custom release for the imitated cosmetic products.

If the seized cosmetic products were found to imitate, forge, or carry a trademark that is similar to a registered CTM in a way that may confuse the public, then the seized cosmetic products shall be destroyed in the expense of the importer.

The NTL enforces CTM's protection by setting specific procedures to prevent any infringement or imitation: the CTM's owner may file a petition to obtain an order to take precautionary measures as well.

These precautionary measures may include collected detailed information about the CTM's infringement and all related cosmetic products besides keeping relevant evidence, detaining the imitated cosmetic products, preventing the allegedly counterfeit cosmetic products from being commercially used in the market, preventing them from being exported, and stopping the counterfeiting action.

Additional enforcement actions are mentioned expressly by article 38 of the NTL, recognizing the right for the customs release authority to act, *motu proprio*, regardless any complaint or application from any concerned person or entity, to issue a decision stopping the import, transit or any good identified by a trademark similar to a pre-registered one in a way creating a confusion to the public. Such provision is granting the customs release authority an *ad hoc* competence rendering the enforcement of the CTM's protection more efficient.

From another hand, according to article 40 of the NTL, the BOG may ask the owner of the CTM to turn in evidence that supports the act of counterfeiting or counterfeiting that is about to happen to the registered CTM and may also ask him to submit enough information to allow the Ministry of Commerce and Investment (2016) to take precautionary measures and help identify the concerned cosmetic products. These precautionary measures are crucial to prevent counterfeiting that is about to happen and preserves the rights of the relevant CTM.

The NTL grants the CTM's owner the right to claim compensation before the BOG for the loss he suffered because of the act of counterfeiting, which includes the counterfeiter earning profit; the court shall decide on the proper compensation considering the value of counterfeit cosmetic products, the given retail price, and any other requested legal standard or determined by the experts.

Additionally, the counterfeit cosmetic products that carry unlawfully placed CTM shall never be released to the commercial markets even if the unlawfully placed CTM was removed as stated expressly in article 41 of the NTL. This is also applicable worldwide as in the Guangzhou

Tai'e v. Lacosta case which took place in China. The court ordered Lacosta to pay around \$74,000 as compensation for using a CTM similar to Guangzhou Tai'e's CTM and used it on the same products which confused the public (**Cheung, 2009**).

Having said the above, the NTL mentioned, from another perspective, in its article 3, more than fifteen descriptions that do not qualify signs to be registered as CTM in Saudi Arabia or in any of the GCC states. For instance, a sign with no distinctive or unique character (Matheley, 1984) or based on information traditionally being given to known cosmetic products or the usual sketches and pictures of cosmetic products cannot be registered a CTM. Furthermore, the registration of a CTM cannot include any honorary degrees (i.e., dermatologist, Dr., scientist, etc.) with no legal proof of having them, and it cannot include misleading information regarding the origin of the cosmetic product, in addition to false, forged, counterfeit, or imitated trade name. From another hand, the law does not allow the registration of trademarks similar to a previously registered CTM on the same cosmetic products or related ones if their use will mislead or confuse the consumers regarding the products of the owner of the pre-registered trademark or influence his interest.

In this context, the Board of Grievances, (BOG) has approved in the decision number 6439 of 2018, the plaintiff's request to cancel the registration of the trademark due to the resemblance with a pre-registered trademark; the visual a phonetic resemblance of both trademarks registered on the same class of products was source of confusion vis-à-vis the consumer. Likewise, the law does not allow the registration of a CTM on cosmetic products where its use may underestimate similar cosmetic products. Last but not least is a mark that is just a reproduction, imitation, or translation of a well-known CTM or a part of a previously registered CTM aimed to be used on cosmetic products that are similar to the ones distinguished by the well-known CTM or not. If the trademark is registered, the plaintiff has the right to request the cancellation of the registered trademark; in the decision n. 5264 of 2017, the BOG decided to cancel the registered trademark in favor of the plaintiff's request because the opponent's well-known trademark was similar and registered in the same class of products which misled the public; the plaintiff had the right to prevent others from using similar or identical trademarks which will create confusion for the consumer (Khater, 2019).

At this stage of the study, it is important to refer the punishments as stipulated by the NTL, conferring to the trademarks in general, and to the CTM in particular, the strongest protection amongst other distinctive signs such as geographical indications or domain names, etc. Those punishments, as stipulated expressly in the NTL, grant the owner the right to defend his CTM under criminal prosecutions.

Punishments on Violating CTM Protection Laws: Legal Overview

The NTL has mentioned in its article 42 the penalties that are to be imposed depending on the infraction.

A punishment of one-month to three-year imprisonment and/or 5,000 to 1 million SR fine shall be imposed on anyone who misrepresents a registered CTM or imitates it in a way that misleads or confuses the public, or uses any misrepresented or imitated CTM in bad faith, in addition to anyone who puts a registered CTM owned by another person on other products in bad faith and without consent.

A punishment of one-month to one-year imprisonment and/or 1,000 to 100,000 SR fine shall be imposed on anyone who intentionally sells any products carrying an imitated CTM, offers them for sale, possesses them with the intention of selling them, or unlawfully uses them. The same punishment shall be imposed on anyone who unlawfully writes any papers on his mark or commercial documents that may lead to believe of his ownership or registration of such mark, in addition to anyone who refrains to indicate the product to its registered CTM intentionally and in bad faith. Lastly, anyone who possesses tools or materials that are meant to be used to imitate registered CTMs or well-known ones are subject to the same punishment as well.

In cases where the person recommitments the violation, the punishment increases. It worth mentioning that if the defendant has been wrongfully accused because of abuse of the plaintiff's right, the defendant is entitled to be compensated by applying for a court order for compensation within 90 days either from the end of the 20-day period from the order of taking precautionary measures or from the final judgment date of a claim regarding the CTM.

CONCLUSION

The Kingdom of Saudi Arabia expressed the interest in protecting CTM through the accession to international treaties such as the Paris Convention. It also had remarkable efforts in enforcing cosmetic trademark protection via different government agencies such as the Custom Authority and Anti-Commercial Fraud Department. Furthermore, the Saudi government is keeping up with technology in enforcing cosmetic trademark protection with the Ministry of Commerce and Investment's development of the Maroof Portal and the Saudi Food and Drug Authority's development of eCosma.

The Saudi legislature has come a long way to assure the protection of CTM in Saudi courts as mentioned previously. Cosmetics are a multimillion-dollar industry and a very attractive market to invest in. There are several female business moguls around the world that have made a fortune off their business in cosmetic products, such as Kylie Jenner, owner of Kylie Cosmetics, who has a net worth of almost \$1 billion according to Forbes Magazine. Moreover, the beauty influencer Huda Kattan, an American woman of Arabian descent, founded the cosmetic brand Huda Beauty, whose value reached \$1 billion. These examples have inspired Saudi women to enter into the cosmetic industry and create their own cosmetic brands, which was what happened with the Saudi influencer Afnan alBatel, who founded AB Cosmetics. Assuring the protection of cosmetic trademarks will encourage more Saudi business women to invest in the cosmetic industry because of its attractive income.

Saudi authorities must be concerned with spreading awareness regarding cosmetic trademark protection laws and regulations in addition to defining their role in combating cosmetic trademark counterfeiting.

In conclusion, the Kingdom of Saudi Arabia conducted significant efforts to secure cosmetic trademarks in the Saudi market. The Saudi legislature adopted the GCC Trademark Law to join forces with other GCC member states to combat commercial fraud in cosmetic trading in addition to limiting cosmetic trademark imitation and counterfeiting. Thus, all these efforts show that the Saudi market securely governs cosmetic trademarks, creating an attractive environment for foreign cosmetic business investments; as for the establishments and empowerment of the Saudi Authority of Intellectual Property centralizing the Intellectual

Property protection in the Kingdom of Saudi Arabia, it will definitely lead the way for further CTM's protection.

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