

## **IPLA paper on trade mark infringement and enforcement - for consideration by the UKIPO**

**Dated 13 October 2016**

### **Infringement and Enforcement**

#### **1. Overview of differences/nuances between CTMR/EUTMR and TMD/TMA 94 for infringement**

##### *Differences prior to the introduction of the 2015 TM Directive and EUTMR*

- s.10(5) TMA introduces contributory infringement - no equivalent in European legislation.
  - Infringement of a trade mark where a person applies a sign to materials to be used by third parties, where that person knew or had reason to believe that the application was not authorised by the trade mark owner or licensee.
  - Only applies to acts (e.g. labelling and packaging) which happen in the UK – if the marks are applied outside the UK, there is no infringement.
  - Although still no exact equivalent, the new EU legislation has introduced specific provisions to help with anti-counterfeiting (see commentary below on Article 9a EUTMR, a right to prohibit preparatory acts in relation to the use of packaging or other means).
  - new Art 9a does not have the “knowledge or reason to believe” requirement which exists under UK law, which improves the position of rights holders.
- s.10(6) TMA: use for the purpose of identifying goods or services as those of the proprietor or a licensee, provided use in accordance with honest practices in industrial or commercial matters.
  - A “home grown” provision with roots in the TMA 1938.
  - Historically used by comparative advertisers and those selling ‘spare parts’.
  - Still no direct equivalent to this provision under EU law.
  - Now generally accepted this provision adds nothing to the Misleading and Comparative Advertising Directive (2006/114/EC) and it is generally accepted that s.10(6) does not add anything to the Misleading and Comparative Advertising Directive.
  - Rarely used in practice, and has come under judicial criticism as being redundant (see Jacob LJ in *O2 Holdings v Hutchison 3G* case, “an unnecessary distraction in an already complicated branch of the law”).
  - new EU legislation has introduced two changes which are tangentially related to s.10(6) both of which further complicate the relationship between UK and EU law in this area:
    - Article 10(3)(f) of the 2015 TM Directive (Art 9(3)(f) EUTMR), an infringing use to use a mark in comparative advertising in a manner inconsistent with Directive 2006/114/EC,

- a broader 'spare parts' defence under Article 12(1)(c) of the EUTMR,
- Previously no equivalent to s.11(1) TMA - a registered trade mark is not infringed by the use of another registered trade mark in relation to goods or services for which the latter is registered, save where the latter is declared invalid.
  - largely addressed by the introduction of an "intervening rights" defence in the new TM Directive and EUTMR (see below).
- The new TM Directive and EUTMR have a number of changes to the provisions for infringement and the available defences.

**2. What may change? (e.g. intervening rights defence, new packaging enforcement, comparative advertising) What are the pros and cons of implementing the new TM Directive now in its entirety?**

*The EUTMR*

Has direct effect and the following changes, which do not have an equivalent in the TMA, came into force on 23 March 2016:

- Infringing uses have been expanded expressly to include:
  - use of a sign as a trade or company name or part of a trade or company name (Article 9(3)(d)); and
  - use of a sign in comparative advertising in a manner that is contrary to the Misleading and Comparative Advertising Directive (2006/114/EC) (Article 9(3)(f)). Intended to provide legal certainty and consistency with European legislation, although courts may have difficulty reconciling this provision with Art 12(1)(c) (see commentary below).
- Stronger provisions in relation to counterfeit goods:
  - Article 9(4), dealing with goods in transit can amount to an infringement. Proprietors will be able to prevent third parties bringing goods/packaging into the EU bearing marks which are identical to or "cannot be distinguished in its essential aspects" from that trade mark which have not been released into circulation in the EU, unless the declarant or holder can show that the trade mark proprietor is not entitled to prohibit goods being placed on the market in the final destination country.
  - Article 9a, an infringement to affix trade marks to packaging, labels, security or authenticity features or devices and to sell, offer to sell, stock, import or export such packaging, labels, tags, security tags or authenticity features or devices, where there is a risk that such activities would be infringements under Articles 9(2) and 9(3).
- Defences:
  - Article 13(a), use of a later EU or national registered trade mark will not infringe an earlier registered EU trade mark if the later registered mark would not be held to be invalid.
    - Where the use of a later trade mark cannot be so prevented the proprietor of the later trade mark cannot prohibit use of the earlier trade mark.

- Article 12(1)(a) the “own name defence” is now limited to natural persons only so use of a company name as a trade mark may be an infringing use.
- Article 12(1)(b) now also applies to “signs or indications which are not distinctive”, arguably a wider defence than merely “indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of the goods or services”, as previously;
- Article 12(1)(c), an EU trade mark may be used for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of that trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.
  - widened the defence from the previous wording, which was limited to circumstances where use of the mark was “necessary” only.
  - Arguably, the Article 12(1)(c) defence could be used in the context of comparative advertising, which is not easily reconciled with the new infringing act under Article 9(3)(f) of the new EUTMR (though, presumably, the latter would take precedence).
- Recital 27 appears to introduce scope for arguing a “fair use” defence for artistic expression, noting that the EUTMR should be applied ensuring full respect for freedom of expression. May pave the way for the introduction of a parody exception for trade marks.
- Article 9(2), new wording whereby the heads of infringement are “without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trade mark”. No express wording in the TMA, but the position is effectively the same in the UK.

#### *New TM Directive*

The following changes in the new TM Directive require Member States to implement them into national law, no later than 14 January 2019 – including the UK.

- EUTMR changes above all have an equivalent provision in the new Directive.
- Article 12 - a trade mark proprietor may request that publishers of print or electronic dictionaries, encyclopaedias or similar reference works ensure that the reproduction of the trade mark is accompanied by an indication that it is a registered trade mark where the reference to the trade mark gives the impression that it constitutes the generic name of the goods or services for which the trade mark is registered.
  - The equivalent old CTMR provision, which has not been amended by the new EUTMR, did not expressly include references to electronic, as well as print versions.
  - The references to “print” and “electronic” dictionaries etc. in the EUTM Directive are new, but arguably broaden the scope of protection by including online uses of trade marks.
  - There is no domestic equivalent to this provision.

- Article 17 - defendant can request that the trade mark proprietor provide proof that a registered trade mark on which the proprietor relies has been put to genuine use in respect of the goods/services on which it bases its infringement claim for the 5 year period preceding the commencement of the action.
  - An infringement claim may only be brought to the extent that the trade mark proprietor's rights are not liable to be revoked.
- Recital 16 - mirrors the equivalent CTMR Recital, protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, should be absolute in the event of there being identity between the mark and the corresponding sign and the goods or services.
  - Perhaps surprising no clarification on the relevant tests for infringement, particularly in double identity cases, in relation to the adverse effect upon trade mark functions.

*What are the pros and cons of implementing the new TM Directive now?*

- Considerable advantages to the UK implementing the new TM Directive.
- UK should implement all of the changes set out in the new TM Directive, absent a compelling specific reason for a particular Article not to be adopted.
- UK government had already considered, input into and voted upon the new TM Directive as part of the EU legislative process.

*Advantages*

- Legal and business certainty and consistency for rights holders - common body of law applied to both UK national trade marks and EU trade marks for over 20 years.
- Most TMA changes by implementing the new TM Directive are already in effect (since 23 March 2016) in relation to EUTMs under the EUTMR (with a few minor exceptions).
- Most trade mark proprietors will be familiar with the changes, both in terms of registration and enforcement.
- Failure to implement the new TMD changes would create divergence between UK national marks and EUTMs even before the UK exits the EU.
- Overall, changes in the new TM Directive are sensible, incremental reform and clarifications of existing law to the national system of trade marks, rather than any radical step-change or unwarranted departure to existing law.
- Unclear how long negotiations may take to complete between the UK and the EU and then how long transitional arrangements may continue to apply so quite conceivable the UK may not exit the EU until well after 2019 when UK obliged to implement the provisions of the new TM Directive.

*Disadvantages*

- only mandatory to implement the provisions of the new TM Directive by 2019 and the UK may no longer be a Member State by that date
- conceivable that other Member States may not implement or that further revision may be proposed by the EU Commission to the TM Directive (and the EUTMR), by virtue of the UK leaving the EU or to provide for any revised relationship which the UK and EU conclude in relation to the UK's future arrangements with the EU.
- may be other reform to other relevant pieces of legislation referred to in the new TM Directive, such as Directive 2006/114/EC (on comparative advertising) or Regulation (EU) No 608/2013 (on customs controls), which may change the scope of the TM Directive and/or the desirability of adopting particular provisions.
- The application of the law would inevitably diverge over time between the UK and EU over time, not least since CJEU Judgment would be persuasive at best and non-binding.
- Article 15 – free circulation provisions will require further analysis and consideration, depending upon what arrangement the UK might negotiate with the EU on free movement of goods within the UK and EU and whether any doctrine of exhaustion of rights would apply.
  - would have a great bearing on whether legitimate parallel trade would continue or whether the UK moves to a position where rights holders may object to the movement of genuine branded products from the EU into the UK without the consent of the trade mark proprietor.
- Some of the new provisions are dependent upon and reference other pieces of EU legislation – see Article 10(3)(f) of the new TM Directive comparative advertising consistent with Directive 2006/114/EC.
  - Some of the references are to substantive pieces of EU legislation, such as the EUTMR, which would become redundant, if the UK is no longer a Member State.
  - Some may still be relevant, such as Directive 2006/114/EC "contrary to The Business Protection from Misleading Marketing Regulations 2008."
- Overall, the group believes the UK should announce that it will implement the EUTM Directive in full, subject to any specific areas impacted by on-going discussions on the single market and free trade.
  - In terms of timing, it should implement the new TM Directive upon exit from the EU or by 2019 (whichever is earlier).

**3. Infringement: If we do not implement the new TM Directive asap, what acts of infringement should we include in UK legislation and why?**

As stated above, the group believes there is no clear benefit to declining to implement the new TMD in its entirety.

- However, at a minimum the improvements should be considered to Article 10:
  - Article 10(3)(d) “using the sign as a trade or company name or part of a trade or company name”. Potential causes of action lie with both TM infringement and the Company Names Adjudicator, but express provision would be preferable
  - Article 10(3)(f) “using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC”. The key question is whether the Comparative Advertising Directive is adopted, but if so, an express provision would be preferable to relying on the more general s.10(6) provisions and would in particular benefit pan-European advertising campaigns.
  - Article 10(4) of the Directive: Goods in Transit (see below).
  - Article 11: Preparatory acts in relation to use of packaging, labels, tags etc, where an identical sign is affixed to such materials. Broadly equivalent provisions exist under s.10(5) TMA, but rely upon threatened use of such materials in connection with the goods or services for which they will be applied to or used. A broader act of infringement would be worth adding to the UK legislation.
  - Article 10(2)(c) of the Directive i.e. protection for a famous mark “irrespective of whether it is used in relation to goods or services” which are identical or similar. UK equivalent in TMA still refers to identical or similar goods and services - despite the European case law which prompted this wider provision in the Directive. UK litigants could be left with a higher burden to obtain famous mark protection and so a similar revisal to the UK Act would seem sensible.

**4. Defences: If we do not implement the new TM Directive asap, what defences should we include in UK legislation and why?**

As above, although the group favours wholesale implementation, our position below is focused on some of the more material proposals in the new TMD and whether they would be beneficial to incorporate into UK law even if the new TMD is not included wholesale:

- Art 14(1)(a) Own name defence – the new TMD would significantly reduce the scope of this defence to the extent it is practically abolished. The Directive states “the name or address of the third party, where that third party is a natural person”. The TMA states “the use by a person of his own name or address” but it was through case law that this was said to apply also to corporate entities.
  - Amendment necessary since use as a company/trading name now expressly labelled as use which may be prohibited (see Art 10(3)(d)), so to expressly narrow the defence makes most sense if the UK incorporates the new acts of infringement.
- Art 17 Later registered marks - a new “intervening right of the proprietor of a later registered trade mark as defence in infringement proceedings”.
  - As noted above, a narrower defence than that provided by s.11(1) TMA, although s11(1) is also subject to the effects of invalidity.
  - Question whether the UK would wish to retain s.11(1) or incorporate the defence in the Directive, or whether we want a defence based on later registered rights at all.

- Art 17 Non-use – expressly makes non-use a defence to infringement (same 5 year period applies as of the date of the action).
  - Presumably this would proceed in the same manner as an opposition in the IPO whereby the scope of the registration is narrowed to the extent of use for the purposes of infringement.
  - This would avoid the need to bring a counterclaim – but will this really result in any difference both procedurally and in costs? In fact, it may well increase costs as Defendants are likely as of course to furnish the request.
- Art 10(2) Prior Rights - expressly qualifies what can be prohibited by stating such acts are “Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trade mark”.
  - Whilst s.10 of TMA does not include this wording, question whether it needs to?
    - The TMA already expressly states that nothing in the act affects the law of passing off (s2(2)) and it has been held that a TM does not provide a right to use which could trump a prior right (see Pinterest)
    - s.11(3) of the TMA gives protection to rights in a locality (but presumably on the basis they do not thereafter expand in scope)

## 5. Acquiescence and related issues

Issues include statutory and common law acquiescence, estoppel, use in a particular locality, rights of more than local significance. If acquiescence is not ‘inherited’ by the successor rights, this could give a second bite of the cherry to rights-holders who had previously acquiesced (which could be unattractive).

- Assuming most likely route is conversion (consider precedent of how the countries that succeeded Yugoslavia dealt with former Yugoslavian rights) would pre-existing instances of acquiescence also transfer over?
  - Where a EUTM proprietor has consented to use of a later EUTM in the EU (excluding the UK), then good arguments to suggest that acquiescence should survive the conversion and continue to apply to the EU Remainder TM.
  - For a converted CTM to UK TM, if the use of the later mark was in the UK, then acquiescence should survive (i.e. the holder of the earlier Converted UK TM should not be apply for a declaration that the later mark is invalid).
  - If the later mark was not used in the UK, then it should not be protected from challenge by the owner of the earlier Converted UK TM because the conditions of s.48(1) TMA 94 have not been satisfied. Owner of the earlier Converted UK TM should be entitled to challenge the registration and use of the later Converted UK TM, notwithstanding such challenge was not possible when the mark was protected by Art. 54(1) ETMR.
- To do otherwise would potentially create a two-tier system for UK rights where some marks (i.e. Converted UK TMs) would be protected from challenge by virtue of historic use in the remainder of the EU, while conventional UK national marks would not benefit from such protection.
- Counterargument: unfair on companies who had only recently (i.e. within the last five years) commenced use of a mark in the UK relying on the fact that the holder of an earlier EUTM had

acquiesced to its use of a later EUTM in, for example, France for a period of longer than five years. May have made a substantial investment based on the assumption that they would be protected by Article 54. This protection may be lost in respect of the Converted UK TM.

- Accumulation of time – stop the clock?
  - Query the accumulation of the requisite ‘five successive years’ – how will Brexit affect this? Consider a scenario where a EUTM proprietor acquiesces in the use of another EUTM in the UK for two years (pre-Brexit), then acquiesces to use of the same EUTM in France for a further three years (post-Brexit).
  - Would this suffice for the purposes of our requisite five successive years?
  - Preferable to avoid a situation whereby any time already accumulated is simply ‘lost’ on the UK exiting the EU?
- Issues also arise by virtue of the additional protection which may be afforded to national marks if Article 8 of the new Trade Mark Directive is transposed into UK law. This would mean that a Converted UK TM (where it constitutes the “later right”) would suddenly enjoy a level of protection that would not have been available to it under the Trade Mark Regulation when it was part of the EUTM right.

#### **6. Transitional provisions (infringement): What needs to be put in place/considered?**

The possible amendments to the UK legislation to replicate the “new” provisions of the TM Directive have been set out above, but the group believes the Prior Rights protection of Article 10(2) of the TM Directive which makes it clear that the enforcement of trade mark rights must be without prejudice to rights acquired before the trade mark’s filing or priority date is a necessary requirement in any event.

#### **7. Transitional provisions (defences): What needs to be put in place/considered?**

- Acts which at the relevant time were by virtue of decisions of the CJEU infringements (or not) but which may well now be (or not).
  - For example s11(1), Defendants are unlikely at the moment to be able to rely on its own registered trade mark as a defence. It may be necessary to specify that the s.11(1) defence (if we retain it) can only apply to activity occurring after a certain date
  - The applicability of EU law generally and whether decisions of CJEU remain considered as binding or persuasive in both the interpretation of provisions existing at the date we leave and to acts which took place at a time such decisions were relevant but are adjudicated upon thereafter.

#### **8. How should marks with a reputation be dealt with? Any distinction in treatment between reputation of mark in generated in EU/other MS/UK/significant parts thereof pre-Brexit?**

What happens to any reputation associated with the mark upon conversion? Will this transfer from an existing EUTM to a Converted UK TM?

- Post Brexit:
  - Reputation of a trade mark in the UK should not count towards reputation in the remainder of the EU.



- reputation in the remainder of the EU should not give rise to UK reputation rights as this risks creating a two-tier system for UK marks (where Converted UK TMs potentially have a wider scope of protection by virtue of past use in the remainder of the EU).
- This would cause great uncertainty. In a two-tier system individuals would have to constantly concern themselves with whether or not the mark in question is a Converted UK TM, and whether they need to be wary of any historic reputation in Spain, etc. This seems unreasonable.
- Clear case for a 'cut-off point'– as soon as the UK exits the EU, it can no longer be said that any UK reputations will 'crystallise' into EU-wide reputations, or vice-versa. A Converted UK TM could only claim to be a 'mark with a reputation' if it truly has a reputation in the UK.
- Timing: what happens if an owner of a Converted UK TM is bringing proceedings post-Brexit in respect of an infringement which took place pre-Brexit (and may be ongoing)?).
  - In this circumstance, the Converted UK TM may have had an EU-based reputation at the time that the infringement commenced. It should, arguably, be allowed to rely upon that.
  - However, if the owner of the Converted UK TM cannot rely on such a reputation post-Brexit, then there may be a situation where damages are deemed to be payable in respect of pre-Brexit infringement, but post-Brexit a court cannot grant an injunction as no reputation exists and hence there is no s.10(3) infringement.
  - This is an unusual situation but at a practical level would only be likely to apply to a handful of cases.
- 'Substantial part of the territory'
  - 'known to a significant part of the public concerned by the products or services covered by the mark, in a substantial part of the territory of the Community, and that the territory of the member state in question could be considered to constitute a substantial part of the territory of the Community' (*PAGO International*).
  - Consider a scenario where a mark currently has a reputation in the UK and France which is sufficient to satisfy the 'significant part' threshold.
  - Would the 'significant part' threshold still be satisfied if this was only a reputation in France, post-Brexit?
  - This will be a question of fact but could mean that some EU Remainder TMs will no longer be able to issue proceedings under Article 9(1)(c).

## **ENFORCEMENT**

### **9. What are the options for dealing with pending UK litigation based on EU rights - both in terms of the ongoing litigation and the relief that can be granted?**

- Assuming EUTMs and CDRs no longer extend to the UK.
  - For existing litigation concerning such EU rights, position should be analogous to an IP right which expires before trial. The claimant should remain able to pursue litigation in the UK based on these EU rights because the rights were valid and/or infringed in the UK at the time the proceedings were started.

- UK would retain jurisdiction over those proceedings as jurisdiction will have been established at the outset of the case.
- The English court could grant damages for the period during which the EU right was enforceable in the UK, but should not grant an injunction at trial because the EU right would no longer afford any protectable rights in the UK.
- This assumes that the English court remains competent to consider at trial the EU right for the period in which it was applicable in the UK. A UK court is likely to be unwilling and may not have competence to grant an injunction outside the UK in relation to an EU right following Brexit.
- If a re-designated UK right comes into being to replace the UK phase of the EU right, then we assume that the claimant would be able to add the re-designated UK right into the proceedings and also seek relief (including an injunction) in those proceedings.

#### **10. What are the options for dealing with EU-wide injunctions granted pre-Brexit in respect of EU rights by the UK courts?**

- Standard wording of “*The Defendant will not infringe EUTM no, [●] anywhere within the EU*”; will ‘automatically’ update itself because the CTM will no longer apply in the UK, so that the injunction will continue to reflect the scope of the EUTM rights.
- For a re-designated UK right (to replace UK phase of the EU right), then the claimant may need to apply to court to amend the injunction to include reference to the re-designated UK right, so that the injunction continues to apply to the UK.
  - Could the defendant could oppose this, e.g. on the basis that the defendant is no longer threatening to infringe the right in the UK as at the date the claimant seeks to vary the Order?
- Alternatively, if the UK government decides that re-designated UK rights should arise automatically out of EU rights, then the government could at the same time make provision that any EU-wide injunctions should continue to extend to the UK on the basis of such re-designated UK right.

#### **11. Impact on recognition and enforcement of foreign judgments in other MS (although note IPLA working group 4 remit)**

- Post Brexit, the Brussels Recast Regulation will no longer apply to the enforcement and recognition of judgments as between the UK and the EU. Options for the UK post Brexit include adopting an updated Lugano Convention (which at present applies to EFTA countries) or the Brussels Convention of 1968 (which currently applies to certain territories dependent on EU member states).
- If the UK did not sign up to any reciprocal enforcement and recognition Treaty, then the position would be governed by the common law, which is the case for instance between the UK and the US.
  - If so, we believe that a claimant would need to issue fresh proceedings in the UK and plead the foreign judgment, and seek summary judgment to enforce the foreign judgment in the UK.
  - This would also give rise to issues in each case as to whether the foreign court had jurisdiction to determine the position under UK IP laws.

- The UK could also become a party to the Hague Convention 2005 which would allow it to benefit from reciprocity in respect of enforcement of judgments also in the IP sphere.

**12. What are the options available to us once the Customs Regulation no longer has effect?**

*The Customs Regulation and goods in transit will be addressed in a separate IPLA paper.*

**13. Parallel Trade – Legal and policy considerations for (i) UK only, (ii) EU+UK, or (iii) international exhaustion**

*Not addressed by the group due to a lack of consensus on client-based views.*

**END**