

## Intellectual Property Lawyers' Association (IPLA)

### IPLA paper on continued protection for EUTMs - for consideration by the UKIPO

**Dated 23 September 2016**

#### Continued Protection for EU Trade Marks

##### 1. *Introduction*

The European Union Trade Mark ("EUTM") is a unitary trade mark right created by EU legislation which covers the whole European Union, including the United Kingdom. Following Brexit, existing EUTMs will no longer have effect in the United Kingdom.

When Brexit occurs, the government has three options in relation to EUTMs:

- **Option 1** – Do nothing and allow EUTM owners to lose their trade mark rights in the UK;
- **Option 2** – Negotiate a bilateral arrangement with the European Union under which the UK remains part of the EUTM system after Brexit;
- **Option 3** – Enact national legislation which will enable EUTM owners to continue owning effective trade mark rights in the UK after Brexit.

This paper considers each of the above options and examines a range of possible mechanisms by which Option 3 could be implemented. A preliminary draft of possible legislative amendments for some of the simpler mechanisms is included in the Annex.

##### 2. *Legal Background*

The European Union Trade Mark ("EUTM") is a unitary right which is created by Council Regulation 207/2009 ("the EUTMR") and its predecessor legislation. The EUTMR is directly effective and creates a trade mark right which can be enforced across all EU Member States, including the UK. Almost all EU Member States also have registered trade mark rights which are created under national law. The national trade mark systems have been harmonized by Council Directive 2008/95 ("the Trade Mark Directive"). This means that the rights granted by EUTMs are broadly the same as those granted by UK registered trade marks ("UKTMs").

EUTMs can be obtained by application to the European Union Intellectual Property Office ("EUIPO") while UKTMs can be obtained by application to the UK Intellectual Property Office ("the UKIPO"). In both cases, the relevant IP Office examines the application to ensure that it meets the criteria for registration. The criteria for registration for an UKTM and an EUTM are broadly similar.

It is possible for third parties to oppose applications for EUTMs or UKTMs by means of administrative proceedings at the EUIPO and UKIPO respectively ("Opposition"). It is also possible for third parties to apply to cancel registered EUTMs and UKTMs by means of administrative proceedings at the relevant registry ("Cancellation"). Registered trade marks become unenforceable and vulnerable to cancellation if they are not used in trade within the relevant jurisdiction for a given period (five years in the case of both EUTMs and UKTMs).

The adjudication of disputes in relation to points of law under the EUTMR and the Trade Mark Directive is ultimately in the hands of the Court of Justice of the European Union ("the CJEU"), although national courts handle disputes at first instance and are wholly responsible for adjudication on questions of fact.

### 3. *Option 1 – "Do Nothing"*

Unless steps are taken to continue protection, when the UK ceases to be part of the European Union EUTMs will no longer be enforceable in the United Kingdom. This will have a range of dramatic and largely undesirable consequences.

Brand owners who own EUTMs but do not own UKTMs will suffer an immediate loss of rights in the UK and will no longer be able to challenge infringers in this jurisdiction. Simply re-filing for UK national marks will not provide equivalent protection because third parties may have acquired intervening national rights.

Commercial agreements, including licences and sponsorship agreements, having effect in the UK but which are based on EUTMs will be affected. All pending litigation and other enforcement activities in the UK which are based on EUTMs will abruptly become groundless and collapse. Businesses caught by a loss of rights in this way may face very significant and unpredictable financial losses, particularly as a result of collapsing litigation.

There are many hundreds of thousands of EUTMs registered. According to the 2015 Annual Report of the EUIPO, just over 130,000 new applications for EUTM protection were filed in 2015. Of these filings, 69% were filed by businesses based in the EU while 31% were filed by businesses based outside of the EU. The top three countries from which businesses filed EUTM applications were: Germany (approx. 15%), the United States (approx. 13%) and the United Kingdom (approx. 10%).

Registered trade mark protection is an essential tool for businesses to protect the goodwill in their developing brands. Loss of EUTM rights in the UK is therefore likely to be a significant issue for domestic UK businesses, as well as for businesses in the EU operating in the UK, and for businesses from key, non-EU trading partners such as the United States.

The figures cited above, suggest that around 13,000 EUTM applications were filed in 2015 by UK businesses. It is likely that a majority of these rights have been filed by start-ups and other SMEs. EUTM protection is highly cost effective and covers the whole EU for approximately three times the cost of a national trade mark covering only the UK. For this reason, it is believed that many SMEs in recent years will have relied exclusively on EUTM protection and may not have corresponding national UK trade marks.

As a result of the Madrid Protocol system for the International Registration of trade marks, it is also likely that the reliability of the rights owned by UK businesses outside of the EU could be compromised where those international rights are based on existing EUTMs<sup>1</sup>.

Overall, a failure to protect the position of EUTM owners on Brexit would have a very damaging impact on emerging British brands which have used the EUTM system to protect their goodwill in their home UK market.

Where domestic and foreign businesses incur substantial financial losses as a result of the preventable loss of EUTM rights, it is possible that claims could arise against the UK government. It is also possible that allowing a preventable loss of rights could infringe the right to property set out in the European Convention

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<sup>1</sup> Detailed discussion of the Madrid Protocol for the international registration of trade marks is outside the scope of this paper. However, further consideration will need to be given to the impact of the Madrid Protocol before any decision is reached.

on Human Rights. It is noted that registered and pending trade mark rights constitute property for the purposes of human rights legislation<sup>2</sup>.

#### 4. *Option 2 – The UK remains part of the EUTM System*

Amending the EUTM system to incorporate non-member countries, so that an EUTM can cover the UK on an equal basis, is very attractive from a practical perspective although it faces significant political and theoretical obstacles. This option maintains the status quo for EUTM owners. It avoids placing burdens on EUTM owners or on the UKIPO.

However, changes on this scale will require amendment to primary EU legislation which can only be carried out by the European Union's governing institutions. It will also require domestic legislation ensuring that the relevant supranational legislation retains direct effect. It will therefore require political will in Brussels and the UK and is likely to be achieved only as part of the exit negotiation, possibly as part of a wider IP package.

One option would be a package under which the systems of protection for Geographical Indications ('GIs'), Protected Designs of origin ('PDOs') and Traditional Specialty Guaranteed ('TSGs') are also amended and allowed to cover non-member states.

Unless steps are taken to continue protection, European Union GIs, PDOs and TSGs will not be protected in the UK following Brexit and there is no equivalent UK system for producers to use instead. Protection of European Union GIs, PDOs and TSGs in the UK will be important for a large number of agricultural and food- and drink-producing businesses in the EU since the UK is an important export market for these products. It is possible that extension of the EUTM system to the UK may be considered acceptable in Brussels as part of a deal that ensures ongoing protection for EU GIs, PDOs and TSGs in the UK.

This could be done by creating a 'European Intellectual Property Area' that allows for various unitary IP rights across the EU and UK. Other countries that are not currently part of the EU, such as Switzerland and the EEA countries, may also be interested in participating in a newly created 'EIPA'. Creation of an EIPA might also provide a basis for the UK to continue its prominent role in the proposed Unitary Patent and retain the proposed London branch of the Unitary Patent Court.

However, while creation of an EIPA would require relatively limited amendment to current EU IP legislation, which could be transferred across in a substantively identical form, it would require a new inter-governmental treaty creating the EIPA and providing legitimacy for EU IP institutions.

The EU would need to be able to bind Member States to this treaty. As such it would be necessary to ensure that this could be done within the EU's competence. It would also require a court to oversee EIPA disputes, a role that would presumably be filled by the Court of Justice of the European Union under a different hat. Finally, the creation of a functioning EIPA would also require national legislation from signatories such as the UK which would allow legislation under the EIPA treaty to be directly effective. There are therefore significant constitutional challenges to this approach both for the European Union and for the United Kingdom.

For the EUTM system to remain coherent if de-coupled, it will be necessary for the UK judiciary to be bound by supranational rulings on IP matters. It will also be desirable for the national UK trade mark system to remain compliant with the Trade Mark Directive and any successor directives in order to avoid a mismatch between national trade mark protection and supranational protection. This will not be popular with those who supported Leave. Although less disruptive in the short and medium term, the creation of an EIPA could still create legal risks in the long term. Trade mark law, and EUTM law in particular, is not a closed system

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<sup>2</sup> Anheuser Busch v. Portugal Application no 73049/01

and interacts closely with other areas such as laws relating to competition and to free movement of goods and services. Divergence between UK and EU decision making in these related areas could undermine the coherence of both the national trade mark system and the amended European trade mark system leading to legal uncertainty.

Nonetheless, if there is sufficient political will both in the UK and Brussels, the creation of a 'European IP Area' in which a successor to the EUTM can cover both the EU and the UK might still be an attractive option for many businesses and practitioners assuming that UK qualified practitioners would continue to have the rights of representation they currently have within the new EIPA. This is a must.

## Key Strengths

- **Retain benefits of IP Integration:** Creation of an EIPA allowing for unitary IP rights covering the EU and neighbouring non-Member states means that the UK can retain the benefits of IP integration. Essentially, 'brexit' does not happen from an IP perspective.
- **Attraction to other non-Member states:** Other non-Member states which are not full EU Members may nonetheless find the option of IP integration attractive. This possibility may appeal to the EU institutions as it would allow for the EU to expand its sphere of influence in a limited field which would be consistent with the 'Monnet' method.
- **Single solution:** Creation of an EIPA would be a single solution that could provide a basis for addressing Brexit in respect of trade marks, designs, geographical indications and potentially other aspects of IP together. It may also provide a basis for the UK to maintain its participation in the Unitary Patent and retain the London division of the Unitary Patent Court.
- **Rights of representation:** No loss to the UK economy, or increased cost to UK entities who file directly with the EUIPO, caused by loss of rights of representation by UK qualified practitioners which are associated with the other options.

## Key Weaknesses

- **Political will in Brussels:** The creation of an EIPA can only be achieved with significant political will among EU institutions and will, realistically, need to be led from Brussels.
- **Constitutional challenges in the EU:** It will be constitutionally challenging for the EU to bind Member States to directly effectively IP legislation that does not flow from the EU treaties.
- **Constitutional challenges in the UK:** It will be constitutionally challenging for the UK to bind itself to a new inter-governmental treaty that allows for directly effective non-UK legislation.
- **UK judiciary will be bound by an EIPA court:** The fact that the UK courts will, in effect, continue to be bound by an equivalent to the Court of Justice in IP matters will be unpopular.
- **Contrary to the 'spirit' of Brexit:** Given that the UK has voted to leave the European Union, entry into an 'European IP Area' agreement may be contrary to the spirit of the referendum result.
- **Possible conflicts of case law:** This issue may arise particularly in neighbouring areas of law such as competition and trade law, which would fall outside the scope of the putative EIPA treaty but may still interact with IP issues.

## 5. *Option 3 – Domestic legislation to protect the rights of EUTM owners*

If it is not practicable to negotiate continued access to the EUTM system as an equal member, then it is very likely that the best option will be for the government to take unilateral action and introduce legislation which allows EUTM owners to have continued protection in the United Kingdom.

There are a number of different mechanisms by which this could be achieved, all of which have their advantages and disadvantages. It is also the case that different mechanisms may be appropriate for registered rights and for pending rights.

The remainder of this paper considers a number of different mechanisms for post-Brexit protection of EUTMs in the UK. These options, initially formulated by the Institute of Trade Mark Attorneys, are as follows:

- (a) **'Jersey'** – Allow EUTMs to be enforced in the UK by means of national legislation without any amendment of the EUTMR. This is similar to the enforcement of EUTMs in Jersey, which is not a part of the EU.
- (b) **'Montenegro'** – Automatically enter all existing EUTMs onto the register of UKTMs at the time of Brexit. This is similar to the solution when the Montenegrin trade mark system separated from the Serbian system.
- (c) **'Tuvalu'** – Allow EUTM owners to request that existing EUTMs are entered onto the register of UKTMs as equivalent rights. Similar to the approach taken when Tuvalu's trade mark system separated from the UK system.
- (d) **'Veto'** – As for Tuvalu save that the UKIPO will examine each request and retain a power of veto.
- (e) **'Ireland'** – Allow EUTMs to be enforced in the UK up until the point of renewal, at which time the owner may request that the EUTM is entered onto the register of UKTMs. Similar to the system used when the Irish trade mark system separated from the UK system.
- (f) **'Conversion'** – Owners of EUTMs can apply for a new UKTM which will retain the same effective start date as the previous EUTM. The new UKTM will be fully examined as though a new trade mark application. Similar to the present system for converting EUTMs into national trade marks.

### 5.1 *'Jersey'*

The Jersey/Isle of Man option i.e. UK would treat EUTMs (i.e. all registrations and applications as of a specified date) as applying in UK without being brought on to the UK register on Brexit as UK national rights. Both Jersey and the Isle of Man currently recognise EUTM protection by deeming parts of the EUTMR to apply with some modifications, in particular as to the substitution of the local courts for the Court of Justice.

Jersey does this via the Trade Marks (Jersey) Law 2000, as amended. That law deems certain provisions of the CTMR 1993 to apply in Jersey, with the substitution of the local courts for the European Court. The Isle of Man does it via the Community Trade Mark Order 2014, which deems parts of the CTMR 2009 to apply, subject to similar exceptions and substitutions. If the UK were to follow this model, logically it would deem applicable the relevant parts of the version in force on Brexit.

The Jersey/Isle of Man approaches do not give the local courts competence to revoke or invalidate EUTMs and appear intended to enable the local courts only to grant injunctions with respect to their own jurisdiction. In practice, trade mark cases involving deemed protection are rare/non-existent.

Both approaches are unilateral vs the EU and avoid cost and effort involved in immediate re-registration on the national register. As EUTMs and applications already appear on the UKIPO database, there should be minimal inconvenience to users of the database trying to check for third party rights.

## Key Strengths

- **No risk of lost rights:** Since brand owners do not need to take any action, there is no risk that EUTM owners could lose rights through missed deadlines or a failure to take action.
- **No cost to brand owners:** Brand owners will not incur any costs associated with 'Tuvalu', 'Veto' or 'Conversion'.
- **Easy Implementation:** This solution requires a single legislative amendment deeming EUTMs to be enforceable in the UK.
- **Continuity of rights:** EUTMs will remain in place. This means that negative impacts on ongoing litigation and commercial agreements will be avoided.

## Key Weaknesses

- **Untested:** The 'deemed' enforceability approach used in Jersey and Isle of Man does not appear to have been tested in live litigation. It is possible that a 'deeming' provision may reveal unexpected flaws when put to the test.
- **Legal Uncertainty:** Due to the untested nature of this approach, there would be significant legal uncertainty about the reliability of EUTMs. This could be mitigated by the deeming legislation addressing post-Brexit consequences of (i) non-use of the EUTM in the UK, (ii) injunctions by courts in the EU and by providing a mechanism equivalent to conversion for where a pre-Brexit EUTM is invalidated or revoked, or a pre-Brexit EU TM application is refused on grounds which would not apply were the mark a national mark or application.
- **Asymmetry with UK rights:** Although EUTMs would be enforced in UK courts, UK courts would have no power to declare EUTMs invalid. This could be mitigated by giving them the power to declare an EUTM not to be deemed to have effect in the UK where a rights-holder could show it had an earlier right in the UK, or that the deemed protection should be revoked where the EUTM is not in use in use in the UK.
- **Political and constitutional aspects:** Although the practical effects of the competence of the EUIPO and CJEU over EUTMs could be mitigated through the deeming legislation, the UK may not wish to be tied in to a system that is determined by the EU.

### 5.2 'Montenegro'

The 'Montenegro' solution allows for all EUTMs to be automatically entered onto the UK register at the date of Brexit as though they had been registered under the Trade Mark Act 1994.

One of the key weakness of the Montenegro solution is that by automatically adding all EUTMs to the UK register it risks cluttering that register substantially. However, there are a couple of secondary mechanisms which could be combined with a Montenegro solution to mitigate this concern.

One such mechanism would be for the IPO to allow brand owners an opportunity prior to Brexit to indicate whether any EUTMs should be excluded from the re-registration process. This 'opt-out' would help to reduce clutter on the register. If such a process was in place, it would need to reflect the same safeguards that are

currently in place in relation to the surrender of UK registrations and it is suggested that the form for opting-out marks should include comparable declarations to those in the current TM22 so that third party interests in the relevant EUTMs are respected. It would also be necessary that the window for opting-out marks should conclude before Brexit so that marks can be automatically re-registered on Brexit with no intervening gap in registered protection.

A second such mechanism would be a requirement that on the first renewal of those UKTMs which had been automatically registered, the owner should be required to submit a declaration that the mark is in use for those goods and services for which it is to be renewed. Over time, this would reduce the volume of re-registered EUTMs that remained on the UK register for the long-term.

### Key Strengths:

- **No risk of lost rights:** Since brand owners do not need to take any action, there is no risk that EUTM owners could lose rights through missed deadlines or a failure to take action.
- **No cost to brand owners:** Brand owners will not incur any costs associated with 'Tuvalu', 'Veto' or 'Conversion'.
- **Easy Implementation:** Since EUTM data is all readily available and, in part, already reflected on the UKIPO database, it should be technically straightforward to automatically import data from the EUTM register and add it to the UKIPO register.
- **Continuity of rights:** It should be straightforward to ensure that the new UKTMs are continuous with previous EUTMs. This means that negative impacts on ongoing litigation and commercial agreements will be limited.
- **Legislative simplicity:** It should be legislatively simple to implement this solution by adding a section to the Trade Marks Act instructing that EUTMs are added to the UK register and deemed to have been registered under the Act.
- **Clean break:** This solution allows for a clean break with the EUTM system and avoids the long-term uncertainty of a situation where EUTMs are enforced 'unilaterally' in the UK, such as the 'Jersey' or 'Ireland' options.
- **Completeness of the UK register:** There will be no need for brand owners to look beyond the UK register to ascertain the rights that exist in the UK – this is not the case for several other options.

### Key Weaknesses

- **Validity:** EUTMs may be added to the UK register which would be less likely to be held as valid under UK law. The validity of these UKTMs may be in question leading to an increase in post-Brexit validity challenges and legal uncertainty.
- **'Intention to use':** Trade Marks registered under the Trade Mark Act 1994 require a declaration of 'use or intention to use' at the application stage. This is not the case for EUTM applications. This solution would result in a situation where the UK register contains a mixture of rights registered with a declared intention to use and those registered without. However, since EUTMs are currently enforceable in the UK anyway, it is not clear whether this situation would have adverse consequences in practice as compared with the status quo.

- **Cluttering the register:** This solution adds a large number of EUTMs to the register, many of which may be owned by businesses with no interest in EU trade. This adds a lot of unnecessary clutter to the UK register, although the practical effect of this clutter will be no worse than the status quo under which those EUTMs are all enforceable in the UK in any event. However, it would be possible to address this concern by means of a 'decluttering mechanism' such as a requirement that for these UKTMs a declaration of use is filed simultaneously with the first post-Brexit renewal. It is also the case that the impact of existing 'proof of use' requirements will prevent the enforcement of marks that are unused in the UK (such marks will also be cancellable for non-use from the point of transition). Other existing cancellation mechanisms, such as applications for invalidity on the grounds of lack of distinctive character, will also allow third parties to challenge marks which they believe could not have been registered in the UK under national provisions.

### 5.3 'Tuvalu'

The 'Tuvalu' option allows for EUTMs to be entered directly onto the register, upon request of the EUTM owner.

#### Key Strengths:

- **Avoid cluttering the register:** Brand owners have to positively choose to obtain protection in the UK. This prevents over a million marks automatically being added to the UK register.
- **Intention to use:** Having to positively request the mark is added to the UK register also makes it easier to ensure brand owners have an "intention to use" than if there is an automatic transfer. This ensures that this requirement under UK law has to be specifically opted in to.
- **Simple procedure:** A simple and clear procedure would be possible for registrations, so protection is easy to maintain. It can be a very simple form.
- **Limited burden on UKIPO:** For registrations, not much of a burden on the UK IPO as no examination of registered marks is necessary. The UKIPO may be able to automate the process.
- **Continuity of rights:** Ensures that brand owners can continue to rely on their registered marks in the UK without any loss of (or delay in obtaining or maintaining) rights, which could be the case under other options.
- **Timing:** The window during which addition to the UK register can be requested can start pre-Brexit, so that brand owners can have certainty at the point of Brexit.
- **Completeness of the UK register:** There will be no need for brand owners to look beyond the UK register to ascertain the rights that exist in the UK – this is not the case for several other options.
- **Clean break:** This solution allows for a clean break with the EUTM system and avoids the long-term uncertainty of a situation where EUTMs are enforced 'unilaterally' in the UK, such as the 'Jersey' or 'Ireland' options.

#### Key Weaknesses:

- **Onus on brand owner to take action:** If the deadline is missed (either because the owner does not find out about the steps they need to take, marks are omitted in error or the relevant deadline is not met) rights will be lost.
- **Cost:** Positive action means this will be more expensive to brand owners than if automatic protection is granted. There may also be a UKIPO fee payable.
- **UK IPO resource:** The need to examine EUTM applications that are added will increase burden on UK IPO, though there will be less burden than if EUTM registrations also need to be examined as in some options.
- **Validity:** Automatic entry of EUTM registrations onto the UK register without UK IPO examination or chance to veto means that marks which might not be capable of protection under UK law will get onto the register.

#### 5.4 'Veto'

The 'Veto' option is very similar to the Tuvalu option and shares some strengths and weaknesses. The difference is that the UKIPO will examine requests to enter EUTMs onto the UK register and may refuse to allow EUTM registrations onto the UK register in certain circumstances. It is quite attractive to have the UKIPO examine and refuse applications that for example have specifications that are too broad or where the mark is not inherently registerable under UK trade mark law or practice.

The difficulty with this is that it could create considerable uncertainty and could undermine registrations that had covered the UK as part of an EUTM for some time. On the other hand, if such rights are vulnerable on the basis that specification is too broad for the UK or that the mark is not inherently registerable under UK trade mark law then there must be a question mark over the enforceability of those rights even if they were transferred over to the UK register without examination – for example under the Montenegro or Tuvalu system. It may be preferable for the inherent weakness in such EUTMs as they apply to the UK to be exposed at the time of transfer onto the UK register. Furthermore, if owners know that this examination is to take place then they may choose not to request re-registration for questionable marks.

With regard to applications, it seems that examination of the applications that are at the examination stage would be a sensible idea that is hard to criticise.

It would also be possible to have a 'veto' with the Montenegro approach, although this would place a very high burden on the UKIPO, given the volume of marks involved.

#### Key Strengths

- **Validity:** Since the UKIPO will be able to veto EUTMs that may be invalid under UK law, the EUTMs that do get onto the UK register will be more likely to be valid.
- **Flexibility:** Allows the UKIPO flexibility to enter unproblematic EUTMs onto the register quickly while retaining the power to intervene in cases of problematic EUTMs.

#### Key Weaknesses

- **Uncertainty:** Some EUTMs which have been used for protection and enforcement in the UK for a considerable period of time could be called into question.

- **Burden on UKIPO:** There would be a significant burden on the UKIPO in examining requests for re-registration and determining whether to raise a veto. There would also be a significant amount of cost involved for the UKIPO and brand owners in dealing with contested re-registrations where the UKIPO has raised its veto and the owner has appealed.
- **Cost to brand owners:** As brand owners will need to apply for re-registration, and may need to incur costs contesting the veto applied by UKIPO, this option will significantly increase costs for brand owners.
- **Veto criteria and legislative complexity:** The UKIPO would require clear criteria for raising its veto which would need to be considered, drafted into the legislation and then applied. For this reason, it is preferable that veto criteria are based as closely as possible on existing UKIPO examination criteria.

## 5.5 'Ireland'

On the 'Ireland' model, EUTMs are deemed to have continued enforceability until the first renewal (as in the 'Jersey' model discussed above) at which point EUTM owners can opt to have their EUTM added to the UK register (as in the 'Tuvalu' model).

It would also be useful to allow earlier re-registration, at least in the circumstances set out below:

1. The EUTM would remain a unitary right whose ownership could not be split. Any resultant concerns about assignability of the deemed protection could be resolved by giving owners who wish to assign their UK rights the ability to re-register as a UK national right prior to assignment, retaining priority and seniority.
2. The impact of an EUTM deemed to have effect here subsequently being revoked or invalidated in the EU would need to be addressed. The approach could be based on the EUTMR rules on conversion (Arts 112 ff. EUTMR). In other words, if the grounds for invalidation/revocation would have led to invalidation/revocation if the right had been a UK national right, re-registration in the UK would not be allowed.
3. The impact of an EUTM application being objected to or opposed during the interim period would need to be addressed. Similar considerations apply as for revocations and cancellation in cases where an EUTM application is refused and the applicant wishes to "convert" to a UK national application.

### Key Strengths

- **Avoid clutter on UK Register:** Less clutter on the UK register as proprietors who require protection in the UK will need to positively opt-in to obtain a UK registration at the time when an EUTM is due for renewal.
- **Spread out the burden on UKIPO:** The burden on the UKIPO would be spread out over a ten-year period.
- **Spread out the cost to brand owners:** The cost to brand owners would be spread out over a ten-year period.

- **No re-examination:** No re-examination of EUTMs registrations by the UK IPO at the point of opt-in.
- **Long-term clarity:** After circa 10 years (when all EUTMs will have been renewed), there will be legal certainty as to which laws govern UK and EU registrations, in contrast to the decoupling option.

## Key Weaknesses

- **Medium-term legal uncertainty:** Potentially significant legal uncertainty in the interim period when EUTMs are deemed to extend to the UK prior to renewal/opt-in (“the Interim Period”). Throughout the Interim Period, it will be necessary for third parties to check whether an EUTM has been renewed/extended to the UK and businesses will have to keep all agreements which cover EUTMs under review.
- **Use/Intention to use:** Unclear whether a declaration of intended or continued use of the mark in the UK required at the point of renewal/opt-in.
- **Issue re pending EUTMs:** If pending EUTM applications at the time of Brexit are allowed to progress under the EU system and owners only have to opt in to cover the UK on renewal, this would extend the Interim Period beyond 10 years. This is because where an EUTM application remains pending for more than ten years, the first renewal is only required to be filed after eventual registration (even though the ten year renewal period runs from the date of filing).
- **Contentious Proceedings:** There will be a far greater number of conflicts in respect of pending opposition, invalidity and revocation matters, due to the ten year long time-frame before all marks are re-registered.
- **Validity:** No re-examination of EUTMs at point of opt-in may lead to the protection of EUTMs which would not qualify under UK trade mark law.
- **Costs** - there could be additional costs on the brand owner to opt-in to extend coverage of EUTMs to UK.

## 5.6 'Conversion'

EUTM owners could be allowed to apply for new national UK applications, which would maintain the same effective filing date but would undergo full examination by the UKIPO. This is similar to the current 'conversion' system in which the owner of an EUTM registration or an application for an EUTM must demonstrate that the registration/application is eligible for conversion and the EUIPO scrutinises this before passing it to the relevant national office for it to consider the request. Unlike the current EUTM conversion system, this approach would not be limited to cases where there is a successful challenge or objection to the EUTM. From a practical perspective, it would be possible to implement 'conversion' very easily by emulating the system for claiming Paris Convention priority.

## Key Strengths:

- **Filing Date:** The conversion process would mean that the converted trade mark would retain the original filing date of the EUTM. Therefore the scope of protection would not be limited in any way.

- **Validity:** The re-examination of the trade mark by the UKIPO would remove any question as to the validity of the trade mark in the UK. The trade mark would be as valid as if it had been registered directly by means of a UK national trade mark application.
- **Legislatively simple:** This solution could be implemented by emulating the priority claim system and allowing EUTM owners a window of time during which new UK applications could claim priority from existing EUTMs.

#### Key weaknesses:

- **Uncertainty:** There would be a certain period of uncertainty for EUTM owners as to the status of their registered trade mark rights in the UK, during the examination process at the UKIPO. An EUTM owner may not be able reliably to enforce these rights against a third party during this process.
- **Burden on the UKIPO:** Even if the conversion process is only carried out at the specific request of the EUTM owner, the sheer number of EUTMs that will have to be examined by the UKIPO would mean that the conversion process is likely to take months, if not years. The UKIPO does not currently have the manpower to deal with the likely workload.
- **Costs:** The conversion process would incur fresh application costs at the UKIPO.
- **Refusal:** There would be uncertainty if the trade mark was refused following its re-examination at the UKIPO, either on absolute grounds, or due to the filing of opposition proceedings by a third party. The fact that the trade mark was registered on the EUTM Register is no guarantee that it will automatically be registered in the UK. This would leave a registered EUTM owner, who previously had enforceable trade mark rights in the UK, with no protection.
- **Lack of Continuity of Rights:** Even if granted, the new UK rights may not be continuous with the previous EUTMs. This could lead to situations where a party effectively loses its registered rights for a period before regaining them which would impact adversely on pending litigation. A similar situation has already arisen in a German case in relation to a German national right arising from conversion of a cancelled EUTM. This concern could be addressed by giving the UKIPO the option to 'fast-track' a conversion request and enter it directly onto the register when there is no reason to challenge its validity.

#### 5.7 Pending EUIPO Oppositions and Cancellations

Very many pending EUTM applications are subject to ongoing oppositions from third parties. It is also the case that a significant number of EUTM registrations are subject to ongoing cancellation actions. Any solution which involved entering existing EUTMs (or EUTM applications) onto the UK register in the short term (i.e. Montenegro, Tuvalu, Veto and Conversion), will need to address the issue of pending contentious proceedings.

It would be highly impractical to seek to transfer existing opposition or cancellation proceedings from the EUIPO to the UKIPO. However, it will be desirable to ensure that the position of Opponents and of Applicants for Cancellation is not unfairly prejudiced as a result of Brexit.

**Pending Oppositions:** Where EUTM applications are currently under opposition, it would be reasonable to expect opponents to file a parallel opposition in the UK where they have prior UK rights, provided that

their position in those proceedings is not significantly weakened as a result of the Brexit process. It is important that such opponents have an opportunity to file oppositions.

**Pending Applications for Invalidity (Relative Grounds):** The considerations are similar to those for Oppositions.

**Pending Applications for Invalidity (Absolute Grounds):** Parties to existing EUIPO invalidity actions on absolute grounds may be prejudiced if they are forced to file new applications for invalidity before the UKIPO at a later date – particularly in cases involving the acquisition of distinctiveness through use. Although it is not unreasonable to expect Applicants for Invalidity to file parallel invalidity actions in the UKIPO, it is recommended that parties to existing EUTM invalidity proceedings on absolute grounds are granted an additional right to apply for invalidity of a successor UKTM with the same deemed date as the earlier EUIPO invalidity action.

**Pending Revocation Actions on non-use:** It is not unreasonable to expect Applicants for Revocation to file parallel revocation actions in the UKIPO. However, the position of these Applicants might be significantly prejudiced if an EUTM owner has resumed use during the pendency of the revocation action. In order for the position of these applicants for Revocation to be protected, it is recommended that parties to existing EUTM revocation proceedings are granted an additional right to apply for revocation of a successor UKTM with the same deemed date as the earlier EUIPO revocation action.

**Other Pending Revocation Actions:** Provisions may also be required to deal with pending Revocation actions on the grounds of deceptiveness or genericity. However, such actions are far rarer than the other proceedings noted above.

## 5.8 *Burden on the IPO*

A number of the solutions outlined could be implemented by automated means. For example, the Montenegro approach could be implemented by automatically importing data from the EUIPO register onto the UK register in a batch update. Similarly, it is likely that the Tuvalu and Ireland options could be implemented by means of a simple online form which would be automatically processed, allowing data to be imported from the EU register onto the UK register.

By contrast, other options would require substantive examination by staff members at the IPO. This will apply to the 'veto' and 'conversion' options. Since this will involve a high burden on the IPO it is suggested that this is avoided for the large number of registered EUTMs which have already been examined, and published for opposition, by the EUTM. It may, however, be unavoidable for EUTM applications which have not yet completed the examination and registration process at the EUIPO.

It is also noted that if no arrangements are made to address the position of EUTM owners, it is certain that the IPO will be flooded with applications for registration in any event as businesses seek to protect their position in the UK. So any mechanism at all under Option 3 is likely to reduce the short-term burden on the IPO compared with this outcome.

## 5.9 *Summary on Option 3*

It is likely that different mechanisms would be most appropriate for registered and pending EUTMs. The considerations are discussed below.

### 5.9.1 *Registered EUTMs*

For Registered EUTMs it is essential that they can be dealt with in a way that preserves continuous rights and so that existing commercial agreements, as well as pending litigation and other enforcement actions, are not adversely affected. It is also desirable that owners of established EUTM rights are not faced with the uncertainty that would arise if those rights faced re-examination or if there is a protracted period of uncertainty. For these reasons, the conversion, veto and Ireland options are not desirable for registered EUTMs.

The two preferred options are Montenegro and Tuvalu. Both would allow existing EUTM registrations to simply be entered onto the UK register. However, they differ in that the latter requires pro-active action from EUTM owners. This increases costs for EUTM owners, and the burden on the IPO, but ensures the integrity of the UK registry by requiring EUTM owners to indicate an intention to use (or continue using) the relevant mark in the UK. It also prevents a flood of EUTMs onto the UK register resulting in significant clutter.

However, the risk for brand owners will be high. Many EUTM owners based outside of the EU who are not following Brexit closely are likely to inadvertently miss the relevant deadlines for re-registration. Unlike renewal, which can be anticipated at the time of registration and diarised, the deadlines for re-registration will need to be notified to brand owners who will need to make decisions in a short time-frame. The likelihood of missed deadlines is reasonably high and it is possible that brand owners who have missed the deadlines will seek to bring actions to recover their rights. It is not clear how one would deal with these matters.

It is also the case that the practical effect of EUTM clutter is the status quo under current EU membership and that these EUTMs, which have effect in the UK, do not currently require any intention to use. So the practical impact of the 'clutter' and 'intention to use' issues is negligible as compared with the status quo. For this reason, it is arguable that the effect of the 'Montenegro' solution, under which EUTMs are automatically entered onto the UK register will not be worse than the effects of the UK's current participation in the EUTM system.

If existing EUTMs are automatically entered onto the UK register ('Montenegro'), then the 'clutter' and 'intention to use' issues could be addressed in the longer-term by requiring that at the first renewal of such rights, owners file a declaration of use specifying the goods and services for which the mark is in use in the UK. This would mean that unused marks would fall away and those marks with overly wide specifications would be narrowed. Within a ten year window, the 'cluttering' and 'intention to use' issues would therefore be resolved.

A question arises as to how proof of use requirements are applied for registered marks. Under the Trade Mark Act 1994, a registered trade mark may be cancelled, and may not be enforced, if it has been unused in the UK for a period of five years. Where that UKTM is a continuation of a pre-Brexit EUTM, should the owner be able to rely on pre-Brexit use in the remaining EU in order to enforce it? Where an EUTM has not been in use in the UK, there is arguably no justification for allowing it to remain enforceable after Brexit. It is also the case that if the owner wishes to get the benefit of a further non-use grace period in the UK, they will be free to apply for a new UK application in the usual way.

The position of third parties in certain pending cancellation actions will also need to be addressed. It is suggested that applicants in some pending EUTM cancellation actions are granted a special right to file a corresponding action against a successor UK right with the same effective date as the pending EUIPO cancellation action.

A practical question arises as to whether the UKIPO should notify rights owners and issue new registration certificates in the event that a large number of EUTMs added to the register. This would place a high administrative burden on the UKIPO. For reasons of economy, it is suggested that new registration certificates are only issued on request by the owner.

### 5.9.2 *Pending EUTM Applications*

Where EUTM applications have been filed but are still undergoing examination at the EUIPO, it is reasonable that applicants are expected to undergo full examination at the UKIPO and it is not practicable to attempt to bring across pending applications to the UKIPO 'mid-examination'.

It is suggested that the conversion option is applied in these cases. The most straightforward means to implement this is by creating a special right of priority which allows those who owned pending EUTMs at the date of Brexit to file new UKTM applications during the subsequent six months and claim the same effective priority date as their earlier EUTM application. This would require relatively simple legislative amendments and can be done by mirroring the existing provisions for Paris Convention priority.

Some EUTM applications may be in their opposition period at the date of Brexit. Others may be published but subject to ongoing opposition proceedings. It is suggested that these applications are dealt with by means of the same conversion/priority mechanism.

Although such applications will have already been examined by the EUIPO and will face re-examination by the UKIPO, the likelihood that the UKIPO will raise new objections is likely to be relatively low given that EUIPO and UKIPO practices are moderately well harmonized. In the event that new objections are raised, it is preferable that such issues are addressed before the rights become registered in any event.

Once such UKTMs are published, the onus will then be on relevant third parties to oppose as usual. Ideally, it would be desirable to formally notify the opponents in existing EUIPO proceedings of their opportunity to oppose in order to ensure that existing EUTM opponents are not prejudiced. This may be possible with the practical collaboration of the EUIPO.

### 5.9.3 *Timing*

It is suggested that the procedure for dealing with registered EUTMs is completed on or before the date of Brexit. This will ensure no gap in registered protection.

It is suggested that the window during which the owners of pending EUTMs can make priority applications for new EUTMs runs for six months following Brexit. It is desirable that the transition of registered EUTMs onto the UK register is completed before new applications are filed. This will ensure that owners of prior registered EUTM rights are in a position to oppose the new UKTM applications; this will be particularly relevant where the previous EUTM application is subject to ongoing opposition proceedings.

## 6. *Conclusion*

The consequences of option 1, under which the government takes no action to preserve the position of EUTM owners, could be disastrous for many British businesses of all sizes and might also expose the government to significant liability. It is the view of this organization that such an outcome would be highly undesirable.

Option 2, under which the UK continues to participate in the EUTM, for example as a result of the creation of an European Intellectual Property Area (EIPA), is likely to be attractive to many rights holders. It would be particularly benefit British SMEs who currently rely on the EUTM system to protect their brands. Such businesses would be able to maintain their current level of rights across the EU, which might not be the case if the UK is outside of the system and if their activities within the UK are not sufficient to maintain their EUTM rights.

An EIPA might also allow for a range unitary rights such as trade marks, designs and geographical indications, to continue their effect across the EU and the UK (and potentially other non-EU states in future) and would address a number the IP aspects of Brexit within one solution. However, this approach maybe constitutionally difficult and would require significant political will and collaboration between the UK and the EU.

Option 3, under which the UK takes unilateral action to protect the interests of EUTM owners by amending its own national legislation, should be relatively straightforward to implement. It will involve some burden on the IPO, but the use of automation may help to manage this burden in some cases. It is suggested that Option 3 be considered a fall-back position in the event that it proves to be impractical, or politically undesirable, for the UK to remain within the EUTM system.

## Annex – Suggested Legislative Amendments

Set out below are example legislative proposals which might be suitable to implement national provisions for the continuation of EUTM rights post-Brexit. The following situations are addressed:

1. Priority mechanism for 'conversion' of pending EUTM Applications
2. Automatic Re-registration of registered EUTMs – 'Montenegro' solution
3. Optional Re-registration of registered EUTMs – 'Tuvalu' solution
4. Use declaration on renewal for re-registered rights
5. Additional rights for current Applicants for Cancellation before the EUIPO

### 1. *Priority mechanism for 'Conversion' of pending EUTM Applications*

The below proposal sets out a mechanism by which a UK application may be filed and claim priority from an existing EUTM. The wording as drafted covers only pending EUTMs; however, it could be adapted to cover all EUTMs if that was considered the preferred option.

#### Section 35A – Right of Priority from European Union Trade Mark Applications

- (1) A person who has duly filed a European Union Trade Mark application, or his successor in title, has a right to priority for the purposes of registering the same trade mark under this Act for some or all of the same goods or services, for a period of six months from [*the date of Brexit*].
- (2) If the application for registration under this Act is made within that six-month period-
  - (a) the relevant date for the purposes of establishing which rights take precedence shall be the date of filing of the first European Union Trade Mark application, and
  - (b) the registrability of the trade mark shall not be affected by any use of the mark in the United Kingdom in the period between that date and the date of the application under this Act.
- (3) The right of priority set out in this section shall not apply where:
  - (a) the first European Union Trade Mark application has been finally refused; or
  - (b) the first European Union Trade Mark application proceeded to registration on or before [*the date of Brexit*].

### 2. *Automatic Re-registration of registered EUTMs – 'Montenegro' solution*

The below proposal may be applied if it is considered desirable to automatically add Registered EUTMs to the UK trade mark register on Brexit.

#### Section 40A – Registration of European Union Trade Marks

- (1) On [*the date of Brexit*], the registrar shall enter onto the register all trade marks registered as European Union Trade Marks on that date for the same goods and services.

(2) The proprietor of any trade mark registered under this section shall be the recorded owner of the earlier European Union Trade Mark on [*the date of Brexit*]. Where, at [*the date of Brexit*], such a recorded owner is not a person capable of registering and owning a trade mark under this Act, such a trade mark may be declared invalid upon application by any person.

(3) Any trade mark entered onto the register under this section shall be treated in all respects as though it had been applied for and registered under this Act save that:

(a) the date of registration of that trade mark shall be deemed to be the earlier of

(i) the date of filing of the earlier European Union Trade Mark, or

(ii) the date of priority of the earlier European Union Trade Mark, or

(iii) the date of seniority in the United Kingdom of the earlier European Union Trade Mark.

(b) the date of completion of the registration procedure of that trade mark shall be deemed to be the date on which the registration procedure of the earlier European Union Trade Mark was completed and any requirement to prove use of the trade mark shall be interpreted accordingly.

(4) Any reference to a European Union Trade Mark in a commercial agreement, letter of claim, pleading, judgment, court order or other such document as has been completed prior to [*the date of Brexit*] shall be construed as including a reference to any successor right registered by virtue of this section.

### 3. *Optional Re-registration of registered EUTMs – 'Tuvalu' solution*

The below proposal may be applied if it is considered desirable to allow for the optional re-registration of Registered EUTMs on the UK trade mark register on Brexit. For the 'veto' solution, it would be possible to amend sub-section (2) to specify grounds on which the registrar could refuse such a request.

#### Section 40A – Registration of European Union Trade Marks

(1) During the period from [*six months before the date of Brexit*] until [*the date of Brexit*], the recorded owner of any trade mark registered as an European Union Trade Mark may request that such trade mark be entered onto the register for the same goods and services as those for which the earlier European Union Trade Mark may request. The registrar shall specify the necessary form of a request made under this section and may specify the amount of any fee payable.

(2) The registrar shall not refuse any request made under sub-section (1) above, provided such request is made in the form specified by the registrar and provided that any fee specified by the registrar has been duly paid.

(3) Any trade mark entered onto the register under this section shall be treated in all respects as though it had been applied for and registered under this Act save that:

(a) the date of registration of that trade mark shall be deemed to be the earlier of

(i) the date of filing of the earlier European Union Trade Mark, or

(ii) the date of priority of the earlier European Union Trade Mark, or

(iii) the date of seniority in the United Kingdom of the earlier European Union Trade Mark.

(b) the date of completion of the registration procedure of that trade mark shall be deemed to be the date on which the registration procedure of the earlier European Union Trade Mark was completed and any requirement to prove use of the trade mark shall be interpreted accordingly.

(4) Any reference to a European Union Trade Mark in a commercial agreement, letter of claim, pleading, judgment, court order or other such document as has been completed prior to *[the date of Brexit]* shall be construed as including a reference to any successor right registered by virtue of this section.

#### 4. *Use declaration on renewal for re-registered rights*

The proposal outlined below may be applied in conjunction with the automatic re-registration of rights under the 'Montenegro' system outlined above if there is concern about a large number of unused marks remaining on the UK register in the long run.

##### Section 43(7) – Renewal

(7) The first request for renewal of any trade mark registered under Section 40A, shall be accompanied by a sworn declaration by the proprietor that the trade mark is in use in relation to the goods and services for which it is to be renewed. A request for renewal which does not comply with the requirements of this section shall be refused unless the defects are remedied within a period to be determined by the registrar.

#### 5. *Additional rights for current Applicants for Cancellation before the EUIPO*

The proposals outlined below may be applied if it is considered desirable to protect the position of third parties who are parties to ongoing cancellation proceedings against EUTMs and may be prejudiced if the EUTM owner is granted successor rights in the UK.

##### Section 46(7) – Application for Revocation

Where a trade mark has been registered under Section 40A on the basis of an earlier European Union Trade Mark which was subject to a pending application for revocation on *[the date of Brexit]*, any party to such an earlier application for revocation may apply within six months of *[the date of Brexit]* for revocation of the trade mark under this Act and such an application for revocation is deemed to have the same effective date as the earlier application for revocation, provided always that no final decision has yet been issued in the earlier proceedings.

##### Section 47(7) – Application for a Declaration of Invalidity

Where a trade mark has been registered under Section 40A on the basis of an earlier European Union Trade Mark which was subject to a pending application for a declaration of invalidity on the grounds set out in Article 7 of Council Regulation 207/2009 on *[the date of Brexit]*, any party to such an earlier application for a declaration of invalidity may apply within six months of *[the date of Brexit]* for a declaration of invalidity of the trade mark under this Act and such an application for a declaration of invalidity is deemed to have the same effective date as the earlier application for declaration of invalidity, provided always that no final decision has yet been issued in the earlier proceedings.

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