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Trade Marks

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Brexit and trade marks – what's next?

The political situation remains exceedingly difficult. However, as we have at hand the UK government's surprisingly comprehensive and distinct proposals for the future fate of European Union Trademarks following Brexit, we can present these in a special bulletin. With all due caution, these proposals will very likely be final, also in case of a no deal scenario.

In a nutshell: European Union Trademarks will be cloned, and contracts, proceedings, rights and pleas in relation therewith will continue to have effect in the United Kingdom. A piece of legislative art, a bit coarse indeed but at long last, offering desired ideas and answers.

„The Noes have it!"

On 15 January 2019 the draft Withdrawal Agreement failed to succeed in Parliament. General Elections are unlikely an option because PM Theresa May just survived the vote of no confidence on 16 January 2019. At the same time, the EU seems to exclude re-negotiating the deal. In such deadlock situation, it is time to prepare for a no deal scenario and a hard Brexit. This represents standing recommendations from both EU Commission, national governments and relevant NGOs. .

What are we up to in circumstances of a hard Brexit?

The UK will leave the Single Market and the Customs Union. The body of current EU law will first be transformed identically into UK law, following the European Union Withdrawal Act 2018 which received Royal Assent on 16 June 2018. Subsequently, it may be adopted to new requirements.

This will not apply for IP rights of pan-European scope. *Following Brexit, they will lose effect* in the United Kingdom, if and to the extent there is no transformation of

whatever nature to inure to the benefit of right owners. This hiatus will hold true for pending proceedings, contracts and questions of genuine use or infringement.

Will trade mark owners be safe?

As things currently stand, we have to distinguish between European Union Trademarks (EUTMS) on the one hand and International Registrations designating the EU on the other. *Only EUTMS are covered* by the draft Statutory Instrument currently laid in Parliament, the Trade Marks (Amendment etc.) (EU Exit) Regulations 2018 ⊘.

This instrument comes with detailed and comprehensive provisions, offering answers to questions raised by counsel and owners ever since the Referendum in June 2016.

Following the rules of scrutiny of such secondary legislation under the *Withdrawal Act 2018* (Schedule 7 thereto), amendments to the draft are almost impossible so that the *provisions made are likely final.* The most important specifications are as follows:

How does the regime look like?

Registered EUTMS will be cloned. With exit day, they will receive a UK counterpart, automatically and at no cost, and it will have exactly the same parameters – application date, priority or seniority, goods and services (in the official English version published by EUIPO); it all remains the same in a mere technical delivery process. They will, however, not be called UK marks, the little snappy title will be *„comparable trade mark (EU)"* and they will have to enter onto the Register as soon as reasonably practicable after exit day. Hopefully, there will be little delay only.

The same mechanism will apply for *Collective Marks* and *Certification Marks*.

Terms and fees for *renewal* will be those applicable for UK marks, with one important exception: During a period of six months following exit day, UKIPO will, with expiry, send renewal reminders to the owners (not EU representatives) granting permission to renew the trade mark within 6 months upon receipt of such notice.

Genuine use or reputation of the mark in the EU before exit day will remain valid in the UK. After five years of non-use, the cloned trade mark will be subject to cancellation. Periods of use can be partly before and after exit day, with the consequence that the period after exit will require use in the UK. There will be no all new grace period of non-use, though.

Contracts, agreements and licenses will be presumed valid for the cloned right and in the UK, unless expressed will of the parties suggests differently. *Securities* granted in EUTMs will be valid against the cloned trade mark, too.

Pending court proceedings in the UK on the basis of an EUTM will continue with the cloned right swapped in but cannot any longer justify EU-wide court orders,

particularly injunctions. *Binding and final judgements* of EUTM Courts will remain valid and enforceable in the UK. But, it goes only this way; where UK courts have granted EU-wide orders, these will likely be enforced only upon recognition in the Member State or under the rules of international agreements, absent provision in EU law to the contrary. Also, *cases pending at UKIPO*, especially *oppositions*, are not addressed by the present draft!

Right owners without interest in such cloned right may opt-out with the UKIPO at any time, unless the cloned right has been put to use in the UK after exit day, or has been made subject of agreement (including transfer of right) or security after exit day; if so, opting out is not permissible.

EU Trademark applications pending at exit day will be processed as UK trade mark applications only upon request by the owner and will run the ordinary course of examination at UKIPO. The request has to be filed within 9 months following exit day, and the then UK trade mark application attracts the ordinary fees. Only under such circumstances, the application date, priority and seniority date of the EU application will survive.

The concept of *exhaustion of rights* based on EU trade marks continues to have effect beyond exit day. An exhaustion that occurred before exit day in the EU continues thereafter in the UK. There is further provision that rights remain exhausted in the UK, when the product has been first put on the market in the EU or in the UK after exit day. Similar shall apply to Community designs and essentially to copyrights, see draft of The Intellectual Property (Exhaustion of Rights) (EU Exit) Regulations 2018 ⧉. However, no provision could be made that trade mark rights remain exhausted in the EU, when the product is first put on the market in the UK after exit day. This will remain for the EU legislator to define, or the Brexit parties to jointly agree.

These draft Regulations go well beyond what is included in the Withdrawal Agreement but *questions and gaps* to fill in remain:

Action required?

The Statutory Instrument does not at all address *International Registrations designating the EU*. There is express political will to find a comparable solution for this category of right with some 200.000 live trade marks but not more; there is no working paper or draft. Stay tuned! For those with a vivid interest in the UK, some deliberation with trade mark counsel is strongly suggested, to *avoid any significant gap* following exit day.

Pending cases at EUIPO against EUTMs do not prevent the registration to be cloned or an UK application with the same particulars be filed at UKIPO, resulting in potentially repeated or parallel proceedings at UKIPO, at least doubling the cost.

Currently, for register operations only an address for service within the European Economic Area is required by UKIPO, not a local address or representative. This is not very likely to survive for cloned rights so that time may be short to coordinate future administration of the portfolio.

What is due next?

IP right holders should *review and analyze their portfolio* to see which IP rights are particularly relevant to their business in the United Kingdom. Particularly relevant IP rights may encompass, for example, those with significant revenue or those expressly licensed for the territory of the United Kingdom. To the extent that such important intellectual property rights are not yet covered by the Regulations and thus a gap in protection may emerge, it may be worthwhile *revising the filing strategy* going forward, including for the applications that will require re-filing in the UK.

Right owners should also check on those IP rights that represent no relevant interest in the UK. *Opting out* might thus be prepared to prevent additional redundant administrative burden in the long run. Consider, however, the potential strategic benefits of having this cloned right with your counsel first. On top, opting out is not always permissible and therefore, particular attention should be paid to *IP-related contracts* and agreements of any kind.

When you are a licensee, make sure that you are on the same page with the licensor about the *geographic coverage of the license and the licensed rights*.

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