



VOSSIUS & PARTNER  
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# BREXIT

## CONSEQUENCES FOR OWNERS OF EU TRADEMARKS AND DESIGNS

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## 1. Introduction

### 1.1. Withdrawal plan

On March 29, 2017, following a referendum held in the UK, the United Kingdom notified the European Council of its intention to withdraw from the EU ("BREXIT" in short), thereby triggering the two-year period for preparing the withdrawal. During this period, ending on March 29, 2019, a withdrawal agreement may be negotiated with the EU. According to an announcement of the EU Commission and the United Kingdom, they have agreed on a transition period beginning on March 29, 2019 and ending on December 31, 2020.

According to the UK Government's EU Withdrawal Bill of July 13, 2017, all existing EU legislation will be automatically converted into UK law to ensure a smooth transition before and after BREXIT.

On February 28, 2018, the EU Commission presented a **Draft Withdrawal Agreement**, which includes provisions on **Intellectual Property**.

The UK Government issued a "**Technical note: other separation issues – phase 2**" on March 6, 2018, stating in item 42, with respect to intellectual property rights, that "in many areas, the UK's position is closely aligned to that set out by the EU", and that "the UK's overall objective is to provide maximum clarity and legal certainty for users, applications and right holders".

In case no withdrawal agreement should be concluded, the UK will technically no longer be a member of the EU as of March 29, 2019, but there will be a 21 month transition period (ending on December 31, 2020) during which the UK will effectively remain under EU rule.

### 1.2. Impact of BREXIT on national UK trademarks and designs

National UK trademarks and designs as well as International Registrations with protection in the UK are not directly affected by the withdrawal of the United Kingdom from the EU.

However, there is an indirect effect. UK trademark and design law is based on EU Directives that have been transposed into national law by the Member States. The ECJ is exclusively competent for the interpretation of EU Directives. Therefore, if disputes over national trade mark law require interpretation of a legal term based on a Directive (e.g. the EU Trademark Harmonization Directive), the national court must submit the question of its interpretation to the ECJ. After BREXIT, the binding effect of ECJ decisions on the interpretation of Directives for UK courts will no longer apply, and the UK courts will interpret UK norms originally based on EU Directives themselves. This will result in a divergence in the development of trademark and design case law between the UK, on the one hand, and the remaining EU Member States (subject to ECJ precedent), on the other.



### **1.3. Impact of BREXIT on IP rights that are subject to EU law**

Brexit will only have a direct effect on those intellectual property rights that are subject to EU law. These are

- EU trademarks
- Community designs
- International Registrations with protection in the EU
- International Designs with protection in the EU.

## **2. Consequences of Brexit with respect to EU rights and their protection in the UK**

### **2.1. Worst case scenario: No provisions in place**

- EU right holders would have to immediately register their rights in the UK, which will be both costly and time consuming.
- Loss of priority of EU rights possibly resulting in new conflict situations in the UK.
- Loss of seniority rights in EU trademarks which have been granted to UK trademarks. It is unclear what will become of UK trademarks that have already been cancelled.
- Although this scenario is in no one's interests, including those of UK nationals, it is not completely unlikely in view of the narrow time-frame remaining for resolving the unsolved problems.

### **2.2. Preferable scenario: Suitable provisions for IP rights will be agreed upon**

There are three possible approaches for suitable provisions:

#### **2.2.1. Continued application of EU trademark and design law in the UK**

- Existing and newly registered EU rights would continue to be protected in the UK without the involvement of additional costs or time.
- EU rules regarding trademarks and designs would continue to apply in the UK.
- The UK would, however, have no influence on future changes and adjustments of the EU system.



### 2.2.2. Automatic recognition of EU rights in the UK

- EU rights would be automatically recognized on the basis of a national law in the UK.
- However, automatic recognition would also be associated with a lack of legal certainty, as the protection of these rights would depend on the national legal situation in the UK.

### 2.2.3. Creation of comparable protection under UK law

This is the most likely scenario, with four possible options:

**Option 1:** Automatic conversion without the intervention of the EU right holders, providing the same level of protection and the same priority in the UK as before. Option 1 seems to be the most probable option (cf. end of paragraph 2.2.3.).

**Option 2:** Conversion after a declaration of the owner („opt in“).

**Option 3:** Conversion after declaration of the owner and re-examination by the UK Intellectual Property Office (UKIPO).

**Option 4:** Right holders will be entitled to register identical UK rights with the same level of protection and the same priority as existing EU rights plus re-examination by the UK Intellectual Property Office.

The European Commission Draft Withdrawal Agreement of February 28, 2018 proposes, in Article 50, a solution according to *Option 1*, and provides that

- the holders of European Union trademarks which have been registered or granted before the end of the transition period shall, without any re-examination, become holders of a trademark in the United Kingdom consisting of the same sign for the same goods or services. Holders of Community designs shall become holders of a registered design right in the United Kingdom for the same design
- if an intellectual property right is declared invalid or revoked in the EU as a result of an administrative or judicial procedure which was ongoing on the last day of the transition period, the corresponding right in the United Kingdom shall also be declared invalid or revoked.

Article 50 of the Draft also includes provisions on the first renewal date in the United Kingdom, on the recognition of priority and seniority dates, on revocation for non-use, on the rights of holders of EU marks having a reputation in the EU, and on the term of protection of registered design rights in the United Kingdom.

The registration or grant of the intellectual property rights shall be carried out free of charge, and the holders shall not be required to introduce an application, to undertake any administrative procedure, or to have a correspondence address in the United Kingdom (Article 51).

Further articles provide for continued protection in the United Kingdom of International Registrations designating the European Union, continued protection in the United Kingdom of unregistered Community designs; provide a right of priority with respect to pending applications for European Union trademarks, and contain a provision dealing with exhaustion of rights.



## 3. Specific problems and recommendations

### 3.1. Territorial scope of agreements: EU

#### 3.1.1. Existing license agreements

Until Brexit: UK is part of the EU.

After Brexit: Interpretation of the term "EU" in the agreement is required. There are two possible interpretations

- "EU" being the EU territory at the time of the relevant event (post-Brexit). In this case, the UK would no longer be considered part of the EU.
- "EU" being the EU territory at the time of conclusion of the contract. In this case, the UK would be considered being part of the EU.

#### **Recommendations:**

- Immediate clarification with the contractual partner as regards the interpretation of the contract after Brexit.
- If the contract is to continue to apply in the UK, it should be ensured that there are/will be equivalent IP rights in the UK.

#### 3.1.2. Existing coexistence and prior rights agreements

Until Brexit: UK is part of the EU.

After Brexit:

Interpretation of the term "EU" in an agreement:

The territorial extension of the validity of the agreement to the UK can only be assumed, provided that, at the time of the conclusion of the agreement, the trademarks were opposed to each other in the territory of the UK (as UK trademarks, EU trademarks or International Registrations with protection in the EU or the UK, as the case may be).



### Recommendation:

Immediate clarification with the contracting partner(s) as regards the interpretation of the contract after Brexit (in case UK trademarks, EU trademarks or IRs with protection in the EU or the UK are affected by the agreement)

#### Applicable law and choice of venue according to the agreement:

Preferably, UK law should not be the applicable law in IP rights agreements dealing with EU trademarks or Community designs. Additionally, the agreement should not be subject to the venue of British courts, since after Brexit the UK will no longer be a member of the EU.

### Recommendation:

Clarification with the contracting partner(s) required with regard to a possible amendment of the relevant provision, i.e. choosing the law and courts of a continuing member of the EU.

### 3.1.3. Future licensing, coexistence and prior rights agreements

#### Recommendations:

For the purpose of legal certainty, each new contract should explicitly include a provision as to

- a.** whether, in the event of an enlargement or reduction of the EU Member States, the contract should continue to apply in the new Member State or in the Member State which has left the EU, respectively; or
- b.** whether in case of reduction of Member States (e. g. UK) or enlargement of Member States the contracting parties are to have a right of termination with regard to the affected territory.
- c.** As applicable law and legal venue the law and courts of a continuing EU Member State should be chosen.

### 3.2. Proper use

According to Article 18 (1) EUTMR, rights can only be derived from EU trademarks that have been registered for at least five years, provided they have been put to genuine use in the EU.

Until Brexit: Use of an EU trademark in the UK is considered as being genuine use in the EU.

After Brexit: Acts of use in the UK will no longer be considered as being genuine use in the EU; the EU trademark is subject to revocation for non-use!





The EU Commission's Draft Withdrawal Agreement provides that trademarks in the United Kingdom arising from EU trademarks shall not be liable to revocation on the ground that the corresponding EU trademark had not been put into genuine use in the territory of the United Kingdom before the end of the transition period.

### 3.3. Infringing use

Article 9 (2) EUTMR provides that the proprietor of an EU trade mark shall be entitled to prevent all third parties, not otherwise having consent, from using in the course of trade an identical or similar sign for identical or similar goods or services (and for dissimilar goods or services in the case of a trademark with a reputation).

Until Brexit: Infringement actions in the UK are considered as being such in the EU.

After Brexit: Infringement actions in the UK are no longer considered as being violations in the EU.

### 3.4. Official opposition proceedings

After Brexit it will no longer be possible to base oppositions against EU trademarks or EU parts of International registrations on earlier UK marks or International Registrations with protection in the UK.

Conversely, it will no longer be possible to file oppositions based on EU trademarks or IR with protection in the EU against UK trademarks and IR trademarks with protection in the UK.

### 3.5. Exhaustion of rights

Article 15 (1) EUTMR provides for exhaustion of EU trademark rights in the whole of the European Economic Area (EEA). An EU trade mark does not entitle its proprietor to prohibit its use in relation to goods which have been put on the market in the EEA under that trade mark by him or with his consent.

Should the UK not be a member of EEA after Brexit, the owner of an EU trademark could prohibit the movement of goods under the EU mark in the EEA, despite having previously entered the UK market.



## 4. Trademark Checklist

- Which of my company's or client's trademarks enjoy protection in the EU (as IR with protection in the EU or as EU trademark)?

- Are these trademarks used in the UK or is there a plan to use them in the UK?

Yes: national UK trademark registration is recommended as long as there is still uncertainty about the conclusion and content of a Withdrawal Agreement.

No: national UK trademark registration is not necessary.

- Are these trademarks with protection in the EU currently only used in the UK?

Yes: national UK trademark registration recommended. It is also recommended to immediately commence the use of the EU trade mark in another Member State to avoid revocation of the EU trade mark due to non-use.

No: national UK trademark registration is not required. However, a UK trademark is recommended if it is intended to be used in the UK.

## 5. Specific problems and recommendations – Designs

### 5.1. Protection of unregistered Community designs

Article 11 (1) Community Design Regulation (CDR) provides that a design which is new and has individual character shall be protected by an unregistered Community design for a period of three years as from the date on which it was first made available to the public within the Community.

The disclosure of a design outside the EU does not lead to the creation of an unregistered Community design.

### 5.2. Infringing use

Article 19 (1) CDR provides that a registered Community design confers on its holder the exclusive right to use it and to prevent any third party not having his consent from using it.

Until Brexit: Infringement actions in the UK are considered as being such in the EU.

After Brexit: Infringement actions in the UK are no longer considered as being such in the EU.





### 5.3. Exhaustion of rights

Article 21 CDR: Community-wide (i.e. EU-wide) exhaustion

The rights conferred by a Community design do not extend to acts relating to a protected product when the product has been put on the market in the Community by the holder of the Community design or with his consent.

Should the UK not be a member of EEA after Brexit, the owner of a Community design could prohibit the movement of goods under the design in the EEA, despite having previously entered the UK market.

## 6. Design Check list

- Which of my company's designs enjoy protection in the EU (as IR or Community designs)?

Are these designs used in the UK or is there a plan to use them in the UK?

Yes: national UK design registration is recommended as long as there is still uncertainty about the conclusion and content of a Withdrawal Agreement.

No: national UK design registration is not necessary.

- The disclosure of the design outside the EU does not lead to the creation of an unregistered Community design. The disclosed design is part of the prior art and can therefore be detrimental to novelty. It is therefore recommended that the first disclosure should take place in the EU (and, where appropriate, at the same time in the UK).

## 7. Representation before the EUIPO

Only legal practitioners established in the European Economic Area who are entitled to act as representative before the central national Patent & Trademark Office of the country where they are established are allowed to represent applicants and right-holders before the EUIPO. In the event that the UK does not become a member of the EEA, practitioners from UK will no longer be entitled to represent clients before the EUIPO.

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Vossius & Partner will keep you closely informed about any new developments that might affect your IP rights. However, please be aware that this publication is for informational purposes only and does not constitute legal advice.

## **Any questions regarding this decision or trademarks in general?**

**Please do not hesitate to contact us:**

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