

## Analysing Brexit's Impacts on European Union Trade Marks<sup>1</sup>

Trade marks in the European Union are one of the most heavily harmonised intellectual property rights. It comprises of a dual system whereby owners can opt for a pan-EU registered trade mark which protects the registered trade mark in all member states of the EU (hence why it's heavily harmonised), or instead register their trade marks with each individual member states' national trade mark system. In the United Kingdom, EU trade mark laws take effect via the transposition of the Trade Mark Directives into national law,<sup>2</sup> and also through the direct effect of Trade Mark Regulations.<sup>3</sup>

When the UK voted to leave the EU, the future of EU trade mark laws in the UK was (and still is) struck with uncertainty. Article 165 of the EU Community Trade Mark Regulation<sup>4</sup> sets out provisions covering the expansion of the EU to new members, but no provisions are provided in the event a member state decides to exit the EU. Although it depends on the kind of post-Brexit deal struck,<sup>5</sup> it is highly likely that existing EUTMs would cease to cover the UK post-Brexit.<sup>6</sup> The term "post-Brexit" in the context of this essay refers to the scenario when the UK formally exits the EU.

At the time of writing, it is safe to say that a "hard Brexit" instead of a "soft Brexit" is the more favoured approach of the UK government, as it has all intentions on leaving the Single Market.<sup>7</sup> However, the government has also stated that the agreement struck with the EU post-Brexit may "*take in elements of current single market arrangements in certain areas*".<sup>8</sup> This interesting paradox makes it difficult to digress *purely* on the assumption of a "hard Brexit" alone. Therefore, although this essay predominantly assumes that a "hard Brexit" will be adopted, the implications of adopting other models will be discussed to a certain extent where relevant.

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<sup>1</sup> The original draft of this essay reflects the law at 28<sup>th</sup> February 2017. Further developments in the law since then has been incorporated in the revision of this essay, as per 20<sup>th</sup> August 2017.

<sup>2</sup> In the UK, the Trade Marks Act 1994 transposed the First Council Directive 89/104/EEC of 21st December 1988 to approximate the laws of the Member States relating to trade marks [1989] OJ L040/1.

<sup>3</sup> Such as the Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark [2009] OJ L78/1 ("Community Trade Mark Regulation"). As per Directive 2015/2436 and Regulation 2015/2424, Community Trade Marks are now known as European Union Trade Marks.

<sup>4</sup> Council Regulation (EC) No 207/2009 (n2), art 165

<sup>5</sup> A few models have been proposed as alternatives for UK-EU relations in a post-Brexit environment, such as whether the UK decides to join the European Economic Area. See S Dhingra and T Sampson, 'Life after BREXIT: What are the UK's options outside the European Union?' (*London School of Economics and Political Science*, 12 February 2016) <<http://cep.lse.ac.uk/pubs/download/brexit01.pdf>> accessed 22<sup>nd</sup> February 2017

<sup>6</sup> Council Regulation (EC) No 207/2009 (n2), art 1(2) states that an EU trade mark shall have a unitary character and equal effect throughout the Community. Post-Brexit, this would no longer include the UK.

<sup>7</sup> As per Prime Minister Theresa May's speech on the 12-point plan for Brexit. See the transcript of the speech at 'The government's negotiating objectives for exiting the EU: PM speech' (*gov.uk*, 17 January 2017) <<https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>> accessed 26<sup>th</sup> February 2016 ("Prime Minister's speech on 17 January 2017")

<sup>8</sup> *ibid*

This essay is divided into 4 parts – general considerations (as to the effects of Brexit on EU trade marks); impact of Brexit on trade mark litigations; licensing agreements; and potential legislative actions. It strives to answer three questions where relevant, namely – what the implications of Brexit on owners of EU trade marks are; how owners of EU trade marks can effectively maintain their rights as per those implications; and whether any assistance by way of legislation is needed in order for rights to be effectively maintained.

## General considerations

### *Potential revocation of trade mark*

Trade marks in the EU must be put to genuine use in connection with the goods or services listed in its registration.<sup>9</sup> Whether this requirement may be satisfied if an EU trade mark has been put to use in a single EU member state only, is still unclear regardless of Brexit.<sup>10</sup> Post-Brexit, a few further questions arise – what would happen to EU trade marks that have been used only in the UK and would pre-Brexit “genuine use” be accounted for in the registration of an EU trade mark?

For EU trade marks used in both the UK and other member states, there should be less of an issue in relation to satisfying the requirement of “genuine use”, although the extent of relevant non-UK use may still be an issue in the event that only minor use of the relevant mark has been made outside the UK. As for EU trade marks which have been used only in the UK, such use might not be sufficient to constitute “genuine use” capable of maintaining the mark post-Brexit. A few commentators have opined that a transitional period should be introduced to enable owners of such EU trade marks to fulfil the requirement of “genuine use” in a post-Brexit EU.<sup>11</sup> In such a situation, legislative intervention would be required, not only to deal with the issue of whether a transitional period should be imposed, but also to provide clarity as to the “territory” accounted for in assessing “genuine use” post-Brexit.

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<sup>9</sup> Trade Mark Directive (n1), art 16

<sup>10</sup> In C Muyl, ‘Brexit: Potential Consequences for European Union Trademarks’ (*Trademark and Copyright Law*, 24 June 2016) <<http://www.trademarkandcopyrightlawblog.com/2016/06/brexit-potential-consequences-for-european-union-trademarks/>> accessed 17<sup>th</sup> August 2017, T-278/13 *Now Wireless Ltd v OHIM* [2015] ECLI:EU:T:2015:57 was cited as an example where genuine use within a single Member State is sufficient. However, it should be noted that the case of *Sofa Workshop Limited v Sofaworks Limited* [2015] EWHC 1773 (IPEC) held that genuine use would require the mark to have sufficient market share in more than one country in the European Community. This confusion continues, as seen in the registration of the trade mark “MINT”, where the Hearing Officer held that use of a Community Trade Mark in one Member State may be sufficient to constitute genuine use (see the decision for *In the Matter of Application No. 3035455 by Intuit Inc etc* dated 4<sup>th</sup> January 2016 <<https://www.ipo.gov.uk/t-challenge-decision-results/o00116.pdf>> accessed 17<sup>th</sup> August 2017. Also see J Stobbs, ‘Confusion over meaning of Genuine Use in the UK’ (*Kluwer Trademark Blog*, 5<sup>th</sup> February 2016) <<http://trademarkblog.kluweriplaw.com/2016/02/05/confusion-over-meaning-of-genuine-use-in-the-uk/>> accessed 17<sup>th</sup> August 2017

<sup>11</sup> See R Arnold, L Bentley, E Derclaye and G Dinwoodie, ‘The Legal Consequences of Brexit through the Lens of IP Law’ [2017] 101(2) *Judicature* (forthcoming), available at SSRN <[https://papers.ssrn.com/sol3/papers2.cfm?abstract\\_id=2917219](https://papers.ssrn.com/sol3/papers2.cfm?abstract_id=2917219)> accessed 23<sup>rd</sup> February 2017; C Muyl (n10)

Politically, it is unlikely that a new geographical scope which extends to the EU would be introduced as part of this new “territory” (or vice versa – the EU introducing a scope which includes non-member states as part of this “territory”). As for EU trade marks used only in other member states (and not the UK), whether the rights attached to such EU trade marks would be recognised in the UK would depend on the type of legislative assistance enacted (eg, the 7 scenarios which have been identified by the Chartered Institute of Trade Mark Attorneys which will be discussed later on in this essay).

For the time-being, in order to mitigate the possibility of a potential revocation following Brexit, owners of EU trade marks used primarily in the UK wishing to maintain their right could consider using their marks<sup>12</sup> in member states other than the UK, or if they seek protection in the UK post-Brexit but have only used their mark in other member states, to use their mark in the UK.

### *Exhaustion of rights*

The principle of exhaustion of rights<sup>13</sup> finds roots in the principle of free movement of goods, underlined in the Treaty on the Functioning of the European Union. Once a good has been placed on the market in the European Economic Area (“EEA”) with the consent of the trade mark owner, the trade mark owner would not be able to prohibit the circulation of the good within the member states of the EU. This principle applies to not only member states of the EU, but also to member states of the European Free Trade Agreement (“EFTA”). It should be noted that the concept of exhaustion is not absolute, as the trade mark owner may oppose further dealings of his goods where there exists a “legitimate reason” to do so.<sup>14</sup>

The impact of Brexit on EU trade mark owners' rights in this context will very much depend on the nature of the final Brexit 'deal'. For example, where a “soft-Brexit” is adopted and the UK decides to remain in the EEA, the exhaustion principle would remain unchanged from a situation pre-Brexit,<sup>15</sup> and the rights attached to an EU trade mark will be exhausted throughout the EU once the goods are placed either in the UK or in the rest of the EEA. Where the UK opts to exit the EEA altogether (a “hard Brexit”), in the UK this might mean the return to the UK's general pre-EU accession approach of applying a principle of

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<sup>12</sup> In accordance with “genuine use”, ie that the use must be consistent with guaranteeing the identity of the origin of the goods or services to the end-user consuming the goods; and “genuine use” must be by way of real commercial exploitation of the mark on the market for the relevant goods and services. See C-149/11 *Leno Marken BV v Hagelkruis Beheer BV* [2012] ECLI:EU:C:2012:816; C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* [2003] ECLI:EU:C:2003:145. Also see B Prangell and D Sharma, ‘Genuine Use: How much use is ‘genuine use’ in the European Union?’ (*IPWatchdog*, 26<sup>th</sup> August 2015) <<http://www.ipwatchdog.com/2015/08/26/genuine-use-how-much-use-is-genuine-use-in-the-european-union/id=61007/>> accessed 17<sup>th</sup> August 2017

<sup>13</sup> Trade Mark Directive (n1), art 15; Community Trade Mark Regulation (n2), art 13

<sup>14</sup> Trade Marks Act 1994, s 12(2)

<sup>15</sup> The principle of exhaustion of intellectual property rights is set out in Protocol 28 of the Agreement on the European Economic Area [1994] OJ L001/3-522

"international exhaustion" of trade mark rights. This would mean that if goods were put on the market anywhere in the world (whether in the UK or not) with the consent of the trade mark owner, then the subsequent sale of those goods cannot be prevented.<sup>16</sup> Alternatively, the UK may choose to introduce "national exhaustion" of rights, meaning that where goods are placed in UK markets, the national right to control subsequent circulation of the goods will be exhausted and the trade mark owner cannot stop his goods from being resold. However, where the goods are placed in markets outside the UK, there would be no exhaustion of rights and the trade mark owner can continue to control the circulation of his goods.<sup>17</sup>

### *Claiming seniority*

The owner of a national trade mark in an EU member state is allowed to claim seniority in a subsequent registration for a pan-EU trade mark.<sup>18</sup> The EU trade mark owner would be able to benefit from the earlier filing date (of the national registration of the mark in his member state) without having to maintain the national registration. The national registration can then be allowed to lapse, to be "picked up" by the subsequent pan-EU trade mark.

It is unclear how a right to a seniority claim would be maintained post-Brexit for UK trade mark owners trying to benefit from an earlier filing date in the registration of an EU trade mark. Since the status of this is uncertain, it has been suggested that UK trade mark owners renew their UK trade mark instead of allowing it to lapse in favour of an EU trade mark.<sup>19</sup>

### Impact of Brexit on trade mark litigations

#### *Influence of EU jurisprudence*

As mentioned at the start of this essay, EU law on EU trade marks not only applies via the implementation of the TMA 1994, but also via the direct effect of Regulations. The UK courts are also required to interpret EU law in line with the purpose of the underlying EU legislation and with guidance from the decisions of the Court of Justice of the European Union.

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<sup>16</sup> Subject to exceptions – see the earlier point on "legitimate reason"

<sup>17</sup> As explained in K O'Rourke and O Gray, 'Brexit: changes ahead for exhaustion of rights' (*WIPR*, 4<sup>th</sup> August 2017) <<http://www.worldipreview.com/contributed-article/brexit-changes-ahead-for-exhaustion-of-rights>> assessed 18<sup>th</sup> August 2017

<sup>18</sup> Community Trade Mark Regulation (n2), art 34-35

<sup>19</sup> As recommended in V von Bomhard, 'BREXIT and impact on EU trademarks and design rights' (*Kluwer Trademark Blog*, 28 June 2016) <<http://kluwertrademarkblog.com/2016/06/28/brexit-and-impact-on-eu-trademarks-and-design-rights/>> accessed 24 February 2017

If the UK decides to remain within the EEA, there won't be many changes as non-EU EEA states are required to implement a large number of EU directives on intellectual property rights.<sup>20</sup> And although in this situation the UK courts would not be bound to decisions of the CJEU, it would be subjected to the EFTA Court which takes "due account" of CJEU case law and issues "advisory" opinions to its member states, which are followed in practice.<sup>21</sup>

If the UK does not join the EEA, it would not be required to maintain any EU law, and will no longer be bound by the decisions of the CJEU. If the current EU Regulations are to apply post-Brexit, they would have to be transposed into UK national law as the principle of direct effect would no longer apply. This is in contrast to EU directives which have already been transposed and implemented into the UK via an Act of Parliament prior to the date of Brexit, which would already constitute part of UK law. In this regard, the so-called "Great Repeal Bill" has proposed for the automatic conversion of directly applicable EU laws as at the time before the UK leave the EU (such as EU Regulations),; and preservation of EU laws such as EU directives which have already been implemented into the UK.<sup>22</sup> It is uncertain whether as a result of such implementation/preservation of EU laws, EU trade marks will continue to be enforceable in the UK.<sup>23</sup> Nonetheless, the Great Repeal Bill did not single out intellectual property as an issue on its own, and as such it is yet to be seen just how far the implementation/preservation of EU laws would be carried out.

As for case laws, the Great Repeal Bill has proposed that historic CJEU case laws will be given the same binding status as decisions of the UK Supreme Court – meaning that departure from previous case laws can only happen at the highest appellate level, which might lead to an increase in IP cases going up to the highest level of appeal should the Great Repeal Bill be passed in Parliament.<sup>24</sup> Another question arises – how would judges (at any level) interpret the laws which originate from the EU but have been decided post-Brexit? Adopting the purposive approach, judges could still look into EU legislative and preparatory

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<sup>20</sup> See 'The Effect of Brexit on UK Intellectual Property Protection and the Unified Patent Court and Practical Steps to Be Taken Now and in the Future' (*WilmerHale*, July 2016) <[https://www.wilmerhale.com/uploadedFiles/Shared\\_Content/Editorial/Publications/WH\\_Publications/Client\\_Alert\\_PDFs/2016-07-15-The%20Effect%20of%20Brexit%20on%20UK%20Intellectual%20Property%20Protection%20and%20the%20Unif.pdf](https://www.wilmerhale.com/uploadedFiles/Shared_Content/Editorial/Publications/WH_Publications/Client_Alert_PDFs/2016-07-15-The%20Effect%20of%20Brexit%20on%20UK%20Intellectual%20Property%20Protection%20and%20the%20Unif.pdf)> accessed 24 February 2017

<sup>21</sup> *ibid*

<sup>22</sup> It should be noted that this is a very brief summary of the "Great Repeal Bill". In its White Paper, the Government has also proposed for an introduction of delegated powers to the executive to amend ex-EU law converted into EU law, and Acts of Parliament linked to the UK's membership in the EU. For further analysis on the Great Repeal Bill, see S Peers, 'The White Paper on the Great Repeal Bill: Invasion of the Parliamentary Control Snatchers' (*EU Law Analysis*, 31<sup>st</sup> March 2017) <<http://eulawanalysis.blogspot.my/2017/03/the-white-paper-on-great-repeal-bill.html>> assessed 18<sup>th</sup> August 2017

<sup>23</sup> H Guise, 'Brexit: The Great Repeal Bill – IP Implications' (*Fieldfisher*, 3<sup>rd</sup> April 2017) <<http://intellectualpropertyblog.fieldfisher.com/2017/brexit-the-great-repeal-bill-ip-implications/>> assessed 18<sup>th</sup> August 2017

<sup>24</sup> H Guise (n22)

materials and the underlying purpose of the EU in enacting the law (which has been transposed into the UK pre-Brexit or as a result of the Great Repeal Bill), and make decisions accordingly. Alternatively, future CJEU jurisprudence would still be persuasive and adoption of such persuasive judgments would largely depend on judicial discretion.

Hence, in a macroscopic sense, future CJEU jurisprudence would no longer be binding and on the surface, this might lead to a divergence in jurisprudence in the post-Brexit environment. However, in a more microscopic sense, the extent to which case laws would diverge from CJEU jurisprudence would depend largely on (a) whether the law applied on the facts stems from an EU law (and if so, still refer to the underlying purpose of enacting those laws when interpreting such laws); and (b) judicial comity in adopting persuasive judgments, whether to be reciprocal in application or otherwise.

#### *Jurisdiction and enforcement of judgments in cross-border disputes<sup>25</sup>*

Members of the EU benefit from the Brussels I Regulation (recast)<sup>26</sup> and Lugano Convention<sup>27</sup> which ensure that common jurisdictional rules apply and that judgments in one member state would be enforceable in other member states. Generally, defendants may be sued in the member state in which they are domiciled, with "special jurisdiction" for matters relating to tort extending to the courts of member states in which a harmful event has or may occurred where a defendant is not domiciled in the relevant member state. For cases concerning validity or registration of an IP right, the relevant court would be the court in the member states in which the registration was applied for.<sup>28</sup>

Whether this arrangement continues also depends on the post-Brexit model adopted. For example, was the UK to become a member of EFTA, it would continue to be a party to the Lugano Convention, although not a party to the Brussels I Regulation (recast). In this scenario, the current position would remain mostly unchanged, although with regards to cross-border enforcement of judgments, there is a more complicated process, which would involve the judgment creditor applying for a notice of declaration of enforceability (of the judgment to be enforced) from the court of the country in which the debtor resides in, before the judgment (and the declaration) can be served on the debtor. This would incur higher costs for EU trade mark litigants.<sup>29</sup>

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<sup>25</sup> See A van Hooft, 'Brexit and the Future of Intellectual Property Litigation and Arbitration' [2016] 33(7) JOIA 541-564 for an in-depth explanation on this subtopic

<sup>26</sup> Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) [2012] OJ L351/1-32 ("Brussels I Regulation (recast)")

<sup>27</sup> Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, signed in Lugano on 30 October 2007 [2009] OJ L147/5 ("Lugano Convention")

<sup>28</sup> Brussels I Regulation (recast) (n16), art 24

<sup>29</sup> A van Hooft (n16), 555

Alternatively, if the UK decides to ratify the Hague Convention on Choice of Court Agreements,<sup>30</sup> it would substantially change the current position. The Hague Convention which provides a worldwide framework of rules on jurisdiction and enforcement of judgments has a more limited geographical scope, and more grounds in which enforcement of a judgment can be refused as compared to the Brussels I Regulations (recast). Claims relating to validity or infringement of IP rights is also excluded except where it concerns a breach of contract.<sup>31</sup>

Another alternative is that the UK does nothing. Considering the effects of the Great Repeal Bill (should it come into force), even if the UK were to incorporate the Brussels I Regulations (recast) into UK law, nothing would require EU member states to do so in return. The Brussels I Regulations (recast) would no longer cover enforcement of judgments in the UK (as the UK is no longer a member state) and hence such incorporation into national law would not be practical. In contrast, the Brussels Convention 1968<sup>32</sup> (which was pre-Brussels I Regulations (recast)) has been implemented into UK law via the Civil Jurisdiction and Judgments Act 1982, and has been in force since. With regards to enforcement of judgments in particular, under the Brussels Convention 1968, the procedure would be as per the law of the State where enforcement is being sought. Nonetheless, the framework set out under the Brussels I Regulations (recast) is far ahead of the Brussels Convention 1968, and it is hard to reconcile the interplay between both regimes (given that one is the update of the other).<sup>33</sup> This would create uncertainty for EU trade mark owners (and other litigants) seeking to enforce UK judgments in the EU, or vice versa.

It should be noted that where arbitration is concerned, the enforcement of arbitral awards will not be directly impacted by Brexit.<sup>34</sup> This might serve as an attractive alternative for EU trade mark litigants instead of bringing a case to court, especially where certainty of enforcement is the main concern. Nonetheless, not every EU trade mark dispute can be dealt with adequately by arbitration due to its tortious nature (arbitration normally requires contractual agreements). Furthermore, decisions made by way of arbitration would only have an inter partes effect, and will not act as precedent for future disputes.

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<sup>30</sup> Convention on 30 June 2005 on Choice of Court Agreements (“Hague Convention”)

<sup>31</sup> A van Hooft (n16), 555-556

<sup>32</sup> 1968 Brussels Convention on jurisdiction and enforcement of judgments in civil and commercial matters [1972] OJ L299/32-42 (“Brussels Convention 1968”)

<sup>33</sup> For a more detailed analysis on this, see N Resimont, ‘Jurisdiction and Enforcement of Judgments Post-Brexit State of Play’ (*Stibbe*, 29<sup>th</sup> March 2017) <<https://www.stibbe.com/en/news/2017/march/jurisdiction-and-enforcement-of-judgments-post-brexit-state-of-play>> accessed 18<sup>th</sup> August 2017

<sup>34</sup> Enforcement of arbitral awards are governed by the New York Convention, not by the Brussels I Regulation (recast). See A van Hooft (n16), 562-564

## *Remedies*

EU law ensures the possibility of a pan-European relief for the infringement of an EU trade mark, in order to ensure uniform protection of the mark across the EU.<sup>35</sup> Exiting the EU (particularly the EU trade mark system) would mean that this relief will no longer be available in the UK courts. Another problem arises with regards to pan-European injunctions that have already been obtained. Would such injunctions continue to apply in the UK in a post-Brexit environment? What would “infringement in the EU” be construed as?

Should there be no legislative intervention, it is likely that in the future, an EU trade mark owner would have to bring two sets of proceedings to stop the use of its mark where an infringement occurs in an EU member state and in the UK (and the latter would depend on whether the owner has a UK trade mark, or whether EU trade mark rights have been incorporated into the UK via legislation). Even for EU trade mark owners who have already obtained a pan-EU injunction pre-Brexit, it may be necessary to obtain a fresh injunction in the UK, as the definition of “the EU” would no longer include the UK. Unfortunately, this would result in increased litigation costs for EU trade mark owners. However, should there be legislative intervention, transitional provisions could be enacted to address the status and possibility of such pan-European reliefs.

### Impact of Brexit on trade mark license agreements

#### *Immediate actions*

The impact of Brexit on license agreements is likely to be a matter of construction of each agreement, applying the applicable governing law. The problem arises where there is ambiguity in the provisions in a contract. In order to mitigate uncertainty, EU trade mark owners should review and potentially revise their license agreements to “Brexit-proof” it. Parties may want to consider inserting express provisions into agreements now, particularly in areas such as jurisdiction, governing law, and dispute resolution clauses.

#### *Choice of law*

This would remain largely unaffected. Where contracts currently stipulate “English law”, it is construed as English law including the applicable EU law. Post-Brexit, this is

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<sup>35</sup> Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L195/16 (“Enforcement Directive”), art 3 provides general provisions for the availability of intellectual property remedies. Also see C-235/09 *DHL Express France SAS v Chronopost SA* [2011] ECLI:EU:C:2011:238, para 49, emphasizing the availability of pan-EU reliefs

unlikely to change as English common law is similar to the current laws in place ie the Rome I<sup>36</sup> and Rome II<sup>37</sup> Regulations.<sup>38</sup>

### *Construing “European Union”*

The issue of defining the “European Union” is a tricky one, irrespective of Brexit. Pre-Brexit, such wording is problematic as it may not encompass the potential of an EU expansion. Post-Brexit, the issue is whether the wording “European Union” would continue to encompass the UK. Naturally, the applicable rules on construction of clauses would apply, depending on each individual member state’s (and the UK’s) laws. In order to avoid any potential confusion, it is advisable for parties to clarify their positions by spelling out the territories they intend to include under the term “European Union”.

### *Termination of contract*

Whether Brexit would be a ground for terminating an existing license agreement would depend on the terms of the contract itself. Parties may be able to argue that there has been a material adverse change to the license agreement as a result of Brexit, or try to rely on the doctrine of frustration to claim that the contract is no longer capable of performance as a result of Brexit.<sup>39</sup> It is hard to predict the exact impact on EU trade mark owners in this regard as it would depend on each individual license agreements and the applicable rules of construction of contract would apply.

### Is legislative action needed?

### *Summary*

<b>Issue</b>	<b>Implications of Brexit</b>	<b>What EU trade mark owners can do for now</b>	<b>Is legislative assistance needed?</b>
<b>GENERAL CONSIDERATIONS</b>			
Potential revocation of trade mark	<ul style="list-style-type: none"> <li>EU trade marks used only in the UK</li> </ul>	Depending on where EU trade mark owners wish to maintain their rights,	Yes

<sup>36</sup> Regulation (EC) 593/2008 of 17 June 2008 on the law applicable to contractual obligations [2008] OJ L177/6-16 (“Rome I Regulation”)

<sup>37</sup> Regulation (EC) 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations [2007] OJ L199/40-49 (“Rome II Regulation”)

<sup>38</sup> The Contracts Applicable Law Act 1990 is similar to the Rome I Regulation, and the Private International Law (Miscellaneous Provisions) Act 1995 is also similar to the Rome II Regulation, with slight differences. See MSA Wahab, ‘Brexit’s Chilling Effect on Choice of Law and Arbitration in the United Kingdom: Practical Reflections between Aggravation and Alleviation’ [2016] 33(7) JOIA 463

<sup>39</sup> ‘Impact of Brexit on contracts’ (Norton Rose Fulbright, July 2016)

<<http://www.nortonrosefulbright.com/files/impact-of-a-brexit-on-contracts-137551.pdf>> accessed 26 February 2017

	<p>would be vulnerable to revocation</p> <ul style="list-style-type: none"> <li>• EU trade marks used only in the EU might lose protection in the UK</li> </ul>	they should make use of their mark in that particular territory	
Exhaustion of rights	<p>Depending on whether the UK</p> <p>(1) Remains in the EEA;</p> <p>(2) Adopts international exhaustion of rights</p> <p>(3) Adopts national exhaustion of rights</p>	-	More dependent on the type of post-Brexit deal struck
Claiming seniority	<p>Uncertainty on how EU trade mark owners can benefit from seniority claims based on earlier UK national marks</p>	<p>UK trade marks be renewed for the time being instead of allowing it to lapse for an EU trade mark</p>	Yes
<i>LITIGATION</i>			
Influence of EU jurisprudence	<p>Depending on whether the UK remains in the EEA. If not, it would depend on the implementation of the Great Repeal Bill</p>	-	<p>More dependent on the type of post-Brexit deal struck and the effects of the Great Repeal Bill should it be passed</p>
Jurisdiction and enforcement of judgments (cross-border)	<p>(1) Member of EFTA – less changes;</p> <p>(2) Ratify Hague Convention – substantial changes;</p>	-	<p>More dependent on the type of post-Brexit deal struck and the effects of the</p>

	(3) UK does nothing – dependent on the implementation of the Great Repeal Bill  Extra: no effect for enforcement of arbitral awards		Great Repeal Bill should it be passed
Remedies	Pan-EU relief no longer available	For EU trade mark owners who have already obtained pan-EU injunctions, it is advisable to seek the remedy separately in UK courts in order to ensure that an injunction would also run concurrently in the UK	Yes
<i>LICENSE AGREEMENTS</i>			
Choice of law	Unaffected	-	-
Construing “European Union”	Unsure whether it would extend to the UK	Clarify position	No – contractual rules should suffice
Termination of contract	Brexit as a possible ground to terminate the license agreement	Depends on the wording of the license agreements	No

Based on the above summary, it can be seen that legislative assistance is not required in all aspects. It is also possible for EU trade mark owners to mitigate the effects of a post-Brexit environment for the time being. EU trade mark owners could apply for an additional UK trade mark in any event, but this might incur unnecessary costs, particularly for those with large portfolios. In any event, legislative assistance would ease the uncertainties of EU trade mark rights in the UK post-Brexit, providing a more efficient means of extending previous rights into a new environment.

## *Possible options*

The Chartered Institute of Trade Mark Attorneys has identified 7 possible models that could be adopted to prevent the loss of protection for EU trade marks in the UK following Brexit.<sup>40</sup> These are:

1. *UK plus*

The EU trade mark system would extend to both UK and EU (and potentially other European countries not part of the EU such as Norway and Switzerland). This would be bilateral and requires the cooperation of the EU

2. *Jersey model*

EU trade marks would be deemed to have effects in the UK. This would be a unilateral decision.

3. *Montenegro model*

All EU trade marks are automatically entered in the UK trade mark register.

4. *Tuvalu model*

EU trade mark owners would have the choice on whether to extend their EU trade mark to the UK.

5. *Veto*

Like the Tuvalu model, EU trade mark owners would have the choice to extend their trade mark to the UK, but the UK Intellectual Property Office would retain the right to refuse its registration. This particularly applies to marks which are not registrable under UK law or practice.

6. *Republic of Ireland model*

EU trade mark owners would have the option to create a UK trade mark upon renewal of EU trade mark. Registration of the EU trade mark would be enforceable in the UK and EU up until renewal.

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<sup>40</sup> 'EU registered rights – trade marks' (CITMA, 19 August 2016) <[https://www.citma.org.uk/membership/eu\\_resources/eu\\_brexit/eu\\_registered\\_rights\\_-\\_trade\\_marks](https://www.citma.org.uk/membership/eu_resources/eu_brexit/eu_registered_rights_-_trade_marks)> accessed 26 February 2017. Also see S Bojovic, 'Brexit and IP Can the experience from former Yugoslavia be applied' (*Lexology*, 7 November 2016); G Beneduci, 'The Brexit impact on pan-European IP rights; a déjà vu?' (*Lexology*, 29 December 2016)

## 7. Conversion

EU trade mark would be converted into UK trade marks subject to examination by the UKIPO, while the registration of the previous EU trade mark continues to exist.

### *Analysis*

The recommendations by CITMA above are listed in decreasing order of its favourability to trade mark owners, with the evaluation factors being the initial cost to business, the level of UKIPO resource needed, the likelihood of post-division conflicts, and effects on legal certainty. It is submitted that even with the Government's proposed Great Repeal Bill, legislations (or provisions) specifically dealing with intellectual property rights post-Brexit should be passed, as the current proposal is vague. For example, if EU regulations at the time of Brexit are converted into UK law, would this mean the continuation of the EU trade mark regime in the UK? If EU trade marks are recognised in the UK post-Brexit because of the passing of the Great Repeal Bill, will there be two regimes dealing with EU trade marks – UK law for EU trade marks in the UK post-Brexit, and the EU regime running concurrently?

On top of that, some basic observations can be made with regards to these proposals. Firstly, any mandatory application for a UK trade mark would increase the UKIPO's workload, and incur additional fees on the part of trade mark owners.<sup>41</sup> Secondly, an automatic conversion of EU trade mark rights would not ensure the use of such rights in the UK, resulting in clutter in the UK trade mark register.<sup>42</sup> Thirdly, with regards to license agreements, the two regimes (UK Trade Marks Act 1994 and the EU Trade Mark Regulations) have some differences. As pointed out by other authors, UK law allows any licensee whether exclusive or non-exclusive to bring infringement proceedings in their own name, whereas under the EU trade mark regulation, such a right is only afforded to exclusive licensees.<sup>43</sup>

When political possibilities are taken into account, some of the options (in particular, the UK plus, Jersey and Republic of Ireland scenarios) are also unlikely. The UK government is clear that it wishes to take back "control" of its own laws, and exit the Single Market.<sup>44</sup> Post-Brexit, an automatic extension of EU trade marks (which UK would no longer have any influence on its legislative process) into the UK unilaterally would be a paradox to the idea of taking back "control" of its own laws. On the flipside, as much as the UK may be

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<sup>41</sup> R Arnold, L Bentley, E Derclaye and G Dinwoodie (n9)

<sup>42</sup> R Arnold, L Bentley, E Derclaye and G Dinwoodie (n9). This article also recommended a requirement of a statement of bona fide intent to use the trade mark in the UK in the event of conversion

<sup>43</sup> P Collis (n32), A van Hooft (n16)

<sup>44</sup> Prime Minister's speech on 17 January 2017 (n6)

interested in maintaining its sovereignty post-Brexit, the EU also pursues its own EU agenda. The EU trade mark is fundamentally a *European Union* project.<sup>45</sup> When the UK officially exits the EU, it would no longer be part of the Community. Evaluating the first option (UK plus) in this context, it is unlikely that the EU would wish to extend its trade mark system to the UK (or to any other countries in Europe), as it would be contrary to it being an *EU project*. The status of the EU is also the biggest difference between the Brexit scenario and all the other scenarios outlined – the EU is a supranational entity. Therefore, as much as the first option is the best option on the list, just like the Jersey option, it is unlikely to happen.

### Conclusion

There is much uncertainty with regards to EU trade mark rights following Brexit. On one hand, the UK government appears adamant on exiting the Single Market; whilst on the other says it is open to the option of incorporating current Single Market arrangements in certain areas of law. Where do EU trade marks stand in such plans? It is also yet to be seen whether the Great Repeal Bill will be passed, and if it does get passed, what the legislation would encompass. Would it adequately deal with IP rights, or would further legislative assistance be needed?

For now, EU trade marks owners are advised to take steps (as discussed above) to mitigate the potential problems that may arise in relation to their trade mark rights. Based on the above summary, it can be seen that mitigation can largely be carried out in relation to license agreements, most likely due to its private and contractual nature. Nevertheless, in the bigger picture, EU trade mark owners can only do so much to protect their rights, as the steps that can be taken to mitigate the effects of Brexit are limited; and the type of post-Brexit deal struck and further legislative intervention play a bigger role in the preservation of EU trade mark rights following Brexit.

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<sup>45</sup> See n5