INTA’s Brexit Brands Toolkit
Preparing Brand Owners for Brexit
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PURPOSE OF THIS TOOLKIT

Following last summer's referendum, the United Kingdom (UK) has decided to leave the European Union (EU). It is foreseen that Article 50 of the Treaty on the Functioning of the European Union (TFEU) will be triggered this month by the UK government, thus starting severance negotiations with the EU.

The “Brexit” process will be complex at all levels. While the length and outcome of the negotiations remain unclear, the consequences will be far-reaching and may impact your company in many ways, including those related to intellectual property (IP) and corporate brand protection. However, with so many issues to consider, intellectual property might not be at the top of your management’s agenda.

The International Trademark Association (INTA) is therefore pleased to introduce INTA’s Brexit Brands Toolkit: Preparing Brand Owners for Brexit. This document was drafted by INTA’s Brexit Rapid Response Group¹ as guidance. It includes a checklist that can be tailored for use as a briefing note to your general counsel or your company’s board on the key issues regarding brands and the need to allocate sufficient resources to prepare your company's brands for Brexit.² Of course, as part of its mission, INTA is also following Brexit policy-related issues closely, working with the UK Intellectual Property Office (UKIPO), the European Union Intellectual Property Office (EUIPO), and relevant EU authorities to ensure that IP and brand-related issues are properly considered as negotiations take place.

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² For further background on why these steps are necessary, see “How the Brexit Vote Will Affect Brand Owners: A Q&A Guide,” published in the INTA Bulletin (Vol. 71, No. 11, July 1, 2016), here: http://www.inta.org/INTABulletin/Pages/Brexit_QandA_7111.aspx.
TRADEMARKS

EU Trade Marks (EUTMs) are the obvious place to start. Almost certainly, they will no longer cover the United Kingdom when Brexit takes effect. And while there are reasons to be confident that provision will be made for continued protection of existing EUTMs in the United Kingdom, nobody knows quite how this will be done. Continued protection may not be automatic, third parties may have the possibility of challenging the conversion, and there will most likely be associated costs. Here are some ways to prepare:

• **Housekeeping:** Ensure that you have an up-to-date list of all EUTMs owned by your company and group companies, with correct proprietor details if you have multiple subsidiaries. If you use an in-house trademark docketing system, work out how you are going to manage the process of converting EUTM records into separate EUTM and UK trademark (UKTM) records. Make certain that your system provider is preparing for this eventuality and can provide an automated conversion process. Will you need to pay extra fees, for example, if your docketing system costs are based on the number of records? Will you need additional human resources to manage the process?

• **Identify and prioritize:** Identify those marks covered by EUTMs for which you want to keep (and do not already have separate) UK coverage. Does your company use or intend to use the marks in the United Kingdom? If so, consider whether you would be prepared to commit funds to retaining UK protection and prioritize the trademarks to help you work out some cost scenarios (see Budget below).

• **Non-use issues:** Are any of your EUTMs used only in the United Kingdom or only in the rest of the European Union? If so, and if this remains the situation in March 2019, there is a risk that the split into EUTMs and UKTMs will result in marks that have been registered for more than five years, becoming vulnerable to revocation for non-use in the United Kingdom or the remaining European Union. How can this be avoided? Should you file new UKTM or EUTM applications in the meantime? Beware of accusations of “evergreening” (repeat filing of vulnerable trademarks to avoid non-use attacks) and seek legal advice if any of these issues affect you.

• **New trademarks:** Think about whether any new trademarks requiring protection in the European Union are worth filing in the United Kingdom as well even before Brexit takes effect. This would cost more at the outset and give a temporary period of duplicate
protection; however, it might be money well spent to avoid some of the uncertainties identified below under Brand Licenses and Other Agreements as well as Disputes and Representation, if you know that the marks are going to be licensed or required for enforcement in the United Kingdom in the near future.

- **Domicile of EUTM owner:** If you are a UK company, and currently list a company employee as your representative on the EUTM database, then unless you have a real and effective industrial or commercial establishment elsewhere in the European Economic Area (EEA), under the current rules you would have to appoint a professional representative in the EEA to represent you in taking any step beyond the mere filing post-Brexit. If this applies to you, it would be hasty to change your arrangements now, but do think ahead to a scenario where you have to change your portfolio management set-up. The domicile or establishment of an EUTM owner has consequences for pan-EU jurisdiction and remedies. This is a complex area, which requires advice on a case-by-case basis, and any change in domicile is likely to have tax consequences. (See also Disputes and Representation below.)

- **International Registrations (IRs):** For most practical purposes, EU designations of IRs should be treated like EUTMs to ensure continued UK coverage after Brexit. You should also remember the rule that an EUTM may be used only as a base registration for an IR where the proprietor is, at the time of filing the IR, domiciled or has a real and effective industrial or commercial establishment in the European Union. Brexit should not affect the validity of existing IRs of UK-based proprietors with EUTMs as base registrations.

**DESIGNS**

Registered Community Designs (RCDs) will also no longer cover the United Kingdom when Brexit takes effect, subject to specific provisions made as part of the exit package. As with trademarks, the UK element of protection is expected to continue, whether automatically or by express designation, with similar considerations to those set out above in relation to trademarks.

- **Housekeeping:** As with trademarks, get your designs records in order and consider how you will manage the process of conversion from Community Designs to split Community and UK designs. For most brand owners, the number of registrations will be much lower for RCDs than for EUTMs, but the record keeping may be more complex.
• **Identify and prioritize:** Identify those designs that have RCD coverage for which you want to keep (and do not already have separate) UK coverage. Does your company use these designs or intend to use them in the United Kingdom? If so, consider whether you would be prepared to commit funds to retaining UK protection, and prioritize the designs to help you work out some cost scenarios (see Budget below).

• **New designs:** In addition to the possible reasons for filing certain new trademarks in both the United Kingdom and the European Union (see above), there is an added factor to consider in relation to registered designs, in that it is possible to include a description of the design and/or a partial disclaimer to add specificity to a UK-registered design, which cannot be done for RCDs. Also, at £70 for up to ten UK designs, they are very inexpensive!

• **Domicile of RCD owner:** The same issue on representation by a company employee arises as for trademarks, except that, as things currently stand, your domicile, principal place of business, or establishment must be within the European Union rather than the wider EEA. Once again, the domicile or establishment of the RCD owner has an impact on pan-EU jurisdiction and remedies, and a change in domicile could have tax consequences that will need to be assessed on a case-by-case basis.

• **Unregistered Community Designs (UCDs):** Given that the United Kingdom already has its own unregistered design right (UDR) regime, it is unclear whether provision will be made for parallel protection of UCDs in the United Kingdom. The expectation is that UCDs that exist in March 2019 or an alternative date specified in the government’s Brexit package will be treated as protected in the United Kingdom for the remainder of their term; however, it is not clear that new designs after that date would be afforded such protection. The designs regime in the United Kingdom is already very complicated, and the government will likely wish to avoid having two concurrent national unregistered design systems, though there are calls to do so for the short term while a new, single unregistered design right system for the UK can be consulted on in the medium term.

• **First disclosure of designs:** According to one interpretation of the Community Designs legislation, first disclosure of a design outside the European Union (which would include disclosure in the United Kingdom post-Brexit) extinguishes the possibility of a UCD ever existing for that design. This is debatable, but few will want to take the risk. If you work at, for example, a fashion company that shows its collections in London
before anywhere else, then you should seek legal advice on this point to understand how to minimize the risk of losing the opportunity to obtain UCD protection.

**DOMAIN NAMES**

Domain names fall within the responsibility of some in-house trademark departments. Domain names certainly play a part in corporate branding and should be factored into any Brexit brands planning.

- **.eu domain names:** Corporate registrants of .eu domain names must have their registered office, central administration, or principal place of business within the EEA. The domain name registry for .eu domains, EURid, has said that it awaits instruction from the EU Commission as to what will happen to .eu domain names registered by UK corporations who, following Brexit, will no longer meet this criterion. For now, UK brand owners should identify their .eu domains and consider whether they could (if needed) be transferred, for example, to a group company that will remain in the EEA. If not, how important are they, and what other arrangements could be put in place if the registration restrictions stay as they are? Consider, for example, a domain name trust agreement.

- **.uk domain names:** There are no analogous restrictions on who can register .uk domain names, and so there is no need to provide for any changes of registrant in your Brexit plans. On the other hand, if you currently use a .eu domain name for a website targeting consumers based in the European Union, you may want to consider acquiring an equivalent .uk domain name for targeting UK consumers post-Brexit.

**BRAND LICENSES AND OTHER AGREEMENTS**

Companies should be reviewing all their agreements to see whether they will remain fit for purpose post-Brexit. Would they actually have been drafted in the current form if the United Kingdom had been separate from the European Union? The issues likely to be of most concern in relation to licenses and other agreements involving IP include:

- **Territory:** Will references to “the European Union” be deemed to include or exclude the United Kingdom?
• **Choice of law:** How will the choice of “English law” be construed if it was made when the United Kingdom was part of the European Union but is subsequently applied post-Brexit? Will it include the EU legislation that no longer applies in the United Kingdom?

• **Termination:** If a contract has become commercially unattractive, whether or not because of Brexit, does Brexit amount to a force majeure or material change of circumstances that might justify termination?

• **Identification of rights:** Will it be clear which intellectual property (IP) rights are the subject of an agreement post-Brexit? For example, if EUTMs and RCDs are split into separate EU and UK rights, will a license of such pan-EU rights clearly cover the new UK rights as well? Would that have been the intention if the rights had separately existed at the time of the agreement?

• **Recordal at the UKIPO:** Prepare to record agreements relating to EUTMs and RCDs at the UK Intellectual Property Office (UKIPO) if/when the UK rights are spun out.

• **Agreements generally:** All agreements, including intra-group license agreements, should be reviewed for references to EU laws and regulations. Will these make sense in a post-Brexit world? Pending decisions as to which laws will be transposed into UK law, it might not be possible to tell, but, at the least, a comprehensive record should be made of such references so that further consideration can be given when the picture is clearer. New agreements entered into between now and Brexit should be “Brexit-proofed” as far as possible, so as to be clear about what happens when the United Kingdom leaves the European Union.

**DISPUTES AND REPRESENTATION**

If your company is in the process of bringing or defending a brand-related claim, whether in the registry or in court, there are some additional things to consider ahead of Brexit. There will be different considerations for each case, so you will need to consult your advisers, but here is a starting point for making your own checklist:

• **Oppositions and invalidity attacks:** It is expected (albeit not 100 percent certain) that, after Brexit, UKTMs and UK passing-off rights will not be effective earlier rights
for oppositions and invalidity applications against EUTMs based on relative grounds. Conversely, an EUTM would not, in the future, be a reliable basis for opposition or invalidity against a UKTM. If you are currently prosecuting a case with one of those scenarios, you might want to speed up the process to the extent possible, so that a decision can be reached before Brexit takes effect. On the other hand, a defendant may want to drag things out. Both sides should include such proceedings in their “Brexit checklist” and keep tabs on the development of legislation that will affect them.

• **Enforcement:** If the United Kingdom is fully extracted from the EUTM and RCD regimes, then it will no longer be possible to get pan-EU injunctions from the UK courts, and EU national courts will not be able to grant relief that extends to the United Kingdom. There are questions about what will happen to litigation initiated prior to Brexit, affecting the United Kingdom and at least one other Member State, and still pending at the time of Brexit. If you are involved in large-scale multijurisdiction litigation that may continue for years, you will need to consider what could happen if it is still going on when Brexit takes effect. If you are contemplating initiating proceedings in the United Kingdom that may last for more than two years (including appeals), this may be one instance where it is worth adding concurrent trademark rights in the European Union and United Kingdom and relying on both at the outset, or bringing parallel proceedings seeking national remedies.

• **Existing injunctions:** If your company has previously obtained a pan-EU injunction following infringement proceedings based on an EUTM or RCD, you will need to work out whether the injunction will still apply in both the United Kingdom and the rest of the European Union. It may not matter (e.g., if the defendant has gone out of business); but, if it does matter, then this should be high on your list for review as Brexit approaches. A pan-EU injunction granted in the past by a UK court may need to be re-registered to be enforced in the “new EU,” and such an injunction granted by a non-UK court may no longer apply in the United Kingdom, unless the government can be persuaded to enact legislation to treat such injunctions as if they had been granted locally.

• **Parallel imports:** Does your business get disrupted by parallel trade, particularly gray goods being imported into the United Kingdom from elsewhere? Once the United Kingdom leaves the European Union, and if it does not stay in the EEA, it will no longer be required to abide by the rules of free movement. The UK government will need to decide whether to apply national or international exhaustion. Historically, the United Kingdom took the position that trademark rights could no longer be asserted once products had been put on the market anywhere in the world, unless there were
special reasons for objecting (such as differences in quality), whereas many brand owners would prefer national exhaustion to apply. If this is an area of importance to your company, you might want to consider lobbying for a national exhaustion regime to apply after Brexit.

- **Representation before the EUIPO:** If you have a UK professional representative, is he or she taking steps to ensure that he or she will continue to be able to represent you after Brexit if the current rules requiring EEA (for EUTMs) or EU (for RCDs) domicile or place of business or establishment remain in place? The representation rules of the EUIPO are not straightforward, and changes might be made to minimize the impact of Brexit, at least on a transitional basis. So the message here is to work out whether the representation rules are an issue for you at all and, if they are, to ensure that you are kept abreast of developments by your advisers.

- **Cases before the Court of Justice of the European Union:** Representation in the EU courts will be less of a live issue for most brand owners, but for those with ongoing cases concerning UK rights or a UK court reference, or UK representatives, you should ask your advisers to keep an eye on the rules so that you do not get taken by surprise if these change.

- **Customs seizures and counterfeits:** Applications for action by customs authorities based on pan-EU rights will likely no longer cover the United Kingdom post-Brexit. New applications for action by UK customs authorities may well be required.

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**BUDGET**

You will need to have a budget allocated for preparing your company’s brands for Brexit. Once you have identified which of the issues listed above apply to you, try to estimate some potential costs for worst-case and best-case scenarios where further work or resources are needed.

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3 Many UK representatives have offices or connections with other firms elsewhere in the European Union; and some are obtaining additional qualifications and offices—for example, in Ireland. Those who wish to continue to represent clients before the EUIPO may need to take additional steps, but are currently waiting to see what the new rules will be before committing to actions that may prove to be unnecessary. If the United Kingdom remains in the EEA, that will solve the potential problem for UK representatives in relation to EUTMs, though the Community Design regime would need to be updated for the same to apply for RCDs.
For brand owners with large EUTM and/or RCD portfolios, the first question is how much the “conversion” of EUTMs into UKTMs will cost. Nobody knows! In theory, it could be free at both the EUIPO and UKIPO, and some large firms of representatives may undertake the conversion process without charge, in return for gaining potential renewal revenue in the future. However, this cannot be guaranteed, since the process will take time and cost money/resources at both IPOs, particularly the UKIPO, and will take considerable time for those firms that manage portfolios. The maximum UKIPO fee one could currently predict would be the equivalent of the current UKTM application fee, i.e., £200 for the first class plus £50 per additional class, and perhaps a reasonable service charge for firms managing the process would be £100 per mark (depending on the amount of work that is involved). A charge at the EUIPO level seems less likely.

Try running some calculations for best- and worst-case scenarios that include: potential UKIPO fees, attorney fees, docketing system charges, changes to your approach to portfolio management, and any charges that might be incurred internally for overtime or the hire of temporary paralegals as well as your own project management time.

Also bear in mind that your budget for future renewals of trademarks and designs will need to include national UK trademarks and design registrations in addition to the previous EU budget.

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INTA Brexit Rapid Response Group
ABOUT INTA

The International Trademark Association (INTA) is the global association of trademark owners and professionals dedicated to supporting trademarks and related intellectual property in order to protect consumers and to promote fair and effective commerce.

INTA's members are more than 7,000 organizations from 190 countries. The Association’s member organizations represent some 30,000 trademark professionals and include brand owners from major corporations as well as small- and medium-sized enterprises, law firms, and nonprofits. There are also government agency members as well as individual professor and student members.

INTA’S BREXIT TOPIC PORTAL

Information about INTA's Brexit-related activities is available here.

INTA RESOURCES

Did you know that any employee of an INTA member organization can take advantage of INTA's Legal Resources?

• With Country Guides and the other searchable guides such as International Opposition Guide; Trademark Cancellations; Madrid Agreement and Protocol; Geographical Indications: Certification Marks and Collective Marks; and Trade Dress: International Practice and Procedures—and a new searchable guide, Enforcement: An International Litigation Guide—you can answer many of your preliminary trademark questions quickly, easily, and at no additional cost.

• Check out the Quick-Start Trademark Chart for a one-stop chart that answers 18 frequently asked trademark questions in an easy-to-use format.

• Trademark Administration is INTA's classic training tool for Trademark Administrators and Young Practitioners alike, providing basic practical information, practice tips, and checklists, along with useful resource links, including a special section on ethics.

• Use our Practitioners’ Checklists to help ensure that critical considerations are not forgotten and that myriad details are managed in a focused and efficient manner.

All you need to access these resources and others is your username and password. If you have forgotten your user name or password, please contact MemberOperations@inta.org.