

**“BREXIT”
INTA Position on Intellectual Property Rights Issues
October 2017**

The International Trademark Association (INTA) is closely monitoring the current negotiations between the European Union (EU) and the United Kingdom (UK) regarding the UK’s imminent withdrawal or “exit” from membership of the EU – otherwise known as “Brexit.” In representing some 30,000 trademark professionals and brand owners from major corporations as well as small- and medium-sized enterprises, law firms and nonprofits in more than 190 countries, INTA is in a unique and balanced position to provide input on Brexit.

The following paper is an analysis of INTA’s concerns about the impact of Brexit on intellectual property rights. It discusses what the Association believes should be the required core principles for Brexit and the key issues to address. Accordingly, these positions will be the basis for INTA’s continued participation in consultations and user meetings conducted by the EU and the UK.

I. Required Core Principles for Brexit

First of all, INTA fully supports the efforts of both the UK and the EU to negotiate a balanced final ‘Brexit’ agreement that will provide a comprehensive and sustainable relationship for both sides.

The “Brexit” process will be complex at all levels. While the length and outcome of the negotiations remain, at this stage, unknown, the consequences will be far-reaching and may impact companies in many ways, including those related to intellectual property (IP) and corporate brand protection.

It is key to consider IPR protection carefully in the Brexit process, given its impact on businesses, economy and employment in the UK and in the EU. A [joint study](#) from the European Union Intellectual Property Office (EUIPO) and the Europe Patent Office (October 2016) highlighted the added-value of IPR-intensive industries: they generated 27.8% (60 million) of all direct jobs (reaching 38.1% - 82.2 million- with indirect jobs taken into account) in the EU against 26.8% (7.924.937) for the UK (direct and indirect) during the period 2011-2013. IPR-intensive industries also generated more than 42% (€ 5.7 trillion) of total EU GDP against 43.7% (€ 867.882.000) for the UK for that period.

INTA welcomes the opportunity to provide comments to both the EU Commission and the UK authorities, as the consultation of users and businesses is key to obtain the best possible outcome for both sides. INTA commends the efforts of the EU Commission and the UK authorities for consulting stakeholders in that sense.

In particular, INTA is advocating that both the EU and the UK support, promote and safeguard the following core principles for brand owners and right-holders during the negotiations as well as when ‘Brexit’ becomes effective:

- **Minimum disruption of trade**
- **Minimum costs**
- **Maximum retention of rights**
- **Maximum transparency and legal clarity**
- **A transitional period in order to adapt to the new rules**

Moreover, INTA supports the UK's intended continuation of the implementation of EU trademark reform, in particular the provisions concerning the handling of counterfeit goods in transit. Given the strong link between the EU and the UK regarding IP in general, INTA would appreciate the opportunity to comment on any draft legislative act before their adoption which impacts trademarks, designs and other IP rights in a post-Brexit world.

INTA equally welcomes the EU Commission's recognition in its position paper that "*the holder of any intellectual property right having unitary character within the Union and granted before the withdrawal date should, after that date, be recognized as the holder of an enforceable intellectual property right in relation to the United Kingdom territory, comparable to the right provided by Union law – if need be on the basis of specific domestic legislation to be introduced*" as well as the subsequent principles regarding applications for IPRs with unitary character, applications for supplementary protection certificates or for an extension of their duration, legal protection of databases and exhaustion of rights.

Finally, INTA supports that all changes to the trademark and design regimes should be intensively publicized so that brand owners (including small and medium size enterprises as well as private entrepreneurs) should be adequately informed of the changes.

II. Key Issues to Address

The following issues, which are discussed in detail below, should be considered in priority during the Brexit negotiations:

- **Registered European Union Trade Marks (EUTMs)**
 - **EUTM applications**
 - **EUTM oppositions**
 - **Non-use vulnerabilities of registered trademarks**
 - **Trademark cancellation actions**
 - **Registered and unregistered Community Designs**
 - **Geographical Indications**
 - **Enforceability of court decisions, preliminary and permanent injunctions**
 - **Exhaustion of rights**
 - **Territory – agreements related to license, settlement and coexistence**
 - **Enforcement, including border measures and anticounterfeiting actions**
 - **International systems including Madrid and Hague**
 - **EUTM database/ EU Designs database**
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1. Registered trademark rights

1.1. Existing registered European Union Trade Marks (EUTMs)

INTA supports scenarios that are expected to cause the least amount of disruption to trademark owners. In respect of existing registered EUTMs, there are two scenarios that INTA supports:

- (i) automatic extension of EUTMs to the UK as national trademarks (the so-called “Montenegro model”); or
- (ii) extension upon action by the EUTM owners of the EUTMs into national UK trademarks - subject to EUTM owners expressing their intention to obtain national UK trademarks (the so-called “Tuvalu model”).

In either scenario, registered trademark owners should not be required to pay official fees, or such fees should be set at a reasonable level, having regard to the actual costs to the UKIPO in dealing with the requests.

Furthermore, there should be no publication for opposition purposes or re-examination on absolute or relative grounds.

New national UK trademarks originating from EUTM registrations that were registered pre-Brexit should be deemed to be UK national registrations and not be subject to re-examination, or considered in any way as new UK trademark applications.

If existing EUTM rights will be allowed extension, automatic or upon action, into UK national rights (enjoying the same priority or filing dates or earlier seniority claim date, if used), the process for such conversions should be “right-holder friendly,” inter alia, allowing a sufficient time and, if payment of fees is needed, affordable official fees.

Any existing seniority claims in a EUTM based on UK national rights will cease to exist on Brexit date. Seniority claims based on prior EU27 rights remain unchanged. INTA suggests that, in the case of UK national trademarks, which are prior to a EUTM and whose registration has lapsed, the UK government should enact legislation according to which the earlier priority of the UK seniority applies to any resulting UK registration, and that lapsed UK trademarks are restored to the register.

It is important that new UK trademark registration certificates are made available immediately to their owners for the purpose of custom/border measures and all other anticounterfeiting prosecution and litigation action, where proof of registration is required by current regulations, or that the UK custom/border authorities and courts accept EUTM registration certificates in the interim period.

According to the UK law, applicants for national trademarks need to declare an intent to use their trademark. If EUTMs automatically extends to the UK, as national trademarks, such declarations will not exist and an exemption to the rule would need to be put in place or a declaration will be deemed to have been made in compliance with the UK law until a set date (e.g. the first renewal date).

Should the extension upon action system apply, the trademark owner may be required, in addition to the intent to own a UK national registration, also to express the intention to use the trademark. Such requirements and procedure should not be too onerous on the owner, or the intention to extend the EUTM to a national UK trademark should also qualify as a declaration of intention to use the trademark.

Additionally, trademark owners should be able to obtain a UK trademark only for the classes of goods and services of interest and for which they have an intention to use in the UK, to ensure compliance with this provision of UK law and to avoid the resulting national registration from being vulnerable to cancellation for non-use.

1.2. EUTM applications

Trademark applicants should, for a reasonable period after Brexit, be able to divide their EUTM applications into two applications -- national (UK) and EUTM, maintaining the filing and priority date for both. Ideally, such a process should not cost the applicant an additional official fee.

If a EUTM application is pending and it has been examined and published by March 29, 2019 (envisaged date of Brexit if no extension is granted by the Council of the EU27) and the registration happens at a later date, mechanisms should be in place so that the EUTM may be converted into a national UK trademark registration.

For EUTM applications which have not been examined and published by March 29, 2019 ('Brexit' day), they may be divided and should be subject to national/regional rules (UK and EUTM rules) applicable to pending applications.

INTA also advocates, in view of stability and legal certainty, for the introduction of a cut-off period (to be decided) after which any EUTM applications which are still pending at the effective time of Brexit could not be divided into national UK and EUTM applications. Such a period of time should be reasonable so that the trademarks space would not be unreasonably occupied.

1.3. EUTM oppositions/UK oppositions

After 'Brexit' becomes effective, the UK will no longer be part of the EUTM system. Consequently, national UK trademarks and other rights in the UK (for example passing off) will no longer serve as valid grounds for oppositions filed against EUTM applications, and conversely, existing EUTMs will not serve as grounds to oppose UK trademark applications.

Oppositions to EUTM applications based partly or entirely on UK rights, in place at the time of Brexit, and for which no final decision has been issued, should go on until their conclusion (subject to both parties agreeing otherwise) if they are, on 'Brexit' day, already in the adversarial stage of proceedings. The decisions should be binding on all parties including the UKIPO and precludes an extension to the UK.

If an opposition action against a EUTM is filed at the EUIPO and based entirely on a UK prior right, the EUTM applicant should always be able to surrender the EUTM so that its mark covers the remaining EU27, with the possibility of becoming a post Brexit new EUTM.

When the opposition is not in the adversarial stage on 'Brexit' day and it is based entirely on a UK prior right, the trademark applicant should be able to request that the new application only cover the new EU27 and keep the trademark filing date; such new EUTM may not be extended in UK as national trademark.

The same approach should be taken for pending UK trademark oppositions based on EUTM: the proceedings should continue until finalization with decision binding upon the parties involved.

1.4. Non-use vulnerabilities

There are specific situations whereby a business owns an EUTM but only uses the trademark in the UK, or a business owns an EUTM but only uses the trademark in one or a few of the other 27 EU Member States. There is a risk that the split into EUTMs and UKTM will result in trademarks that have been registered for more than five years becoming vulnerable to revocation for non-use in the UK or the remaining EU.

The use of a EUTM only in the UK prior to Brexit should be considered use, for the purposes of maintaining the EUTM at the EU level and the vulnerability of such an EUTM should start five years after the last date of use.

Where EUTMs are used in the Member States other than UK prior to Brexit, and their owners decide to exercise their right to have both EUTMs and national UK registrations, the vulnerabilities for the resulting national UK trademarks (either EUTM extensions or EUTM conversions) should be counted in the UK from the date of last use within any of the EU Member State.

1.5. Trademark cancellation actions/counterclaim

Where EUTM cancellation proceedings are pending before the EUIPO or the Court of Justice of the European Union (CJEU) (and in light of the lack of a cooling-off period as it exists for opposition proceedings), or there is a counterclaim for invalidity before any of the European Union trademark courts (whether in the EU27 or the UK) at the time of Brexit, said proceedings should go on until their conclusion. The decision should be then binding on both EU27 Member States and the UK.

If an EUTM is the object of a successful cancellation action starting prior to the UK exit, and if the same EUTM is automatically extended or extended upon action into a national UK trademark, such UK trademark should also be cancelled (as long as the ground for refusal applies to the UK).

If the cancellation proceedings are suspended, the EUTM registration may be converted to a UK trademark which is no longer subject to cancellation proceedings at the EU level, but would be subject to the UK national cancellation system should third parties file such cancellation actions. If the cancellation action is based on prior rights, the principles of section 2.3 should apply.

2. Designs

2.1. Registered design rights

On the date of Brexit, Registered Community Designs (RCDs) will cease to have force in the UK. RCDs should follow EUTMs either by automatically becoming a UK national design registration or converting into a UK registration.

Currently, the UKIPO examines design applications to determine whether they are solely dictated by technical function, while this is not required by the Directive on the legal protection of designs, nor undertaken at the EUIPO under the Community Design Regulation. The UK should also create UK designs that mirrors RCDs, as the examination is different and less stringent under EU law. Owners should also be able to convert their RCD into a full UK design. For balance, post-Brexit and for UK national rights mirroring RCDs, the UKIPO should not examine converted designs on this or any other ground.

The comments made regarding the extension of protection as national registrations in the UK for EUTMs (Section 1.1) are also applicable to RCDs: there should be a simple process in place that

would enable owners to maintain their protection in the UK at no cost or at an affordable (reasonable) cost.

2.2. Unregistered Community Designs (“UCD”)

Under EU law, the UCD only applies within the territory of the EU. On the day of Brexit, the 3-year UCD right will cease to apply in the UK. Thereafter, on one interpretation of law, designs disclosed for the first time in the UK can never be eligible for the EU-wide unregistered design protection, and the clock will start to run on the 12-month grace period prior to filing.

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. INTA supports the continuation of such right in the UK post Brexit, which provides different protection to that of the UK’s own UDR regime.

INTA also strongly encourages the continuation of the protection of the UCDs which come into effect before the UK leaves the EU so that such UCDs are treated as protected in the United Kingdom for the remainder of their term.

2.3. Invalidity of RCDs

Currently, there are several grounds of invalidity that rely on earlier national rights. On Brexit, these will cease to apply to earlier rights in the UK. Transitional provisions could be appropriate to enable earlier UK rights to be relied on for any RCDs filed up to Brexit. Any invalidity proceedings still in process should be able to continue.

If the invalidity proceedings for the designs are suspended, the RCDs may be converted to UK designs which are no longer subject to proceedings at the EU level, but would be subject to the UK national rules.

3. Geographical Indications (GIs)

Protected Geographical Indications (PGIs), Protected Designations of Origin (PDO) and Traditional Specialty Guaranteed (TSG), are unitary rights and, like EUTMs, will not extend to the UK post-Brexit. The short-term focus should be on preserving existing rights and putting in place transitional provisions to recognize existing GIs in the UK or to allow their conversion into national rights. Going forward, support is given to the mutual recognition of EU and (future) UK rights. The EU should preserve all GIs currently applicable to the UK as third country GIs. Applications pending at the time of the UK’s exit should be recognized in the UK.

4. Enforceability of court decisions, preliminary and permanent injunctions

INTA believes that court decisions that are final on Brexit date are enforceable in both the UK and the EU27, as long as the national UK trademark and the EUTM of EU27 are still in force. UK national trademarks should be considered “registered” and not pending during the extension process (automatic or upon action) for enforcement purposes.

For ongoing pan-European proceedings (or proceedings covering at least one of the EU27 and the UK), there should be a transitional period, during which all decisions issued in a determined timeframe after Brexit are still enforceable in all Member States and the UK. Consideration should be given to the possibility of transferring the ongoing court proceedings to either UK or a EU27 court.

INTA supports the implementation of a cut-off date (to be decided) for the enforceability of pan-EU injunctions based on EUTMs or RCDs.

From the date of 'Brexit', applicants seeking an injunction may have to file two sets of proceedings, one in an EU Member State to prohibit infringement in the EU and another in the UK in respect of the UK infringement, depending on the applicable rules of civil procedure and the applicable conflict of law rules, including the Rome II principles.

Following Brexit, judgements from a EU27 court may be enforced in the UK under The Hague Convention (of which the UK is a member), and vice versa.

5. Border measures and anticounterfeiting actions

Enforcement of trademark and designs rights is extremely important post Brexit. INTA advocates for UK Customs to be able to rely on the necessary financial and human supports to continue their good work on stopping counterfeit goods. INTA hopes that the fight against counterfeiting will not be deprioritized compared to other increased customs-related tasks and the new border regime.

The EU Applications for Actions in place at Brexit should continue to be in place for the remaining EU27 and, subject to the negotiations and institutional cooperation, should also cover the UK until they need to be renewed. Potential recognition of EUTMs as grounds for UK national customs applications during a transition period post-Brexit and while the EUTMs become UK national trademarks would need to be explored.

The UK's proposed relationship with the EU, outside the Customs Union and the Single Market, will result in the introduction of a 'hard' customs border between the UK and the EU27. Following Brexit, rights holders would face the burden of filing two sets of customs applications: one in the EU and one with the UK Border Agency, each such application based on different sets of rights. Ideally, the UK Border Force would continue to have access to the applications for actions (AFAs) and the EU Observatory Enforcement Database (EDB), and be able to cooperate with the EU27 authorities. To the extent that a new customs application procedure is necessary, the UK system should closely follow the EU AFA system (application process, definition of counterfeit goods, simplified procedure, small consignments procedure, no requirement for fee/bond etc.). Additionally, the goods in transit provisions in the recent EU trademark reform package should be preserved.

The introduction of a new IT system for UK Customs—planned to be implemented in 2019, the year the UK leaves the EU, may further complicate the change of trading conditions for businesses around Brexit. At the same time, UK Customs should be fully empowered and properly resourced (in the expectation of a significant increase in their other responsibilities post-Brexit) to monitor and detain suspicious goods.

6. Exhaustion of rights

How Brexit affects exhaustion of rights in the UK will entirely depend on the trade negotiations between the UK and the EU. Depending on the outcome of the negotiations, the UK may adopt either national, regional or international exhaustion.

INTA, as expressed on numerous occasions, supports the adoption of national exhaustion of trademark rights (and in the case of the EU, "regional" exhaustion), since it provides protection for the investment made by brand owners in their brands, and provides the most benefits for consumers.

If the UK remains within the EEA, the UK will continue to apply the principles of EU/EEA exhaustion, with little change to the actual regime. Should the UK adopt the principle of international exhaustion

which INTA does not support, the key questions for the UK courts to then determine would be: what amounts to “consent,” and what amounts to “legitimate reasons” to oppose further dealings. As mentioned before, existing CJEU case law on “consent” and “legitimate reasons” (in particular in relation to repackaged pharmaceuticals and luxury goods) may still apply post-Brexit, unless and until the UK Parliament legislates otherwise or the UK Supreme Court departs from the CJEU’s case law. Should the UK adopt the principle of international exhaustion, INTA requests that, at the very least, a “material difference” standard should be adopted to exclude parallel imports that are materially different than their authorized domestic counterparts.

7. Territory definition

Where existing agreements (coexistence, licenses, settlement agreements, etc.) refer to the EU, the provisions of these agreements should be deemed to apply to the EU 27 Member States and the UK. Future agreements should clarify whether it applies to the EU and the UK. Such presumption should be rebuttable if the parties define territory in a different manner.

8. EUTM database / EU registered designs database

For legal certainty, the EUIPO should continue to share data relating to all entries on the EUIPO register as at the date of Brexit, and then continue to share information needed for renewals of the resulting UK rights during a transition period post Brexit.

9. Necessary allocation of resources

The UK government should allocate sufficient financial and human resources to ensure that the work volume generated by Brexit is handled in a timely manner by the UK Intellectual Property Office (UKIPO) and relevant UK authorities dealing with IPRs.

At the same time, the EUIPO should be able to share the data and allocate the resources necessary for a swift transition.

10. International treaties: Madrid System and Hague Agreement

Madrid System: Provisions should be made so that a registration done via the Madrid System designating the European Union as protected territory, may be converted into UK national trademark and EU27 EUTM, using similar mechanisms as in case of direct EUTMs. A registration based on an EUTM after Brexit will still have effect once the EUTM becomes/ converts into a UK designation. After Brexit, a EUTM may be used only as a base registration for an international registration (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 (i.e. not the UK). Brexit should not affect the validity of existing IRs of UK-based proprietors with EUTMs as base registrations as at the time of filing the UK was part of the EU.

Hague Agreement: The UK has passed legislation to implement The Hague Agreement on designs, but has not yet done so. The UK IP Minister has announced that the UK will ratify the Hague Agreement by March 31, 2018. The UK should be encouraged to implement the Hague Agreement as soon as possible, to give users an opportunity to use it prior to Brexit.

11. Consequences if the UK remains party to the Single Market and the Customs Union

If the UK retains access to the Single Market and Customs Union (e.g. through EFTA membership), the EUTM system should be expanded to cover all EU Member States, plus EEA and EFTA Member States. In this case, the current regional exhaustion system should continue to be applicable.

12. Right of representation

To ensure continuity, protect the interests of IP owners and avoid disruption in IP protection, INTA suggests that the UK and EU 27 IP professionals on record should retain their professional capacity for the duration of all contentious/ dispute/prosecution matters which are ongoing at the time of Brexit (including all related appeals). Such representation should be open for all bodies in the UK and the EU27.

Please do not hesitate to contact INTA's Europe Representative office for additional information: H el ene Nicora, Chief Representative Officer – Europe, hnicora@inta.org / +32-2-880-3722

About INTA:

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, with 311 members in the UK and 1.272 in the EU27. INTA members collectively contribute almost €8.8 trillion to global GDP annually. For comparison, the 2015 annual GDP of the top three markets was \$10.9 trillion (China), \$16.2 trillion (European Union) and \$17.9 trillion (United States).

INTA undertakes advocacy work throughout the world to advance trademarks and offers educational programs and informational and legal resources of global interest. Headquartered in New York City, INTA also has offices in Brussels, Shanghai, Santiago, Singapore and Washington D.C. and representatives in Geneva and New Delhi. For more information, please visit our website: www.inta.org.