BREXIT: INTA Position on issues regarding the Enforcement of Intellectual Property (IP) rights
December 2018

The International Trademark Association (INTA) has been closely monitoring the 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 32,000 trademark professionals and brand owners from major corporations as well as small and medium-sized enterprises, law firms and non-profits in more than 191 countries, INTA is in a unique and balanced position to provide input on Brexit.

In October 2017, INTA published its Position Paper on Intellectual Property issues arising from “Brexit”. INTA has been advocating for solutions regarding Brexit that will have the minimum disruption of trade and costs, for a maximum retention of rights, transparency and legal certainty, with transitional periods to adapt to new rules when needed.

INTA considers the enforcement of trademark and design rights to be an extremely important issue post-Brexit and still has concerns about IP enforcement issues that have not been addressed in the Draft Withdrawal Agreement dated 25 November 2018.

We believe that enforcement of IP rights has not been sufficiently considered yet in the context of Brexit, despite the huge impact of IP rights on businesses, economy and employment in the UK and in the EU. Indeed, IPR-intensive industries 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 period1.

This paper therefore sets out a more detailed analysis of INTA’s ongoing concerns regarding the impact of Brexit on IP enforcement issues in particular. These concerns will be the basis for INTA’s continued interactions with the EU and the UK in the lead up to, and after, Brexit. INTA continues to welcome the opportunity to provide comments to both the EU Commission and the UK authorities, as the consultation of users and businesses is key to being able to identify and anticipate all challenges and consequences for businesses and citizens.

The following IP enforcement issues, which are discussed in detail below, should be considered a priority during the Brexit process:

- **IP Border Measures necessary for businesses and against counterfeiters**
- **Parallel Trade and exhaustion: the impact of the UK’s choice**
- **The necessary type of Law Enforcement Collaboration**

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1 October 2016 Joint study from the European Union Intellectual Property Office (EUIPO) and the Europe Patent Office
• Participation in the European Observatory on Infringe-ments of IP Rights
• Jurisdiction and Recognition of Judgments

1. IP BORDER MEASURES

(a) Customs’ resources should continue targeting counterfeit goods

Counterfeiting is a global issue with a serious impact on society, with wide economic and social costs (e.g. safety risks, losses for the company, fiscal losses, costs of crime and displacement of legitimate economic activity). According to the OECD, international trade in counterfeit and pirated products is increasing, and reached an estimated value of US $461 billion in 2013, accounting for 2.5% of all international trade and 5% of EU trade. The INTA-BASCAP report projects that the value of counterfeit and piracy goods will reach an astounding $1.90 - $2.81 trillion in 2022. Moreover, the number of jobs lost due to counterfeiting and piracy is expected to reach upwards of 5.4 million jobs in 2022.

Recently, the European Commission Directorate General for Taxation and Customs Union reported that EU28 Customs stopped over 31 million counterfeit goods with a street value of EUR 580 million in 2017 only, most of them being fake foodstuffs and daily consumer products. Faced with the growing scale of the issue and its impact on consumers, economic growth and jobs, collaboration between industry, government and enforcement authorities, as well as strong anti-counterfeiting measures, is critical.

INTA continues to advocate for UK Customs having the necessary financial and human support to continue their good work targeting and seizing 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. In this respect, 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.

(b) The validity of Granted Applications for Action (“AFA”) should be preserved

Lodging an AFA is a pre-requisite for businesses to activate customs to detain goods that they suspect to be counterfeit. INTA is concerned that the European Commission DG TAXUD’s Notice to Stakeholders on the withdrawal of the UK and EU rules in the field of customs enforcement of IP rights dated 4 June 2018 states that, subject to any agreed transitional arrangements, current AFAs granted by the UK that nominate some or all of the EU27 member states will cease to have effect in the EU27 on the day of Brexit. Consequently, rights holders would need to re-file an AFA in the EU27 before the effective withdrawal date. INTA is also concerned that existing EU AFAs granted by EU27 Member States nominating the UK may cease to have effect in the UK from the withdrawal date. We believe that this runs contrary to helping businesses to ensure maximum retention of rights and to minimize their administrative burden and costs. INTA advocates for no disruption to existing AFAs during any transition period.
(c) New UK customs procedure should align with EU procedures

To the extent that a new customs application procedure is adopted for future UK AFAs, INTA advocates that the new UK system should closely follow the EU AFA system, in particular in terms of:

- the application process;
- the definition of counterfeit goods;
- the simplified procedure;
- the small consignments procedure; and
- there being no requirement for a fee/bond.

This will be to the benefit of rights holders (based in the UK, the EU27 and beyond) and the UK Border Agency (UKBA), as existing scope and procedures are well understood by all relevant stakeholders. INTA encourages continued close cooperation between the UK and EU to ensure the alignment, as far as possible, between respective Customs IPR procedures, especially as we understand that the EU AFA may be changed to fit into the future EU IPR Enforcement common platform.

(d) Some extra costs for businesses could be avoided

Following Brexit, rights holders will face the inevitable burden of filing two sets of customs AFAs: one in the EU and one with the UK Customs HMRC, each such application based on a different set of rights. This will no doubt increase costs. As a general principle, INTA advocates promoting and safeguarding the core principle of minimum costs when ‘Brexit’ becomes effective. Accordingly, INTA suggests that keeping existing EU AFAs in place in the UK and EU27 until renewal will avoid superfluous additional applications and the increased costs associated with such applications. Similarly, having a clear new UK system that reflects the EU AFA system will avoid unnecessary uncertainty and duplication.

(e) The UK should avoid becoming a hub for counterfeit goods in transit

INTA strongly supports the UK’s intended implementation of the EU trademark reform, in particular the provisions concerning the handling of counterfeit goods in transit. In 2013, INTA wrote jointly with other user associations to former Commissioner Michel Barnier advocating for the transit of counterfeit goods to be a specific act of trademark infringement in order to prevent counterfeits in transit passing through EU borders and customs control into a third country.

The recent statistics published by the European Commission Directorate General for Taxation and Customs Union show that, in more than 7% of the detentions by EU customs of articles that were suspected of violating IP rights, the goods were discovered while in transit with a destination within the EU. In 1% of cases goods were part of a (re-) export procedure with a destination outside the EU and in almost 1% of cases goods were in transit/transhipment with a destination outside the EU.
Counterfeits must be stopped at any point of transit or destination. Allowing counterfeit goods in transit to pass through the UK encourages the use of the UK as a convenient transit destination by organized crime. Counterfeiters rely on transit through third countries as a covert way of getting their illegal products to designated markets. Countries must therefore be vigilant about stopping counterfeits in transit, even when the products are destined for a different market. Ensuring that national laws allow customs inspectors to seize counterfeit goods in transit is an important tool in the global fight against counterfeiting. Prohibiting this practice hurts local companies whose products are being counterfeited and distributed within the country and abroad, not to mention any counterfeits in transit that are re-imported into the UK market. It is not in any country’s best interest to support counterfeiting; allowing counterfeits in transit to pass through the UK has the unfortunate effect of supporting the global trade of counterfeit goods.

INTA cautions that any measures in the UK to loosen regulation of counterfeit goods in transit could lead to counterfeiters re-routing counterfeit goods through the UK, with the resulting strain on the UKBA and the UK becoming a “safe house” for counterfeiters.

(f) **Access to and interoperability of enforcement systems are essential**

There is potential for Brexit to disrupt operational and intelligence collaboration between UK customs HMRC/ UKBA and the EU27.

INTA suggests that the UKBA should continue to have access to EU AFAs and the Enforcement Database (EDB) of the European Observatory for Infringements of Intellectual Property Rights (the European Observatory) so it can continue to cooperate with the EU27 authorities in preventing IP infringing goods at the border.

The EDB is built on existing European Union Intellectual Property Office (EUIPO) databases and contains product information that has been uploaded by right holders such as packaging details, counterfeit indicators, prior cases and authorised distribution routes. Police and customs officials from the 28 Member States can access this tool and view this valuable information, making it easier for them to identify counterfeits and take action.

If the UKBA retained access to the EDB after Brexit, UK customs officials would be able to search easily for information to help identify counterfeit goods, stay informed about suspicious cases detected by EU customs authorities and alert EU enforcement authorities about fakes it has detained. The European Observatory could continue to host the database for the combined benefit of the EU and its neighbours and the common platform would help the UK and EU to monitor the movement of infringing goods across their borders. For similar reasons, the UK should retain access to the Excise Movement and Control System (EMCS), which is an EU-wide computer system that is used to record duty suspended movements of excise goods taking place within the EU. Retaining access would allow the exchange of secure online messages containing specific consignment and movement information between EU and UK trading partners.

(g) **Further Collaboration on raising awareness on counterfeiting is needed**

Finally, INTA considers that it would be beneficial to continue to publish macro/trend data in the post-Brexit UK, along the lines of the annual report on EU Customs’ enforcement of IPR. This data sharing has a real value to a wide stakeholder group: by identifying the scope of the issue, it not only highlights the importance of customs’ work on counterfeiting.
and the challenges they are facing, but it also supports raising awareness of consumers, governments and businesses of all sizes.

2. PARALLEL TRADE: The suggested UK treatment of unauthorized parallel imports seems imbalanced and not compliant with international treaties

The UK’s No deal paper on exhaustion of IP rights suggests that the UKBA will not, at least for some time, have additional responsibilities for scrutinising goods in free circulation in the EEA, since the UK intends to continue unilaterally to recognize the EEA regional exhaustion regime from exit day (29 March 2019) to provide continuity in the “immediate term” for businesses and consumers. However, this paper suggested that the UK government was still considering options for how the UK’s exhaustion regime should operate after this “temporary period” and was undertaking a research program in this regard.

As set out in INTA’s letter dated 5 July 2018, INTA strongly supports the adoption of a national (UK only) exhaustion regime, or, if and only if membership in the EEA continues, then that regional exhaustion regime.

INTA does not support international exhaustion. Indeed, INTA has concerns that counterfeiters might exploit channels used to import, distribute and sell parallel goods after Brexit. There is evidence that parallel imports are frequently mixed or entwined with counterfeit goods and those trading in counterfeit goods may seek to pass off counterfeit goods as parallels or misrepresent counterfeit goods as ‘cheaper’ parallel products, exploiting consumers’ lack of familiarity with packaging and other discrepancies. Accordingly, there is a risk that an international exhaustion principle would have the unfortunate effect of facilitating the sale of counterfeit goods, since it would be prohibitively expensive and impossible for the UK government and trademark owners to investigate each shipment of parallel imports, to determine if that shipment also includes counterfeit goods. Any legal regime that facilitates the sale of counterfeit goods should be discouraged.

A national or EEA-wide regional exhaustion regime, provided in the latter case the UK remains a member of the EEA, would provide the best protection for brand owners against these risks and safeguard consumers from confusion, mistake or deception. UK consumers would be given the ability to distinguish products and have confidence in the products they are buying and the source of those products.

There also needs to be clarity on the relevance of existing domestic UK procedures for dealing with parallel goods. For example, s.89 Trade Marks Act 1994 (UK) allows the proprietor or licensee of a registered trademark to give notice in writing that goods expected to arrive in the UK will infringe their trademark and should be treated as prohibited. There is a current exception to goods already in free circulation within the EEA but this could be affected by any change in the exhaustion regime.

It cannot be assumed that the EU will reciprocate the UK unilateral adoption of UK+EEA exhaustion, with the effect that trademark rights would not be exhausted in the EEA in respect of goods which have been put on the market in the UK under that trademark by the proprietor or with his consent. This means that the parallel import of goods from the UK into the EEA without the consent of the trademark proprietor will infringe the relevant trademark.

Finally, as set out in INTA’s letter dated 5 July 2018, in the event that the UK unilaterally adopts a regional exhaustion regime while no longer a member of the EEA (as it appears it
will now do – see below), this would be likely to breach the UK’s obligations under the agreement on Trade-Related Aspects of Intellectual Property (TRIPS) and the General Agreement on Tariffs and Trade (GATT), as the UK would not be a member of a ‘customs territory’ within the meaning of art XXIV of GATT and this would create the anomaly of partial “international exhaustion”. This means that members of the EEA would be able to export parallel goods to the UK without any conditions (other than what is effectively a material difference standard), while there would be no reciprocity given to UK parallel importers into the EEA and non-EEA countries would not be able to export parallel imports to the UK.

INTA notes that the UK government has now published the draft Intellectual Property (Exhaustion of Rights) (EU Exit) Regulations 2018 (EU Exit Regs), which are proposed to take effect at 11pm on 29 March 2019 (when the UK is scheduled to leave the EU). These draft Regulations provide for the unilateral implementation by the UK of a UK+EEA regional exhaustion regime. Despite INTA’s above letter to the IPO and the concerns set out above, it is concerned to note the statement in the Explanatory Note at the foot of the draft Regulations that, “A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen”. And further in the associated Explanatory Memorandum that,

“12.1 There is unlikely to be a significant impact on business, charities or voluntary bodies as a result of this SI being implemented.

12.2 This instrument is unlikely to lead to additional costs or benefits to business as, in principle, it maintains the current IP exhaustion regime within the UK legislative framework. There may be some costs to businesses parallel exporting from the UK to the EEA. These potential costs are not subject to this SI being implemented but will depend on the EEA’s approach to exhaustion of intellectual property rights following the UK’s exit from the EU.”

It appears that no regard has been had to the representations made by INTA to the UK IPO in its letter of 5 July 2018.

Furthermore, despite the statement in the UK’s No deal paper on exhaustion of IP rights that the proposed unilateral regional exhaustion regime will be only for “the immediate term” and that the UK government is “currently considering all options for how the exhaustion regime should operate after this temporary period”, it appears from the draft Regulation that the regional exhaustion regime will in fact be of indefinite duration, since the Explanatory Memorandum states that “no review clause is required.”

3. LAW ENFORCEMENT COLLABORATION

There are a number of legislative and non-legislative measures by which law enforcement authorities in the UK collaborate and share intelligence with their counterparts in the EU27 and detain those suspected of committing a crime. These are used in relation to the investigation and prosecution of a wide variety of crimes including, to some extent, IP crime. Measures include the European Investigation Order, the European Arrest Warrant (EAW) and Joint Investigation Teams (JIT) (where authorities from multiple countries work together to investigate criminal activity).

Europol and the EUIPO have joined together to create the Intellectual Property Crime Coordinated Coalition (IPC3) which builds on the strategic agreement signed between
Europol and EUIPO in 2013. The IPC3 provides operational and technical support to law enforcement agencies globally by facilitating and coordinating cross-border investigations; monitoring and reporting online crime trends; enhancing harmonization and standardization of operating procedures to counter IP crime globally; and by reaching out to the public and law enforcement by raising awareness through training. The IPC3 recognizes the role that the Internet has in the enabling of illicit trade worldwide and the link between IP crime, money laundering, and cybercrime. The IPC3 was launched in July 2016.

INTA advocates that UK and EU27 law enforcement authorities continue to collaborate, share intelligence and continue to participate in the EAW and JIT in the fight against IP Crime and that, to the extent possible, UK law enforcement authorities continue to collaborate on IPC3 initiatives.

4. PARTICIPATION IN THE EUROPEAN OBSERVATORY

The UK has been an active stakeholder in the EUIPO and the European Observatory. INTA recommends that, after Brexit, the UK retains a form of participation in both the European Observatory and the EUIPO, not as a Member State, but at least as an observer.

This would help the UK in staying close to the EU’s practices, thereby helping trade to be as frictionless as possible, and exchanging best practices and expertise across the board. As set out in the EUIPO’s Strategic Plan 2020 (Line of Action 4, Strategic Goal 3, Strategic Objective 4.2), international cooperation beyond the EU is a strategic objective of the EUIPO and the European Observatory, meeting the challenge of having a more user-friendly and interconnected IP system globally. Collaboration with third countries, inter alia expands the benefits of users and of all stakeholders in general, and in particular fosters innovative tools and practices supporting European companies (particularly SMEs) looking to wider markets for future growth.

The EUIPO’s Strategic Plan 2020 expressly envisages that the European Observatory will play a role of exchange hub for information, tools and databases relevant for the enforcement of IP rights and, where feasible, creating an enforcement network platform to support its action beyond the EU. This is something INTA actively encourages.

5. JURISDICTION AND RECOGNITION OF JUDGMENTS

The EU trade mark regulation (EU) No 2017/1001 and the Community designs regulation (EC) No 6/2002 provide for EU-wide jurisdiction of national courts in certain circumstances. The single set of proceedings in enforcing EU trade marks and Community designs has been one of the greatest success stories of these EU intellectual property instruments, particularly for SMEs and others without the resources to enforce their rights in numerous parallel proceedings. Since the EU trade mark and the Community design were established, countless such proceedings have been launched and concluded, both in the competent courts in the UK (with jurisdiction over the EU27 countries) and in the EU27 (with jurisdiction over the UK).

After Brexit, without legislation or agreement between the UK and EU, the UK courts which formerly had jurisdiction to grant injunctions and other relief with pan-EU effect will no longer have such jurisdiction; similarly, EU27 courts that had jurisdiction over EU trade mark and
Community design infringement matters extending to the UK will no longer do so. Guidance is urgently needed on what will happen to: (1) judgments issued in such proceedings before exit day which have effect both in the UK and the EU27, the most obvious examples being pan-EU injunctions; and (2) EU trade mark and Community design proceedings that are ongoing at the time of Brexit, whether in the UK or the EU27.

In relation to the issue of existing judgments, INTA believes that it is crucial, as envisaged in the draft Withdrawal Agreement, that court judgments with pan-EU reach that are final on Brexit day continue to be enforceable in both the UK and the EU27. If not, right holders would be forced to commence fresh proceedings in the “other” jurisdiction to achieve a judgment that has the same effect. This is undesirable from the perspective of all parties, and would give rise to considerable cost and uncertainty and the risk of additional legal obstacles to be overcome, such as acquiescence or statutes of limitations.

In the event of a no deal Brexit, the EU Exit Regs provide for an injunction granted pre-Brexit by any EU28 court in relation to an EUTM to apply in the UK automatically post-Brexit in relation to the new national right to be known as a comparable trade mark (EU). But what remains unclear is whether a pan-EU injunction granted by a UK court before Brexit will be given reciprocal treatment by the EU27. INTA urges the EU27 to pass legislation that will enable direct enforcement of such UK judgments in the relevant EU27 courts. It should be noted that many such judgments will have been granted in favour of entities based in the EU27.

Likewise, in relation to the issue of proceedings that are on foot on exit day, INTA believes it to be crucial that pan-EU proceedings that were commenced either in the UK (but covering at least one EU27 member state) or in the EU27 (and also covering the UK) prior to Brexit continue to be governed by the jurisdictional rules in effect at the time of bringing the proceedings and that resultant judgments will be enforceable in both the UK and the EU27, regardless of when those decisions become final. Otherwise right holders will be deprived of the ability to obtain a pan-EU decision in proceedings under Regulations (EU) 2017/1001 or (EC) No 6/2002, even in proceedings commenced while the UK remains in the EU. INTA considers this absolutely necessary to reflect the principle of legal certainty.

The draft Withdrawal Agreement (article 67(1)(b)) appears to provide for this at the end of an agreed transition, and the UK Government has made similar provision for ongoing EUTM proceedings on a no deal Brexit in the EU Exit Regs and has made the general statement in the UK’s technical note on Handling Civil Cases that involve EU countries if there’s no deal that “Broadly speaking, cases ongoing on exit day will continue to proceed under the current rules”, which INTA welcomes. However, again there is no indication of whether the EU27 would reciprocate in the event of a no deal Brexit.

INTA strongly calls for the UK government to ensure that, in its domestic legislation, it treats ongoing proceedings under the EUTM regulation and the Community designs regulation in a way which will ensure that relief can be granted in the UK that is equivalent to the UK element of the relief that would have been granted under the pan-EU rights, and urges the EU27 to make a similar arrangement in the case of pending cases in their relevant courts, so that the outcome of those cases is as close to what was available under the relevant legislation when the proceedings began.

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2 Schedule 2A, Part 1, paragraph 21.