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Brexit and the European Trade Mark System

June 24, 2016

There remain a large number of uncertainties with regards to the form that Brexit will take. However, one area where Brexit is likely to have a significant impact is intellectual property. The European Patent System operates outside the EU system and will, for the most part, not be impacted by Brexit. On the other hand, many businesses rely on "unitary" European IP rights – the European Union Trade Mark ("EUTM") and Registered Community Designs ("RCDs"). It is very likely that these rights will no longer apply in the UK following Brexit.

Trade marks

Businesses can currently protect their trade marks in the UK by filing a UK national trade mark, which provides protection in the UK only, or a European Union Trade Mark (EUTM) – a unitary right that provides protection in all 28 EU Member States.

UK trade marks

Key takeaway: Brexit will have no direct impact on UK national trade marks: these rights will continue in force as before, and the process of obtaining protection for new UK national trade marks will remain unchanged.

European Union trade marks

The UK's vote to leave the EU has no immediate impact on EUTMs: the UK remains an EU Member State during its withdrawal negotiations and EUTMs will continue to extend to the UK during this period.

Following Brexit, existing EUTMs will almost certainly cease to apply in the UK. It is likely that the UK government will permit owners of EUTMs to re-file their EUTM rights in the UK as national UK trade mark registrations whilst retaining the original filing date of the EUTM.

It is not clear what the timing or fee structure would be for this re-filing procedure. It is possible that the UK-IPO will also allow a new opposition period – which would inevitably create uncertainty for many businesses. Likewise, the UK trade mark office may ask for proof of use before EUTMs that are subject to use requirements can be re-filed in the UK – unlike with an application for an EUTM, an application for a UK trade mark requires the applicant to declare either that the mark is in use or that the applicant has a bona fide intention to use the mark.

Key takeaway: Following Brexit, new EUTMs will not cover the UK. Applicants would have to apply for a separate UK national trade mark. EUTM registrations will continue to apply in the other 27 EU Member States. However, EUTMs which had previously been used only in the UK would become vulnerable to revocation for non-use.

Exhaustion of trade mark rights

The principle of exhaustion of rights prevents trade mark owners from using their trade mark rights to restrict the sale of goods that have been put on the market in the European Economic Area (EEA) with their consent. However, trade mark owners can rely on trade mark rights to prevent re-sale within the EEA of goods that were not put on the market in the EEA by the trade mark owner. For example, a trade mark owner could prevent a reseller offering for sale in the UK branded goods sourced from the USA.

The UK government has in the past supported "international exhaustion of rights". This would mean that trade mark owners would not be able to use trade mark rights to prevent re-sale of genuine branded goods in the UK – even if those goods were first placed on the market outside the EEA.

Key takeaway: It is therefore possible that, following Brexit, the UK government will adopt international exhaustion of rights.

Impact on enforcement of trade mark rights

Following Brexit, the UK courts will no longer be EUTM courts and will be able to grant pan-EU injunctions against the infringement of EUTM rights. The effect of Brexit on any existing pan-EU injunctions is unknown. It is likely that such injunctions would cease to apply in the UK unless they were supplemented by a UK injunction granted by a UK court. Likewise, the impact on on-going UK litigation based on EUTMs remains unclear.

Key takeaway: Where an infringement is occurring in one or more EU Member States and in the UK, a trade mark owner will need to bring two sets of enforcement proceedings: one before a EUTM court for a pan-EU injunction and one before a UK court for a UK injunction. This will inevitably increase the cost of IP enforcement.

Conclusions

It is difficult to assess the full impact that Brexit will have on the protection and enforcement of trade mark rights in the UK until the terms of the UK's post-Brexit relationship with the EU have been decided.

For now, the UK remains an EU Member State, and EUTMs continue to apply in the UK and UK courts remain EUTM courts capable of granting pan-EU injunctions.

For trade mark owners filing new applications, there is a choice:

- apply for EUTMs and re-file those rights as UK national trade marks under the expected transitional provisions; or
- file both UK and EUTM applications now, to avoid having to rely on the transitional provisions in the future.

We recommend that all *new* "key" trade marks are filed as both UK and EUTM applications.

We will provide further updates as the UK decides how it will ensure that businesses that currently rely on EUTM rights in the UK are not adversely affected by Brexit.

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