

What a Brexit would mean

for UK and EU trademark law

Now that a referendum on EU membership is certain, trademark owners are asking what might happen to their rights in the event of a British exit, or 'Brexit' – and whether there are any practical steps they can take now

The newly elected majority Conservative government has publicly committed to a referendum on the United Kingdom's continued membership of the European Union – indeed, this was one of the issues on which it campaigned. This is prompting UK trademark owners and their representatives to take a long, hard look at the implications of a British exit – or 'Brexit' – from the European Union.

This article explores some of the issues with regard to trademark protection and provides some practical recommendations for rights holders or trademark practitioners should Brexit take place.

Timetable

The EU (Referendum) Bill was announced on May 27 2015 in the Queen's Speech at the state opening of Parliament. The bill commits Parliament to conducting a referendum on the United Kingdom's continued membership of the European Union by the end of 2017 – although it is generally accepted that this will take place sooner, potentially in 2016, to avoid continued uncertainty affecting the UK economy.

The referendum will be conducted on the basis of a renegotiation of the United Kingdom's membership of the European Union, which is currently being carried out by Prime Minister David Cameron. The extent of any amendment to the terms of EU membership will depend on the willingness of other member states to be flexible. Particular points of contention include:

- the free movement of labour throughout the European Union;
- the UK Parliament's sovereignty; and
- the precise definition of the term 'ever closer union' in the Treaty of Rome.

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It does not appear that any points concerning intellectual property will be the subject of renegotiation.

The extent of any amendments to the United Kingdom's membership terms is difficult to predict. Cameron's plans appear to be based on him gaining sufficient success in renegotiations to be able to campaign in favour of continued EU membership. If the renegotiations go poorly, the government may campaign against it – although at present this seems unlikely.

The government's intent for continued EU membership is perhaps reflected in the fact that the referendum question has

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been framed with a 'Yes' in favour to remain within the European Union and a 'No' to leave – received wisdom is that it is easier to campaign for a Yes than a No. At present, it is generally accepted that a slim majority would favour continued EU membership – although more generally within the Conservative Party and even within the current Cabinet, a significant minority would likely campaign to leave.

Community trademarks

With regard to trademark protection and legislation, the biggest likely impact of a Brexit would be on the Community trademark system. Community trademarks are a unitary trademark right and cover all 28 EU member states, including the United Kingdom.

Article 165 of the EU Community Trademark Regulation (207/2009) sets out detailed provisions covering the expansion of the European Union – and thus the Community trademark – to new members. These were activated when Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia acceded to the European Union in 2004, Bulgaria and Romania in 2007 and, most recently, Croatia in 2014. However, crucially for the purposes of this article, the regulation and its associated provisions contain no provisions for a country leaving the European Union.

Article 1(2) of the regulation provides: "A Community trade mark shall have a unitary character. It shall have equal effect throughout the Community: it shall not be registered, transferred or surrendered or be subject of a decision revoking the rights of the proprietor or declaring invalid, nor shall its use be prohibited, save in respect of the whole Community. This principle shall apply unless otherwise provided in the regulation."

Thus, if the United Kingdom were to leave the Community, presumably the provisions of the regulation

and consequently Community trademark registrations would no longer have any effect – unless new legislation were provided by the European Union or indeed the UK Parliament. Community trademark registrations would thus effectively shrink in scope, leaving their owners with no legal protection within the United Kingdom unless they also owned UK trademark rights – either via statutory UK trademark registrations or based on use in the United Kingdom.

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Mechanics of exit

Given the likely effect on rights holders, it seems likely that either UK or EU legislators would act with regard to IP protection in the event of a No vote.

Although in theory existing Community trademark registrations could simply be allowed to extend to the United Kingdom even if it were no longer a member of the European Union, this seems unlikely.

The opening words of the preamble to the Community Trademark Regulation state: "having regard to the treaty establishing the European Community, and in particular Article 308 thereof." Article 308 of the EC Treaty empowers the European Commission and European Parliament to implement legislation necessary to achieve the objectives of the founding treaty and to promote the common market. Indeed, the regulation's aim is to promote trade within the internal market and to remove barriers to

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trademark use. The Community trademark is fundamentally an EU project, making it unlikely that the understanding of 'the Community' within the regulation would be extended to the United Kingdom. If this were to happen, then in theory the regulation could cover any non-EU country in the world – a concept which seems contrary to the purpose of the Community trademark system.

Further, it seems unlikely that the UK Government would simply provide for Community trademark registrations to extend to the United Kingdom under national law (as Jersey, which is outside the European Union, does at present), as the UK government is very unlikely to wish to lose 'sovereignty' with regard to such an important aspect of trademark law. The United Kingdom no longer being a part of the European Union means that it could no longer influence the wording of the Community Trademark Regulation.

Based on historical precedents, it seems much more likely that some form of transitional provisions would enable owners of Community trademarks to obtain corresponding rights under UK law. These provisions could be established under UK law, EU law or both.

For example, when Ireland left the United Kingdom in 1921, provisions were introduced to enable owners of UK trademark registrations to convert these into national Irish registrations, while maintaining their UK rights. These provisions preserved the original filing date and protection was provided upon payment of a fee within six months of implementation.

Although this process sounds smooth enough, rights holders would have to accept that it would be more expensive to protect their trademark rights within the United Kingdom and – if the 'old' European Union were to be considered as a unit – the European Union as well. Further, rights holders – particularly owners of large trademark portfolios – would have to plan carefully before the United Kingdom formally left the European Union if they wished to benefit fully from any conversion or reapplication process. However, given that the United Kingdom is still one of the biggest economies within the European Union and many owners of Community trademark registrations own no UK registrations – as this was arguably discouraged by the regulation's wording in the form of claiming seniority from historic national trademark registrations – many would likely take advantage of a conversion or reapplication procedure if one were in place, despite any associated costs.

Also, it seems likely that the UK government would

provide that if a conversion or reapplication were made and a Community trademark registration had associated seniority with regard to the United Kingdom, that seniority would also apply to any newly converted or reapplied for UK registrations.

With regard to pending Community trademark applications, it is possible that the UK and other European governments would follow the example of the Czech and Slovak governments on the dissolution of Czechoslovakia in 1993 and give applicants the choice of proceeding with their applications with respect to the United Kingdom or the remainder of the European Union only, or of proceeding with both. Once again, though, this would undoubtedly result in increased fees for rights holders and proper advance planning would be crucial.

Therefore, although it is theoretically possible that owners of Community trademark registrations could lose all their rights in the United Kingdom if it were to leave the European Union, it is far more likely that some form of transitional provisions would be introduced – probably under UK trademark law – to protect Community trademark registrations in a converted or reapplied for form.

Exhaustion of trademark rights

Brexit would also raise the issue of exhaustion of rights. Article 13(1) of the Community Trademark Regulation reads as follows: "The Community trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent."

The exhaustion of rights also applies across the whole of the European Economic Area (EEA), which includes not only members of the European Union, but also the member states of the European Free Trade Agreement: Iceland, Liechtenstein and Norway.

The extent to which Brexit would affect the exhaustion of rights could well depend on whether the United Kingdom became part of the European Free Trade Agreement. Given that the United Kingdom was an original member of the agreement, it seems highly likely that even Conservative Eurosceptics would see the benefit of free trade across the EEA. Therefore, it is possible that with regard to the exhaustion of rights, the situation would not alter dramatically.

However, UK law might well diverge from EU law in that the principle of international exhaustion of trademark rights would apply. Historically, UK judges – most notably Justice Laddie – have tended to be much more relaxed in their approach to competition in the area of intellectual property. If international exhaustion were applied, rights holders would be unable to prevent parallel imports of branded products which they had placed on the market or which had been placed on the market with their consent. This could have a considerable impact on traders which



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have hitherto tried to exploit price differentials.

There may also be issues with regard to how the exhaustion of rights would apply to rights before and after Brexit. For example, could a Community trademark registration which was converted or re-applied into UK and separate Community trademark rights still be used to prevent the parallel import of branded products from outside the EEA with regard to the UK element of that converted registration? Or could there be a parallel system whereby any new international exhaustion of rights would apply only to new national UK trademark registrations? The answer is as yet unknown.

Precedents in UK trademark law

Although Brexit would likely cause UK trademark law to diverge and develop in a different way, undoubtedly this would still be heavily influenced by the European Union. The present UK Trademarks Act 1994 is based on the EU Trademark Directive – even if the United Kingdom did leave the European Union, the government would be highly unlikely to repeal it. All national EU

trademark laws are identical in wording to a large extent, with the directive's provisions reflected in the Community Trademark Regulation.

Further, although UK trademark courts would no longer refer matters to the European Court of Justice for deliberation, these precedents would still likely be followed to a large extent by UK courts.

While separate trademark acts or regulations would apply to the United Kingdom and the remainder of the Community trademark system and its member states, in all likelihood similar practices would apply to both and there would be no dramatic break in case law.

Scotland

Finally, Scotland presents a further complication. The devolved Scottish government has indicated that if the United Kingdom were to exit the European Union, it might well put forward a referendum before the Scottish people over Scottish independence from the United Kingdom. The present Scottish National Party government has indicated its willingness to remain within the European Union.

Therefore, although no Scottish independence referendum would occur before an EU referendum, it is quite possible that one would follow swiftly on a No vote. If this referendum were to result in Scotland leaving the United Kingdom, it would then likely apply to join or rejoin the European Union as a separate independent state.

In such a scenario, Community trademark registrations would automatically re-extend to Scotland under the accession treaty provisions of Article 165 of the regulation, leading to various issues and complications in the interim period. Would rights holders convert their Community trademark registrations to national UK trademark registrations and then potentially to separate Scottish national trademark registrations later on? If Scotland then seceded from the United Kingdom and reapplied to join the European Union, would these same rights holders benefit from their corresponding Community trademark registrations covering Scotland once again? Would there be a separate national Scottish Trademark Office? Would UK trademark registrations remain in force for the whole of the United Kingdom?

The uncertainty of the potential interaction of Scotland with the concept of Brexit introduces multiple further options for rights holders. However, what is certain is that this would increase the cost and complication of trademark protection in the United Kingdom or any successor states.

In short, although the implications for intellectual property in light of Brexit are unlikely to be high on the government's agenda at present, any exit from the European Union will have major implications for owners of UK trademarks, across the European Union and indeed the world. **WTR**

PRACTICAL GUIDELINES

There is obviously considerable uncertainty as to whether the United Kingdom will vote to leave the European Union. In all likelihood – based on present voting intentions and the presumption that Cameron has some success in his renegotiations with the European Union – the UK public will vote to remain within the European Union and the above debate will be a purely academic, if interesting, footnote in the history of European trademark law.

However, if Brexit occurs, what can be done to mitigate uncertainty? Rights holders – particularly those with large trademark portfolios – need to plan ahead and keep a sharp eye on

the voting intentions of the UK public in the run-up to the referendum. It seems likely that in the event of a No vote, there will be some time before the United Kingdom actually leaves the European Union, during which transitional provisions will be introduced.

One practical step that holders of UK national trademark registrations can take is to maintain these registrations for the time being and not rely on seniority within the Community trademark system. While this may lead to extra costs now, if Brexit occurs it will help rights holders to avoid the need (and cost) of conversion or reapplication.



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