

Brexit: the long and winding road is not over yet

The transitional period may be over, but the Brexit saga is not. There are now numerous factors for trademark owners to bear in mind, with a host of new rules to become accustomed to

How did we get here? The fateful decision to leave the European Union was made by a majority of 52% in the UK Referendum on 23 June 2016. Fast forward four-and-a-half years and, in the words of the Beatles, it has indeed been “the long and winding road” to the United Kingdom’s eventual departure.

Since 23 June 2016, there has barely been a day that we have not heard the term ‘Brexit’ and – despite a series of deadlocks and delays – on 31 January 2020, following the negotiation of the Withdrawal Agreement, the United Kingdom formally left the European Union as a political entity after 47 years of membership.

The Withdrawal Agreement instigated a so-called ‘transitional period’ during which the United Kingdom would remain part of the EU trademark system and effectively still be governed by EU law. Crucially, many of the most important provisions governing intellectual property – particularly designs and trademarks – were incorporated into this agreement. Although this also included a provision enabling the transitional period to be extended, this did not happen and rather poignantly at midnight Central European Time on 31 December 2020, as much of Europe toasted the New Year, the United Kingdom found itself no longer governed by EU law – and left the EU trademark system.

From here, it is likely that most people hope for the talk of ‘Brexit’ to decline in everyday parlance, but before we try to move on entirely, it is important to understand the impact that leaving the European Union has had and will continue to have on trademark law and practice. As with most areas of business, commerce, trade and industry, over the period of the United Kingdom’s EU membership, the UK IP system became intertwined with that of the European Union. As such, the unwinding process has not only been a complex matter but will continue to have a rippling effect going forward.

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So where are we now?

Starting with the basics, the United Kingdom is no longer covered by the EU trademark system, including EU trademark applications and registrations. Further, the United Kingdom is no longer under the jurisdiction of the Court of Justice of the European Union (CJEU), nor is it a member of the European Economic Area (EEA), this having a significant impact on exhaustion of rights and parallel and grey imports, which will be noted later.



There is no need for panic among rights holders, though. Existing EU trademark owners have lost no protection, as on 31 December 2020 all EU trademark registrations and designations granted at the time were cloned automatically, free of charge, into corresponding UK trademark registrations, unless the owners had opted out of doing so. To spot a cloned registration (the importance of this will become clear later) the numeral ‘9’ will have been added to the beginning of EU trademark registration numbers and ‘8’ to the beginning of EU designation numbers under the Madrid Protocol. It is worth noting, however, that EU trademark designations under international trademark registrations will have been cloned into national UK trademark registrations, rather than UK designations.

In relation to any EU trademarks that were still pending as of 31 December 2020, a nine-month clock is now ticking, as rights holders have until 30 September 2021 to apply to clone these into corresponding UK applications, if so desired. Unlike the aforementioned process, this will not be automatic, nor free of charge – it is very much an active process that rights holders must opt into, with official fees to be paid to the UK Intellectual Property Office (UKIPO).

Thus, if the United Kingdom was an important branch of any EU-sought protection, whether registered or pending, this UK protection can still exist. However, IP practitioners will need to assess this for clients with pending rights to ensure that they utilise the nine-month timeline. Further, if a clone has automatically been created from an existing EU trademark right, updating records will be critical to treat this as an independent right going forward. All existing priority, seniority and renewal dates will be maintained and unaffected under these cloned rights.

Another consideration is how the longstanding impact of the United Kingdom’s European membership on case law will apply going forward. It has been made clear that existing EU trademark case law precedent up to 31 December 2020 will continue to apply in the United Kingdom but, given that the country will no longer be under the jurisdiction of the CJEU, it is possible that in time UK case law and practice will diverge from that of the European Union. In the short term, case law has not drastically changed or been overruled. UK courts are likely to be guided by decisions of the CJEU but are no longer bound by them and the highest court in the land is now the UK Supreme Court. Nevertheless, there is unlikely to be any radical breach in the wording of UK and EU trademark law, with the UK Trademarks Act 1994 being based on the EU Trademark Directive.

In a world where business is inherently multiterritorial, considerations such as use and reputation are vital for brand owners. Interestingly, given how the Withdrawal Agreement was worded, the situation on these two important issues is now slightly lopsided. Under the agreement, which is a legally binding international treaty, the UK government agreed that reputation and use established in the European Union before 31 December 2020 can be used to support UK cloned trademark registrations. However, there are no comparable binding provisions on the European Union.

This means that the EUIPO has the freedom to take its own stance on these issues. With regard to reputation specifically, the European Union has made clear that reputation established in the United Kingdom will not be taken into consideration in contentious proceedings, even if it was established and the proceedings filed before 31 December 2020, if the EUIPO decision is issued after this date. With regard to the issue of use, the EUIPO’s position is slightly less harsh, in that it has stated that it will take into account use in the United Kingdom before 31 December 2020 in support of EU trademark registrations, but that in time this use will “decline in relevance”.



When searching for a brand in the United Kingdom, it will be important to remember the nine-month cloning period and the ability for lapsed EU trademark registrations to be brought back from the dead

Running alongside the key trademark considerations, one cannot forget geographical indications (GIs), which have been a central point in discussions. GIs are significant in the European Union given the area’s rich food and drink culture and reputation. The Withdrawal Agreement provided no explicit undertaking from the European Union as to whether it would protect UK GIs, although the United Kingdom has committed to recognising EU GIs under UK law. As part of that commitment, the UK government has introduced a new UK scheme offering three types of protection: protected designation of origin, protected geographical indication and traditional speciality guaranteed. The scheme covers food, drink and agricultural products (including beer, cider and perry), spirits, wine and aromatised wine, and will be open to producers from the United Kingdom and other countries. What is more, it will protect any indications that were protected under the existing EU scheme before 31 December 2020, with the introduction of a series of UK-specific GI logos. The deadline for changing packaging to incorporate the new indications will be 1 January 2024.

Practice points

The landscape of registered rights is clear, but the impact of Brexit and indeed 31 December 2020 has been wide reaching, particularly with regard to contentious proceedings before the EUIPO.

Ongoing contentious proceedings before the EUIPO

Any EUIPO opposition and invalidity actions based solely on UK rights that were still pending as of 31 December 2020 will be concluded automatically, with the opposed EU trademark application proceeding to grant or the granted EU trademark registration remaining in force

and being cloned into a corresponding UK registration automatically. Therefore, opponents should look out for cloned UK trademark applications filed by the relevant applicants and oppose these accordingly before the UKIPO.

Another important provision of the Withdrawal Agreement is that any EUIPO invalidity or non-use decision that is decided upon at a later date and affects a cloned UK registration can be implemented against the cloned UK right. The applicant for invalidity will be able to request that the UKIPO apply the EUIPO decision to the cloned right, and the registrant will have one month to file a so-called 'derogation notice' arguing why that decision should not apply. The UKIPO will then make a decision. As such, there may be no need to file a separate action at the UKIPO, although nothing precludes an applicant from filing its own invalidity action before the UKIPO. Interestingly, the UKIPO itself or any third party can ask for an EUIPO decision to apply to a cloned UK right. Therefore, it would be wise for parties to search the EUIPO database for applicable decisions if, for example, a UK cloned right is likely to pose a bar to registration.

Ongoing non-use revocation actions before the EUIPO have been largely unaffected by Brexit, as the EUIPO stated in its Brexit practice guidelines that use of an EU trademark registration in the United Kingdom before the end of the transitional period can be used in the defence of a corresponding EU non-use revocation action, even if the decision is made after 31 December 2020. The same provisions will also logically apply to proof of use requests in opposition and invalidity proceedings. However, as stated earlier, the EUIPO has made clear that this use will slowly decline in relevance. Thus, in the medium to long term, the value of use in the United Kingdom before 31 December 2020 in the defence of EU revocation actions against EU trademark registrations pre-dating 31 December 2020 will decline and ultimately disappear. Use in the United Kingdom after 31 December 2020 is of no relevance whatsoever.

Ongoing contentious proceedings before the UKIPO

On 21 December 2020 the UKIPO confirmed in a tribunal practice notice that in opposition and invalidity proceedings filed before the end of the transitional period or against UK trademark applications filed before the end of the transitional period, EU trademarks and EU designations under international registrations will continue to constitute earlier trademarks for the purpose of these proceedings. This applies to both registered and pending marks, although, in the case of the latter, this is subject to the earlier mark subsequently being registered or protected. Although it will not be possible to substitute or add cloned UK trademark applications and registrations into these proceedings, the UKIPO notice suggests that these proceedings will simply continue on the same grounds and earlier rights basis.

Ongoing non-use actions remain unaffected by Brexit due to the undertakings provided for by the UK government in the Withdrawal Agreement, whereby the UKIPO has agreed to recognise use of a UK cloned registration in the European Union before 31 December 2020 in defence of a non-use revocation action.

Impact of Brexit after 31 December 2020

As has become clear, the UKIPO and the EUIPO have taken different approaches to the relevant evidence of use overtime in the Brexit Guidance Notes. Indeed, use before 31 December 2020 will not decline in relevance for UK proceedings. Therefore, it will continue to be vital to include such evidence in UK actions (albeit translated into English if derived from a non-English-speaking EU jurisdiction). On the other hand, the further we move from 31 December 2020, the less important any UK use will be before the EUIPO. Most importantly, parties should remember that any use deriving outside the respective jurisdictions after this date will no longer be relevant and EU use can only be used in the United Kingdom in support of cloned rights.

In the European Union, use in one member state may become a more important issue. Although the EUIPO has generally found that use in a single member state is sufficient to defend an EU trademark registration against non-use proceedings, it should be remembered that a UK court found the opposite to be so in *Sofaworks* and there is no guarantee that EU case law will not change. If a client has its principle markets in the United Kingdom and only limited operations in the European Union, it may be wise to consider filing national EU registrations as well as UK registrations. The limited geographical scope of use in the European Union may be more easily defensible in this national sphere, rather than under an EU-wide unitary registration. It will be worth conducting audits of the geographical extent of the client's use of its trademarks in the United Kingdom and the European Union and amending any filing strategies accordingly.

If the client's use is principally in the United Kingdom and is limited in the European Union, consider refiling EU trademark applications or national EU applications afresh, bearing in mind the case law on 'ever-greening' applications.

Practitioners should also take note when conducting clearance searches. When searching for a brand in the United Kingdom, it will be important to remember the

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nine-month cloning period and the ability for lapsed EU trademark registrations to be brought back from the dead in the form of cloned UK registrations (if still within the renewal grace period). Thus, in terms of searching, UK practitioners cannot simply ignore the EU register after 31 December 2020. Instead, they should monitor the cloning of any EU applications into UK applications that they wish to challenge.

The small number of pending proceedings before UK courts concerning EU trademark registrations will be allowed to continue, but the remedies afforded to such actions will only apply to the cloned UK registration. Therefore, UK courts will no longer be able to issue EU-wide injunctions with regard to cloned UK trademark registrations. Any EU-wide injunctions granted before 1 January 2021 in relation to EU registrations will continue to apply and will be enforced against the cloned UK registration.

Turning to agreements, where these cover the whole of the European Union, they should legally apply to the United Kingdom and may have been made 'Brexit-proof' for a while. The UKIPO previously accepted that it could not record such agreements (eg, licence agreements) before 31 December 2020 against cloned UK trademark registrations. Thus, the period for recording such transactions has been extended from six months to 12 months – making it vital to record these now.

A final consideration relates to exhaustion of rights. The United Kingdom will apply a UK and EEA exhaustion of rights regime immediately after the end of the transitional period, effectively maintaining the *status quo* pre-Brexit. However, the UK government has indicated that this regime will be subject to future consultation, so how long this lasts remains to be seen. In time, the United Kingdom could apply a UK-only exhaustion of rights regime or an international exhaustion of rights regime instead.

Things are also lopsided in terms of the exhaustion relationship between the European Union and the United Kingdom, as the former has indicated no change in its exhaustion of rights regime, which applies to the EEA only, noting that the United Kingdom will no longer be a part of the EEA at the end of the transitional period – yet another point for practitioners to take note of.

The rise of the UK clones

The reference to clones may sound futuristic, but the additional rights given to these registrations in the Withdrawal Agreement should be taken on board. Cloned UK registrations arguably have more value than UK registrations filed directly to the UKIPO and therefore should be considered and valued.

This was lightly touched upon earlier in relation to the mutual recognition of use provisions. It is important to avoid the mindset that cloned UK trademark registrations are simply duplicates of national UK trademark registrations. If a cloned registration has the same filing, priority or seniority date as a corresponding, duplicate, directly filed UK registration, the owner should allow the directly filed registration to lapse, not the cloned one. While the mutual recognition of use provisions will only be of relevance for the five years following the end of the transitional period, this will still provide clients

with stronger rights for some time, so it should not be overlooked if renewal creeps up during this time.

This difference between cloned and 'normal' trademark registrations should also be remembered in future UK opposition, invalidity and non-use revocation proceedings – whether you are the trademark applicant or registrant or the applicant for invalidity or non-use. Some registrations are more equal than others and the other side may not appreciate this when formulating its evidence of use – something that could be used to the client's advantage.



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The future: the unknown unknowns and a few predictions

As mentioned earlier, the exhaustion of rights is at present a lopsided regime between the United Kingdom and the European Union based on current decisions. However, things may change further if a UK consultation is held after the transitional period, as has been suggested. Perhaps international exhaustion of rights will be introduced.

There will be over 1 million cloned UK trademark registrations on the UK Trademark Register by the end of the Brexit transitional period, so we may start to see more aggressive use of non-use revocation actions – certainly a practice point for clients to consider. In addition, the differences between UK and EU contentious proceedings, particularly before the UKIPO, can be utilised more advantageously. Evidence rounds, oral hearings and anything else that happens before the courts can in theory be used before the UKIPO. Are UK businesses more likely to use the EUIPO/OHIM torpedo now that they will be considered third-party nationals?

One question may be whether the UKIPO re-introduces full relative rights examination for trademark applications. This was withdrawn partly due to the clutter of EU rights on the UK register. What will happen when the clutter clears?

Here comes the sun

There are certainly many factors to bear in mind within the realm of trademarks. The Brexit saga is not quite over and while the new landscape has created confusion and various new rules for practitioners to become familiar with, there is room to manoeuvre and to use these new requirements to clients' advantage. So take note – one day Brexit will be a distant memory, but we will continue to feel the ripples for a few more years to come, so, in the words of George Harrison, "here comes the sun". **WR**



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