Managing Intellectual Property

The Global IP Resource

BREXIT, TRADE MARKS AND DESIGNS: THE POSITION PAPERS COMPARED

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Associations including CITMA, ECTA, INTA and MARQUES have published position papers discussing IP rights when the UK leaves the EU in March 2019. Managing IP looks at the biggest issues, including registered EU rights, pending applications, exhaustion and representation

The United Kingdom is steadily progressing towards leaving the EU, following the referendum vote in June 2016 and the triggering of Article 50 in March 2017. On December 8, a joint report on phase 1 of the negotiations was published by EU and UK negotiators.

Based on this, after its meeting on December 15 the European Council said sufficient progress had been made to move on to the second phase related to transition and the framework for the future relationship.

The joint report focused on citizens' rights, Northern Ireland and the financial settlement. But it also commented briefly on some issues that may affect IP rights. These included free circulation of goods, cooperation in civil and commercial matters, ongoing EU judicial and administrative proceedings, and issues relating to the functioning of EU agencies.

The Council statement sets out some guidance on the second phase of negotiations addressing transitional arrangements and the overall understanding on the framework for the future relationship. It says that the Council agrees to a transition period (which is expected to last around two years) "covering the whole of the EU acquis" including changes or decisions made during the transition period.

That may mean that there are no substantial changes to EU IP rights until about March 2021, two years after Brexit day (March 29 2019). However, a number of position papers have recently been published looking at issues including continuity of protection, enforcement, exhaustion and representation. These include:

- The European Commission's paper (September 2017)
- A notice by the Commission and EUIPO (December 2017)
- CITMA position paper (July 2017) and business case report (December 2017)
- ECTA submission (January 2017)
- INTA position paper (November 2017)
- MARQUES position paper (November 2017)

The papers generally call for clarity and predictability, and for progress to be made in the negotiations. But what do they have to say about the details?

EU trade marks and registered Community designs

The Commission paper says that the holder of a granted unitary on Brexit day should be recognised as the holder of an enforceable IP right in the UK "comparable to the right provided by Union law". It adds that the implementation of this principle should include "the automatic recognition" of an IP right in the UK on the basis of the existing EU right, and says: "The implementation of this principle should not result in financial costs" for the holders of IP rights and: "Any related administrative burden for such holders should be kept to a strict minimum."

The users' associations consider both ideal and realistic scenarios.

In its paper, CITMA states that its preference is for the UK to continue to be part of the current EU system (meaning the EU system would need to be opened up to non-EU member states). MARQUES' position is similar: it says ideally the UK would be part of a harmonised system covering at least the UK and the EU27: "If this is not possible to achieve in the short term, this would be a preferred goal to strive for in the medium term." INTA states that, if the UK remains in the Single Market and Customs Union (for example through EFTA membership) the EUTM system should be expanded to cover EEA and EFTA member states.

However, as things stand, EFTA membership looks unlikely. If the EU system cannot be opened up, CITMA says the UK government should provide for automatic entry of all EUTMs and RCDs onto the UK register "with the same scope of protection at zero or minimal cost". MARQUES also favours a Montenegro-style process where rights owners do not have to opt in or complete any forms. MARQUES labels these UK equivalent rights as "novated" rights.

INTA's position is slightly different. It supports either automatic extension (the Montenegro model) or extension based on action by the rights holder (opt-in or Tuvalu model). It adds that, whichever scenario is chosen, there should be no official fees "or such fees should be set at a reasonable level". The Tuvalu model would probably result in some EUTM owners choosing not to obtain a UK right: this might address concerns about cluttering of the UK register but the opt-in process is likely to be more burdensome and expensive than automatic extension.

ECTA's statement calls for a "satisfactory solution" to preserve EU IP rights in the UK that "should not be burdensome for the owners of such IP rights".

The CITMA, INTA and MARQUES papers also discuss some of the issues that will need to be addressed in more detail in the negotiations, such as seniority claims, intent to use and non-use cancellation.

Pending applications

CITMA's view is applications pending on Brexit day (including those under opposition) should remain with the EUIPO. Any decision on invalidation/revocation should apply in the UK, but there should be a "conversion-like" process if the grounds do not apply to the UK.

MARQUES agrees that applications pending at Brexit "should generally only complete the UK novation process after completion of all the normal EU steps". MARQUES also suggests that, if a challenge to an EUTM is based on a prior UK right, then the owner of that right should be able to choose to give up its UK "novated" right.

INTA urges that, for a "reasonable period" after Brexit, EUTM applicants should be able to split their applications into UK and EUTM applications, preferably at no cost. It adds that applications not published by Brexit day may be divided and should be subject to national rules subject to a cut-off period after which pending applications could not be divided: "Such a period of time should be reasonable so that the trademarks space would not be unreasonably occupied."

Exhaustion of rights

INTA and MARQUES both clearly state their opposition to the adoption of international exhaustion of IP rights. MARQUES says: "Whatever position is adopted by the UK government, there needs to be provisions addressing goods that have already been placed in the market in the UK pre-Brexit."

INTA states that, if international exhaustion is adopted, the UK courts would need to determine what amounts to "consent", and what amounts to "legitimate reasons" to oppose further dealings: "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."

Representation

In its July paper, CITMA called for a bilateral agreement between the UK and EU so that UK attorneys can continue to act before the EUIPO, with attorneys in the EEA being granted reciprocal rights before the UK IPO. In its latest business case report, CITMA published research indicating that UK attorneys act for 23.7% of EUTM holders, and said the total financial impact of losing representation would be between £789 million and £1.7 billion a year.

MARQUES' preference "is for the representatives on the record at the time of Brexit to remain on the record and entitled to represent their interests as fully as they can currently" and it would prefer to see this arrangement continue for rights applied for post-Brexit.

INTA says that UK and EU27 IP professionals "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)".

Other issues

The INTA and MARQUES papers, which are the most detailed, both cover issues such as the need for continued unregistered Community design right protection and recognising geographical indications. They also touch on matters relating to enforcement, including pan-EU litigation (INTA supports a cut-off date for the enforceability of pan-EU injunctions) and border measures.

Other topics addressed by the MARQUES paper include .eu domain names and existing contracts, recordal of contractual interests and licensee litigation rights, while INTA's paper considers issues relating to invalidity of registered designs, allocation of resources and sharing of data between EUIPO and UKIPO.

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