

Guidance note:
The effect of Brexit on
intellectual property rights

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A. Introduction

After leaving the EU on 31 January 2020, the UK and the EU entered into a transition period which will expire on 31 December 2020. During the transition period, the UK is treated as if it were still a member of the EU. Intellectual property rights are therefore currently unaffected. However, the position will change dramatically after 31 December 2020.

In accordance with the European Union (Withdrawal) Act 2018, the Government has committed to taking steps to protect and minimise the disruption to all existing, registered European Union trade marks, International trade marks designating the EU, registered Community designs, unregistered Community designs and database rights.

The main steps involve the creation of new UK trade mark and design rights which mirror existing EU trade mark and design rights.

B. Registered EU Trade Marks and International Trade Marks designating the EU

1. *Creation of a comparable UK trade mark*

In order to ensure continuity of protection, comparable UK rights will be created automatically for all registered EU trade marks (“**EUTMs**”) and International Registrations designating the EU (“**EUIRs**”). Three statutory instruments have been passed to create these comparable rights and deal with various procedural matters. Comparable rights will be created automatically and without charge.

(a) EUTMs

A trade mark which is already registered with the EU Intellectual Property Office (“**EUIPO**”) before 31 December 2020 will automatically be converted into a comparable UK registered trade mark by the UK Intellectual Property Office (“**UKIPO**”) on 31 December 2020.

A comparable UK trade mark will retain the filing date of the corresponding EU trade mark and, accordingly, the same renewal date. It will also inherit any relevant priority and/or seniority dates. The UK comparable trade mark will be a fully independent right which can be challenged, assigned, licensed or renewed, separately from the original EUTM.

Owners of comparable marks will not be required to have a UK correspondence address during the first three years after 31 December 2020, but will need to appoint a UK-based representative after that.

(b) EUIRs

The provisions made in respect of EUIRs are the same as for EUTMs, except that there is a difference between EU designations which are contained in the original IR application and IRs protected in the EU as a result of a request for territorial extension of an IR.

Where the EU designation was contained in the original IR application, the comparable UK mark will be deemed to be registered as of the IR application date.

Where an IR is protected in the EU as a result of a request for territorial extension, the comparable UK mark will be deemed to be registered as at the date the extension request was recorded in the International trade marks register.

2. *EUTM and EUIR applications*

It is too late for any new trade mark applications filed now to qualify for automatic conversion on 31 December 2020. However, any rights-holder with only a pending EUTM or EUIR application will have 9 months in which to apply for UK protection for the same rights, claiming priority or seniority from the earlier EUTM/EUIR application. Under the normal rules for claiming priority, the period is 6 months.

After 31 December 2020, anyone wishing to register a new trade mark will need to consider making two separate applications, *i.e.* one to each of the EUIPO and the UKIPO, which will incur two sets of fees.

3. *Renewals*

Trade marks due for renewal must be renewed by the renewal date, subject to a grace period of 6 months following the renewal date on payment of a late renewal fee.

In relation to comparable UK marks which are due to expire within the six month period following 31 December 2020, it will not be possible for the UKIPO to give the usual six months' notice of the need to renew because the comparable UK will not exist until 31 December 2020. The UKIPO must therefore notify the proprietor of the need to renew as soon as reasonably practicable and to allow them to renew within six months from the date of that notice. This is likely to have the effect of extending time for renewal in many cases.

In respect of any EUTMs or EUIRs which expired up to 6 months prior to 31 December 2020, but which are renewed after 31 December 2020 during the remaining term of the 6 month grace period, the corresponding comparable UK mark will automatically be renewed. However, for EUIR renewals, the trade mark owner must notify the UKIPO of the renewal within 9 months of 31 December 2020 (*i.e.* by 31 October 2021).

4. *Genuine use*

Use might need to be proven in opposition, invalidity, revocation and infringement proceedings where the mark relied on or challenged is more than five years old. There are two important scenarios to consider regarding non-use of EUTMs/EUIRs:

(a) EUTMs/EUIRs used only in the UK

After the end of the transition period, EUTMs and EUIRs will cease to apply to the UK. Accordingly, EUTMs and EUIRs which are more than five years old and which have to date only been used in the UK will also need to be used in a significant part of the EU (which might be only one EU country) after 31 December 2020 in order to maintain the EU registration and the ability to rely on the earlier EU right in trade mark proceedings within the EU.

However, in respect of EUTMs and EUIRs which:

- (i) become five years old before or after 31 December 2020, and
- (ii) have been used in the UK prior to 31 December 2020,

evidence of use of a EUTM/EUIR in the UK before 31 December 2020 will continue to be relevant to proving genuine use of the EUTM/EUIR in the last five years. As time goes by, such evidence will reduce in value and it is therefore important that, as noted above, EUTMs and EUIRs are used in the EU after 31 December 2020 in order to maintain the registration or rely on it in trade mark proceedings in the EU, since, eventually, only use in the EU will be relevant to a EUTM or EUIR.

(b) EUTMs/EUIRs not yet used in the UK

In relation to comparable UK marks derived from EUTMs and EUIRs which are more than five years old and which have not been used in the UK to date, the comparable UK mark will also need to be used in the UK after 31 December 2020 in order to maintain the comparable UK registration or rely on it in trade mark proceedings in the UK in the future.

However, in respect of EUTMs and EUIRs which:

- (i) become five years old before or after 31 December 2020, and
- (ii) have been used in the EU prior to 31 December 2020,

evidence of such use will still be valid evidence for the purposes of proving genuine use of the comparable UK mark in the last five years, even though the EUTM or EUIR might never have been used in the UK. As time goes by, such evidence will reduce in value and it is therefore important that, as noted above, comparable UK marks are used in the UK after 31 December 2020 in order

to maintain the registration or rely on it in trade mark proceedings in the UK, since, eventually, only use in the UK will be relevant to a comparable UK mark.

5. *Marks with a reputation*

Where the reputation of a comparable UK trade mark is relied upon in support of an opposition or infringement action in the UK (under sections 5(3) and 10(3) of the Trade Marks Act), evidence of the reputation of the corresponding EUTM or EUIR anywhere in the EU prior to 31 December 2020 may be relied upon in addition to any evidence of reputation in the UK before or after 31 December 2020.

The relevance of the mark's reputation outside the UK will diminish as time goes by, so it is important that marks are put to genuine use in the UK after 31 December 2020 so that goodwill and reputation can be developed in the UK.

Importantly, evidence of the reputation of a EUTM or EUIR in the UK will cease to be relevant in EU proceedings relating to the EUTM/EUIR after 31 December 2020.

6. *Assignments, licences and security interests*

Assignments of EUTMs and EUIRs which have not yet been recorded with the UKIPO prior to 31 December 2020 will still be deemed to apply to the comparable UK mark. However, the assignment should still be recorded subsequently with the UKIPO in relation to the comparable UK mark in order to ensure that the correct owner is identified on the register and to avoid the adverse consequences of not registering the assignment described below.

Unless the terms of the licence provide otherwise, licences of EUTMs and EUIRs which cover use of the mark in the UK will continue to apply to the comparable UK mark after 31 December 2020. The same applies to the granting of any security interest over the mark.

All such transactions involving UK trade marks should be recorded on the Trade Marks Register in order to avoid certain, adverse consequences. These are:

- (i) third parties who acquire a conflicting interest without knowledge of the transaction are not bound by it,
- (ii) a licensee is not able to enforce its licence against an infringer or require its licensor to do so, and
- (iii) an assignee or licensee is not able to recover costs in infringement proceedings.

However, in respect of licences and security interests in comparable UK marks, the following exceptions apply:

- (i) an exception to points (i) and (ii) provided that the licensee or owner of the security interest records the licence or security interest with the UKIPO within 12 months of 31 December 2020, and
- (ii) an exception to point (iii) provided that the licensee or owner of the security interest records the licence or security interest with the UKIPO within 18 months of 31 December 2020.

7. Pending Court proceedings

Orders made after 31 December 2020 in pending proceedings before a UK Court for infringement, revocation or invalidity relating to a EUTM or EUIR will only apply to the corresponding comparable UK mark.

Decisions made in pending proceedings for revocation or invalidity before the EUIPO relating to a EUTM or EUIR will apply to a corresponding comparable UK mark after 31 December 2020. This will not affect decisions on infringement which have been finally determined and enforced before the date of removal of the mark from the register.

Existing injunctions relating to EUTMs or EUIRs will continue to apply to a corresponding comparable UK mark after 31 December 2020.

If pending opposition or cancellation for invalidity proceedings against a EUTM or EUIR are only based on earlier UK rights, they will be dismissed with each side bearing its own costs. It will be necessary to issue new proceedings before the EUIPO based on earlier rights arising in an EU member state, as well as separate UK proceedings against the comparable UK mark, if relevant.

8. Opting out

The owner of an existing EUTM or EUIR may serve notice on the UK Trade Marks Registrar at any time (whether during or after the transition period) that they wish to opt out of owning a comparable UK trade mark unless the comparable UK mark:

- (i) has been put to use in the UK by or with the consent of the proprietor,
- (ii) has been licensed, assigned, made the subject of a security interest or has otherwise been dealt with (other than by way of an assent by personal representatives of a deceased person),
- (iii) forms the basis of any legal proceedings brought by or with the consent of the owner.

However, this might prejudice the rights of licensees and others with an interest in a EUTM or EUIR. Accordingly, when giving notice, the trade mark owner must declare the names and addresses of anyone with an interest in the EUTM or EUIR which pre-dates 31 December 2020 and which has been recorded on the EU trade marks register. The notice must also certify that these interested parties have received at least three months' notice of the intention to opt out and that they either consent to it or are unaffected by it. It is therefore essential that licensees and others with an interest in a EUTM or EUIR which has not been recorded on the EU trade marks register record that interest as soon as possible.

Once accepted, the opt-out will be treated as taking effect from 31 December 2020.

C. Registered Community Designs

Similar provisions to those described above in relation to EUTMs and EUIRs have been put in place for registered Community designs ("**RCDs**"). A comparable UK registered design will be created corresponding to a RCD and it will be treated as if it had been applied for and registered under UK law at the same time as the original EU registered design.

The comparable UK registered design will therefore be subject to renewal in the UK, can form the basis for proceedings in the UK and can be assigned and licensed independently from the RCD.

The same rules as for EUTMs will apply to renewals, recordals of assignments, licences and security interests and pending Court proceedings for cancellation on grounds of invalidity relating to RCDs.

Pending applications for RCDs will not be converted automatically to comparable UK registered designs. However, anyone with only a pending RCD application will have 9 months in which to apply for UK protection on the basis of the earlier RCD application date for the purposes of claiming priority from that application.

After 31 December 2020, UK individuals and organisations will still be able to obtain RCD protection in the remaining 27 Member States of the EU through an application to the EUIPO. Individuals and organisations from the EU and the rest of the world will still be able to apply for a UK registered design through the UKIPO. Therefore, anyone wishing to register a new design will need to consider making two separate applications, *i.e.* one to each of the EUIPO and the UKIPO, which will incur two sets of fees.

D. Unregistered Design Rights

A new form of unregistered design right will be created called the "Supplementary Unregistered Design Right" ("**SUDR**") which will mirror the provisions of the Unregistered Community Design Right ("**UCDR**"). The SUDR will subsist in tandem with the UK national unregistered design right and is designed to replace the UCDR within the UK. UK national unregistered design right is unaffected by Brexit.

This means that all existing UCDRs still within their protection period will effectively be imported into UK law and will continue to be protected in the UK by the SUDR and in the EU by the UCDR for the remainder of the 3 year protection period.

The SUDR will also apply to new designs created after 31 December 2020 which are first disclosed in the UK and will last for three years.

It remains to be seen whether the SUDR will evolve in line with EU case-law relating to the UCDR.

E. Design Rights and Qualification

It seems likely that it will no longer be possible for unregistered designs which are first disclosed in the UK to receive the benefit of UCDR protection. Entitlement to the UCDR depends upon the “novelty” of the design in question and novelty depends upon where and how the design is first disclosed.

The prevailing view is that to receive UCDR protection, a design needs to be first disclosed within the territory of the EU. Simultaneous disclosure in the UK and the EU remains an option, but might be difficult to carry out in practice. The question whether simultaneous, on-line disclosure in the UK and EU would provide an effective method of obtaining both rights has not been answered. It would be necessary to keep designs confidential until they were ready to be disclosed in both the UK and the EU simultaneously so as not to undermine the novelty of the designs in question.

Similarly, designs which are first disclosed in the EU will not receive SUDR protection in the UK, although they will, in most cases, be protected by the UK unregistered design right.

For registered designs, there is a 12 month grace period before a design loses its novelty, so disclosure in the UK should not affect the ability to apply for a RCD in the EU within the grace period.

F. Copyright

Copyright is mostly governed by international conventions and treaties which will be unaffected by Brexit, although there is likely to be some divergence of case-law as UK Courts have more freedom to take copyright law in a different direction.

G. Licence Agreements/Co-existence Agreements

Any agreement which applies to a territory whose definition refers to the EU may need to be amended. Although it is arguable that the definition was intended by the parties to refer to the EU as it was at the time the agreement was entered into, *i.e.* including the UK until 31 January 2020, it is worth amending or varying any important agreements now for the avoidance of disputes in the future.

New agreements will need to set out clearly the rights in question (whether the agreement is intended to cover UK and EU rights), the territory or territories in which the agreement is to have effect and make financial provisions, e.g. for the increased cost of doing business in the UK or the EU absent favourable trading agreements with the EU, such as customs duties which did not previously exist.

H. Exhaustion of rights

Once a product is put on the market within the EEA, any trade mark and design rights become “exhausted” and the product may be imported freely into other EEA countries and be re-sold without infringing the original trade mark or design rights.

Goods which are imported from outside the EEA (often referred to as “parallel imports” or “grey imports”) are not subject to the exhaustion of rights principle. The UK government has not yet decided on its position in relation to the exhaustion of IP rights, but it is likely that, after 31 December 2020, goods on the market which are imported between the UK and the EEA will not be subject to the exhaustion of rights principle. If this is to be the case, businesses exporting IP-protected goods from the UK to the EEA or *vice versa* will require the right-holder’s consent. This would be good news for many brand and design owners because it gives them greater control over the market.

I. Patents

These are governed by international conventions and treaties and are unaffected by Brexit. Any protection gained and/or sought will remain unchanged.

J. Database rights

Owners of EU database rights arising under the Database Directive (96/9/EC) in databases which were created before 31 December 2020 will lose the EU database right after 31 December 2020, but will receive an equivalent UK right with the same term of protection as the EU database right.

For databases created after 31 December 2020, UK individuals and organisations will no longer have the benefit of the EU database right and will only receive the UK database right which will apply in the UK only.

This does not affect copyright in databases arising under UK copyright legislation.

K. Representation

UK legal representatives will be able to continue to represent their clients before the EUIPO in cases which are still ongoing after 31 December 2020, but not in respect of any new proceedings.

L. How to prepare

The only way to be certain of complete EU and UK protection is to register trade marks and designs in both the UK and the EU from now.

We suggest that analysis is performed on your existing trade mark and design rights portfolio to ascertain whether steps can be taken before 31 December 2020 to ensure that these rights continue to be protected in the most straightforward and cost-effective manner possible.

The following questions should be asked:

1. Are there any pending EU trade mark or design applications which will not be registered before 31 December 2020? If so, apply for national UK trade marks/registered designs.
2. Are all current EU trade marks being used in the UK and at least one other EU country or are preparations in place for their use after 31 December 2020?
 - EU trade marks which have only been used in the UK to date will also need to be used in at least one EU country after 31 December 2020 in order to maintain the registrations.
 - Consider whether you can show genuine use of a trade mark in a “significant part” of the EU.
 - EU trade marks which have not been used in the UK to date will need to be used in the UK as well after 31 December 2020 in order to maintain the comparable UK mark.
 - Where might protection need to be shored up to avert non-use challenges? Consider applying for new trade marks in either the UK or the EU in order to re-set the five year non-use period for potentially vulnerable marks.
3. Ensure that any new designs which are registered as UK designs are also registered as EU designs before the end of the 12 month grace period (and ideally before the end of the 6 month priority period).
4. If you intend to rely on unregistered design rights only, consider carefully where to launch new designs and whether simultaneous UK and EU launch is possible.
5. Are the descriptions of rights and/or territorial definitions in agreements clear and are the financial provisions still appropriate or do amendments need to be made for the avoidance of doubt and potential litigation?

6. Ensure that any outstanding records of assignments, licences or grants of security interests are made with the EUIPO in relation to EUTMs and EUIRs prior to 31 December 2020 and that any assignments, licences or grants of security interests are also recorded against corresponding comparable UK marks after 31 December 2020 in order to avoid losing the full benefit of the transaction.

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