

## MARQUES BREXIT POSITION PAPER

### Executive Summary

- Brexit has the potential to be a material threat to the interests of the significant number of businesses that own and/or rely on valuable trade mark, design and geographical indicator rights protected in the EU. This affects both large and small businesses, including those with substantial presences globally and those providing employment to many EU citizens and contributing materially to government tax revenues in EU27 Member States and the UK,
- **MARQUES** believes that the governments of the UK and EU27 Member States and the EU Commission need to provide early certainty to these businesses in respect of three key objectives, namely that, at the time of and in consequence of Brexit:
  - 1) There will be no loss of their existing proprietary intellectual property ("IP") rights and no diminution in the level of IP protection in the UK and EU27 Member States post-Brexit;
  - 2) Businesses will not have to incur any, or at least any material, costs to maintain their existing rights; and
  - 3) There will be no, or as little as possible, administrative burden on businesses in retaining those rights.
- **MARQUES** considers that delivering on these key objectives needs the resolution of a large number of complex matters of technical law and procedure which will require time to debate, negotiate and resolve between expert officials on both sides, preferably on an open basis and with the maximum possible consultation with stakeholders.
- It is, therefore, of serious concern to **MARQUES** that, with less than 18 months until the UK is due to leave the EU, the parties have not commenced any dialogue at all about these matters, many of which are largely administrative and functional.
- **MARQUES** urges the parties to urgently start and diligently progress talks between them:
  - 1) To thoroughly identify all matters needing resolution to deliver on the key requirements above;
  - 2) To publicly confirm as early as possible those matters about which there can be ready agreement; and
  - 3) To address and negotiate an agreement on the remaining matters so as to provide as much certainty on them as early as possible.

### About **MARQUES**

**MARQUES** represents the interests of trade mark owners in Europe, wherever they are based. We have over 750 member companies or firms, being either large corporations (many with some of the largest trade mark portfolios in the world) or trade mark professionals (who represent the trade mark interests of many more such corporations, as well as thousands of small and medium sized enterprises). Together our members have an interest in a large proportion of the registered trade mark and registered designs existing on the EUIPO and UKIPO registers. Our corporate members have a collective annual turnover of over €225 billion (roughly equal to or greater than the GDP of half of all EU Member States) and employ over 630,000 people globally. A substantial proportion of

these figures relate to the EU. Our members are represented by over 2,000 individuals from more than 80 countries.

### **Progress of negotiations**

**MARQUES** wishes to impress upon all parties involved in the Brexit negotiations the urgent need to start and progress bilateral talks about the technical aspects relating to IP law and procedure as soon as possible.

Once allowance is made for national ratifications of any agreement, there are perhaps only 12 months or so within which to start and conclude complex negotiations about a very technical area of law before 30 March 2019, when the UK is due to leave the EU. As that date approaches, there will be more and more IP disputes and registry objections arising now whose final resolutions will post-date Brexit. Until we know what happens to those and how IP rights will be protected in the UK and EU27 in future, the uncertainties for industry will only grow.

**MARQUES** is seriously concerned that there have been no negotiations at all on such matters to date. It is especially concerning that the key expert bodies advising the negotiating parties, namely the UKIPO and EUIPO, have not even had exploratory discussions with each other to identify what matters need to be negotiated. This is very damaging to business interests. In particular, it seriously undermines short and medium term confidence in the trade mark, design and geographical indicator systems of Europe. Businesses are already incurring potentially unnecessary costs on contingency arrangements and having to make other speculative decisions that could adversely affect their business and jeopardise their valuable rights. This has consequences for the businesses themselves, their investors, their employees and their consumers, both within the UK and also in many, if not all, EU27 Member States

**MARQUES** notes that, as well as resolving the legal and procedural issues posed by Brexit, there are various significant administrative and other challenges that will need to be met. These primarily relate to the UK IPO, which will likely need to undertake a very large change-management process to its Register, website and services provided to businesses in the UK and EU27 Member States, as well as the potential impact on staffing and other resources.

### **Official position papers**

**MARQUES** welcomes the publication by the EU Commission of its position paper on IP of 21 September 2017. As will be apparent from the position stated below, **MARQUES** supports most of the principles set out in that paper. However, that paper focuses almost entirely on the UK's withdrawal from the EU, with almost no statement on the position of the EU27 Member States as regards IP rights post-Brexit. It also only scratches the surface of the myriad issues to be addressed.

**MARQUES** is concerned by the UK government's complete silence on this issue and would welcome seeing a response paper. However, **MARQUES**'s preference would be to see a sequence of position papers, jointly issued by the UKIPO and EUIPO, that identify those areas where common ground has readily been found and highlighting the remaining issues being further considered and negotiated. These would give confidence to the business community that the negotiating parties take IP rights seriously and are working expeditiously towards a sensible common goal. It would create certainty where currently there is doubt. It would also allow stakeholders, such as **MARQUES**, an opportunity

to provide helpful expert commentary on the options being proposed before implementing legislation is drafted.

## Rights in issue

**MARQUES** sets out in the **attached paper** the position of its members, being European brand owners wherever based, on what should preferably happen to the following harmonised pan-EU rights on Brexit:

- Registered European Union Trade Marks ("**EUTM**") under Regulation (EU) No. 2017/1001
- Registered Community Designs ("**RCD**") under Council Regulation (EC) No. 6/2002, amended by Council Regulation (EC) No. 1891/2006
- Unregistered Community Design rights ("**UCD**") under the same regulation as for RCDs
- Protections of Designated Origin and Protections of Geographical Indication ("**GI**") under Regulation (EU) Nos.1151/2012, 110/2008 and 251/2014.

**MARQUES** believes that these rights require special and priority treatment in the Brexit negotiations. This is because they are the most harmonised (across the EU) of all intellectual property rights in existence. Because all issues of entitlement, validity, infringement and statutory defences for these rights have been harmonised across the EU since their creation, any process of splitting out UK rights and providing certainty for business will necessarily be complex.

## MARQUES' POSITION

### 1. A single system for Europe

- a. **MARQUES** considers that its members and consumers have benefitted considerably from the harmonisation of EUTMs, RCDs, UCDs and GIs over the years. To avoid losing this benefit, **MARQUES** would prefer to see as much of this harmonisation as possible survive Brexit, whether or not the UK stays in the Common Market or joins the EEA.
- b. Ideally, the UK would be part of some sort of harmonised (or nearly harmonised) trade mark, design and PDO/PGI system covering at least the UK and EU27 countries. Whether this is achieved by the UK remaining in the existing system or joining some newly created system is open for resolution. If this is not possible to achieve in the short term, this would be a preferred goal to strive for in the medium to long run.

### 2. Key Objectives – **MARQUES** members wish to see the UK government and the Brexit negotiators focus on three key overarching objectives:

- a. To maximise the retention of existing EUTM, RCD, UCD and GI rights and equivalent protection in future in relation to:
  - i. all such rights as were existing at Brexit (bearing in mind the legitimate expectation that those rights would, at the time of their creation, cover the UK); and
  - ii. the protection for the same type of subject matter in future (so the law provides no less protection for businesses than it does presently).

- b. To minimise the disruption and administrative burden to business in the retention of such rights and protection; and
- c. To minimise the cost to business in the retention of such rights and protection.

### **3. Specific points for EU harmonised rights in force on Brexit**

- a. EUTM, RCD, UCD and GI rights that existed at Brexit should have a national UK equivalent right created so as to give the exact equivalent rights in the UK post-Brexit as existed in the UK under the EU system pre-Brexit (we refer to these as "**novated**" UK rights). Subject to the exceptions for pending applications and rights the subject to pending challenges discussed below, this should be immediate and automatic, with the novation process being administered by the UKIPO.
- b. To ensure no prejudice to rights holders, the novated UK rights should, where relevant, have the same priority, application, registration and renewal dates as their EU counter-part.
- c. For ease of portfolio management, registered rights that are novated should preferably be identified by the same registration number in the UKIPO database as the EU right, but just preceded by a letter or letters (e.g. N to show it is a novated EU right).
- d. To avoid inadvertent loss of rights in default of action (particularly by less well-resourced small and medium-sized enterprises), this novation process should preferably be automatic. It should not require registered proprietors to have to opt in or complete any forms.
- e. To avoid delays and uncertainty about the continuity of rights, there should not be any re-examination by the UKIPO of these novated rights.
- f. The novation process should be without cost, since otherwise the mechanism of having to pay something necessarily creates an effective opt-in process. It would also be open to abuse, leading to potentially even more fraudulent "official" invoices demanding unjustified payments to "secure" UK rights.
- g. A novated UK trade mark or design right arising out of, respectively, the Madrid or Hague procedures should remain part of the same international 'bundle' of registrations, such that it can, for example, continue to be administered centrally together with the other rights in the bundle.
- h. There should be no loss of national trade mark rights in the UK where seniority had been claimed and the former UK trade mark registration had been allowed to lapse in reliance on the successful seniority claim. This should preferably be achieved by reviving the original UK trade mark registration as if it had never lapsed. There should be a reasonable period of time to permit the registrant to merge the revived registration with other UK trade marks as if the UK's rules on merging registrations with different priority dates had not changed.
- i. There should be no pre-condition to novation of an EUTM requiring the owner to declare a genuine intention to use the mark in the UK. Doing so would again introduce an effective opt-in process. Nor should any such intention be implied or inferred by law. This is to ensure equal treatment on issues of validity for a novated UK registered trade mark and the EUTM from which it derives.

- j. A novated UK trade mark registration should not automatically benefit from a new 5 year grace period for non-use but, equally, there should be no immediate obligation to use the mark in the UK just because of Brexit. Where the mark is not used in the UK, the novated UK trade mark registration should instead only be vulnerable to revocation 5 years after the last use prior to Brexit anywhere within the EU. Likewise, an EUTM that is not used in the EU27 post-Brexit and had only been used pre-Brexit in the UK should only be vulnerable to revocation 5 years after the last pre-Brexit use in the UK.

#### **4. Creation of new rights in the UK post-Brexit**

- a. National rights equivalent to the UCD and the GI regime should be created in the UK to ensure businesses benefit from the same level of protection for new designs and GIs in the UK in future as businesses would benefit from in the EU27 Member States.
- b. The equivalent unregistered design right for the UK should come into existence only on the same basis as the current UCD comes into existence. Case law has yet to clarify if that requires the first publication to be within the EU or whether it may be published anywhere and still qualify. If the former, the UK government and EU27 countries should agree to reciprocity as between the respective rights and places of publication. Accordingly, the new UK right and the future UCD for EU27 countries should each come into existence with first publication within either the UK or any EU27 country.

#### **5. Pan-EU rights pending as applications before the EUIPO or the subject of pending challenges**

- a. All EU trade mark and design applications pending at Brexit should generally only complete the UK novation process after completion of all the normal EU steps. That includes examination by the EUIPO (including appeals from its decisions), publication, oppositions against pending EUTMs at the EUIPO (including appeals from its decisions) and registration. Once and to the extent (subject to point 5c) that the EU right is then granted, the equivalent UK right can then be novated to the same extent.
- b. Where an EUTM application or registration is the subject of a challenge pending at Brexit that is based on prior rights (in an opposition or cancellation action, including any appeal), the challenge should not be allowed to undermine the unity of the EU right for EU27 countries post-Brexit insofar only as the challenge is based wholly or partly on a prior UK right. Such a prior right, even though existing pre-Brexit, should be treated by the EUIPO (or any appellant EU tribunal) as being a prior right effective only against the novated UK right post-Brexit as follows:
  - i. any ruling in favour of that UK prior right would mean there can be no UK novation of the EUTM; and
  - ii. at any time prior to a final decision, the EUTM owner should be able to opt for its EUTM not to be novated in the UK and its rights in the UK arising from that EUTM would then lapse.

In either event, subject to any other grounds of challenge, the EUTM would proceed to registration or remain in force in relation only to the EU27 Member States and not the UK.

- c. In the event that there is a final decision at the EUIPO (or on appeal) that a challenge to an EUTM application or registration has failed to the extent it was based on a prior UK right and subject to there being no final ruling based on absolute grounds that could apply in the UK, that EUTM should then be novated into a UK novated registration. This should apply even if the EUTM is otherwise rejected or cancelled for other reasons.
- d. Where an EUTM registration is the subject of a challenge pending at Brexit that is based on revocation for non-use, the UK novation process should only be completed once those proceedings have been completed and to the extent the EUTM remains in force.
- e. Where a RCD is the subject of a challenge pending at Brexit, the UK novation process should only be completed once those proceedings have been completed and to the extent the RCD remains in force.
- f. The owner of an EU right that has the potential (dependent on an EU process pending at Brexit) to be novated into an equivalent UK right should be able to start opposition, cancellation or infringement proceedings in the UK post-Brexit in reliance on the anticipated UK novated right even though the novation process is not complete. This is to preserve their position as if their EU right still covered the UK. Subject to there being special grounds for continuing the infringement proceedings (in line with Article 132 and 91, respectively, of the EUTM and RCD Regulations), any such proceedings should then be stayed until the UK novation process is completed or else they should automatically end (insofar as those proceedings rely on that right) if the novation process does not complete.
- g. In addition to point 5(b)(ii), there should be an option for the applicant of an EUTM pending at Brexit or the owner of an EUTM registration that is pending challenge to elect, at any time prior to the earlier of the EUTM application achieving grant or a final decision in any opposition or challenge, to have UK novation occur before that date. This could, therefore, also be opted for whilst any opposition or challenge is pending at the EUIPO (or on appeal). That would then mean the EUTM is split out, with the UKIPO undertaking its own examination, publication and opposition process on the UK novated application or inviting the challenger to file separate proceedings before the UKIPO in relation to the novated UK registration. The EUTM application would then proceed as if it had always related to the EU27 Member States only.
- h. In the event of a challenge being filed at the UKIPO against a UK novated EU right (whether an application or registration), the relevant dates of assessment in that UK challenge should be aligned as closely as possible with the same dates in any challenge involving the same parties that was pending at Brexit to that EU counter-part or had the challenge been filed against that EUTM counter-part by the same party. The intention should be that no advantage or disadvantage arises for a party simply because the UK challenge was necessarily filed later.
- i. For so long as an EU right could be the subject of UK novation, the UK register should include an entry identifying the EU right so that its potential to exist as a future novated UK right is apparent to those inspecting the register.

## 6. Litigation based on EU rights

- a. Pan-EU injunctions (preliminary or final) based on EUTMs, RCDs, UCDs and GIs that were granted pre-Brexit should continue to have effect for their duration in the UK as in the EU27. This applies also to injunctions granted under EU rights but where the injunction is expressed to cover at least the UK, even if not all EU countries. Such injunctions should cease to apply if the EU right as novated in the UK ceases to be valid and in force.
- b. **MARQUES** accepts that what happens to pending litigation involving EUTMs, RCDs, UCDs and GIs gives rise to numerous complexities that will need very careful consideration. Our members seek, at the least, early clarity (especially as such cases may already have started or be starting shortly) and an outcome that does not lead to the re-litigation of decided cases.
- c. Such issues include:
  - i. Whether the UK court could, post-Brexit, grant a pan-EU injunction in a case started pre-Brexit in reliance on EU rights;
  - ii. Whether a court in an EU27 Member State could, post-Brexit, grant an injunction with effect in the UK in a case stated pre-Brexit in reliance on EU rights;
  - iii. Whether the UK court can, post-Brexit, deal with an invalidity or revocation counter-claim against an EU right that was invoked in a case started pre-Brexit; and
  - iv. Whether UK court, in applying the law as at the date of the infringement, are able to refer to the CJEU questions about the interpretation of that pre-Brexit law and whether the court is bound by the CJEU's answer.
- d. In the event that a claimant that had already started infringement proceedings pre-Brexit in a court in an EU27 Member State in reliance on an EU right is unable, as a result of Brexit, to secure relief relating to infringing acts in the UK, provision should be made to ensure that the claimant has reasonable time, irrespective of limitation periods, to file proceedings before the UK court to seek such relief.

## 7. Representation and addresses for service

- a. In order to minimise disruption for owners of EU rights, **MARQUES** members do not want to be forced to change the legal representatives that have been acting on their behalf in relation to their pan-EU rights, perhaps for as long as 20 years. This applies both to the novated UK rights arising out of existing EU rights and those EU rights relating to EU27 Member States post-Brexit.
- b. Accordingly, **MARQUES**'s 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. Accordingly, non-UK representatives should be able to continue on the record and to be the address for service of EUTMs that are novated onto the UK register and, likewise, UK representatives should be able to continue on the record for EUTMs relating to the EU27 Member States.
- c. To avoid splits in portfolios, **MARQUES** would also prefer, if possible, to see this arrangement continue in relation to rights to be applied for in future post-Brexit. Any such arrangement must be entirely reciprocal, both in law and in practical effect (bearing in mind, for example, any national bar restrictions on practising in another jurisdiction), as between those professionals qualified and based in the UK and those qualified and based in one of the

EUT27 Member States. This may need to be linked with and contingent upon the adoption of the single system for Europe discussed in paragraph 1 above.

- d. In particular, if, at the time of Brexit, the UK government requires all novated UK rights to have a UK representative and/or a UK address for service to replace any non-UK representative then on the record for the EU right, this will have the effect of creating an opt-in procedure (as would imposing a fee). In that event, the benefit of an automated process will be lost. Given that there are over one million EU rights to be novated, this would also create a material administrative burden for industry and the UKIPO and will cause delay and confusion. **MARQUES** is concerned by the disruption and cost to its members and the potential for confusion and missed notifications if there were to be a forced change of representation, especially at the time of Brexit, in respect of both UK novated rights and the EU rights from which they originate.
- e. If **MARQUES**'s preferred position here is not agreed, then transitional provisions should allow for continued representation at least on all matters which have already been commenced before the relevant body, including through to any final appeal.

## 8. Existing contracts, recordal of contractual interests and licensee litigation rights

- a. **MARQUES** invites the UK government and EU27 Member States to adopt legislation to provide that, in the absence of any evidence to the contrary, all contractual provisions entered into pre-Brexit relating to IP rights which make reference to the "European Union" are presumed to be referring to the EU as it was constituted at the time the document was executed. This would help provide certainty and minimise likely disputes relating to the vast numbers of IP licences, co-existence agreements and security interest documents that were drafted without consideration for a Member State leaving the EU.
- b. To the extent that the interests of licensees of, or holders of security or related interests in, an EUTM or an RCD are recorded at the EUIPO (pursuant to Articles 26 EUTM Regulation (2017/1001) and Articles 29 and 32 of Design Regulation (6/2002)), then those interests should be recorded - automatically and without cost - at the UKIPO in relation to the UK novated right arising out of such EUTM or RCD. **MARQUES** considers that holders of those interests should benefit from the same protection in relation to the UK novated right as will have been expected by the parties when the pan-EU interest was created and that there is no loss of such protection by default of any action or payment.
- c. The rights relating to litigation that licensees of EUTMs have under Articles 25 EUTM Regulation (2017/1001) and that licensees of RCDs or UCDs have under Article 32 of Design Regulation (6/2002) should continue to be enjoyed by the same licensees in connection with the UK novated right arising out of such EU rights. **MARQUES** acknowledges that the rights of licensees in this respect differ under these EU regulations as compared with the equivalent entitlement under UK law relating to UK national rights. It may be that some transitional arrangements should apply so that a licensee's rights relating to any novated UK rights are, in time, aligned with those that would apply had the rights been UK national rights.

9. **Exhaustion of rights** - **MARQUES** would not support, and wishes to discourage, any move by the UK government to adopt international exhaustion of IP rights. 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.
10. **.eu domain names** – there should be a prolonged transitional period to allow registrants of .eu domain names that do not have a place of business within the EU27 countries to continue to be the registrant of such domain names and to continue to use them so that they can make appropriate alternative arrangements. Acceptable resolutions should be sought, such as permitting existing names to be renewed, allowing the use of EU-based proxies for UK registrants, or treating residents of the UK, for the purposes of such domains, as the equivalent of EEA residents.
11. **Customs actions against counterfeits** - with the aim of preserving the maximum and most efficient use of resources in the fight against counterfeits, **MARQUES** encourages the UK government and EU27 Member States to retain as much as possible of the current level of cooperation between the customs offices around the EU and would like to see retained some sort of centralised notification of rights system that includes the UK.
12. **Transitional Provisions** – in addition to points 7 and 10 (regarding rights of representation and .eu domains), if the UK and EU27 do agree to a transitional period generally, **MARQUES** recommends that as much of the current system for these IP rights is maintained as is possible during that period, with the necessary changes coming into effect only at the end of that period. This would maximise the chances of a smooth transition.

Approved by **MARQUES** Council and signed by



**Gregor Versondert**  
**MARQUES** Chair



**Roland Mallinson**  
**MARQUES** Brexit Task Force Chair

17 November 2017