

# **NO DEAL BREXIT AND ITS IMPACT FOR EUROPEAN UNION TRADE MARKS**

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## **Introduction**

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On 29 March 2017, the United Kingdom (UK) submitted notification of its intention to withdraw from the European Union pursuant to Article 50 of the Treaty on European Union.

Following a request by Prime Minister Theresa May, the European Council agreed on 21 March 2019 to extend the UK's departure date to **22 May 2019**, provided the Withdrawal Agreement, negotiated between the European Commission and the UK, is approved by the House of Commons by 29 March 2019 at the latest. If the Withdrawal Agreement is not approved by the House of Commons by then, the European Council has agreed to an extension until **12 April 2019**. In that scenario, the UK would be expected to indicate a way forward before this date.

The Withdrawal Agreement was rejected for a third time by the House of Commons of March 29. Moreover, on April 1, the House of Commons once again failed to coalesce behind any alternative to Theresa May's rejected Brexit deal. Indeed, three options – a common market, a customs union and a second referendum – were all narrowly rejected in the process of indicative votes.

**This means that a “no-deal” Brexit appears now more and more likely as soon as April 12.**

**In a “no-deal” scenario, the UK will become a third country without any transitional arrangements. All EU primary and secondary law will cease to apply to the UK from April 13 2019 (« the withdrawal date”). There will be no transition period, as provided for in the Withdrawal Agreement, and the UK will then become a third country.**

**In the following developments, we will analyse the main consequences of this potential no-deal scenario for EU trade marks.**

## 1. Presentation of EU trade marks

In the EU, there is a four-tier system for registering trademarks.

If a company just wants protection in one EU Member State, for instance where its business is based at the moment, or where it wants to trade, this company can make a trade mark application directly at the relevant national IP office (French Trade Mark Office, German Trade Mark Office, etc). This is the national route.

If a company wants protection in Belgium, the Netherlands and/or Luxembourg, it can make an application to the Benelux Office of Intellectual Property, for trade mark protection in those three Member States. This is the regional route.

**If a company wants protection in more Member States of the EU, it can apply for an EU trade mark from the European Union Intellectual Property Office (EUIPO, based in Alicante, Spain) – this is the European route.**

The fourth route to protection in the EU is the international route. Any person who is a national of, or has a domicile or commercial establishment in, a State that is party to the Madrid Protocol (administered by the World Intellectual Property Organization) and who is the owner of a national application or registration in that same State (a 'basic mark', for instance a Japanese trade mark or an US trade mark) may, through the national office where the basic mark is applied for or registered (the 'office of origin'), file an international application or a subsequent designation in which they can designate the European Union.

**The main benefits of registering a European Union trade mark (EUTM) are the following :**

- A single registration is valid in all EU Member States;
- The EUTM gives its owner an exclusive right in all current and future EU Member States at a reasonable cost;
- You can enforce your EUTM in a market of almost 500 million consumers;
- An EUTM is valid for 10 years. It can be renewed indefinitely, 10 years at a time for each renewal.

The filing of EUTM applications before the EUIPO is a real and global success as shown below:

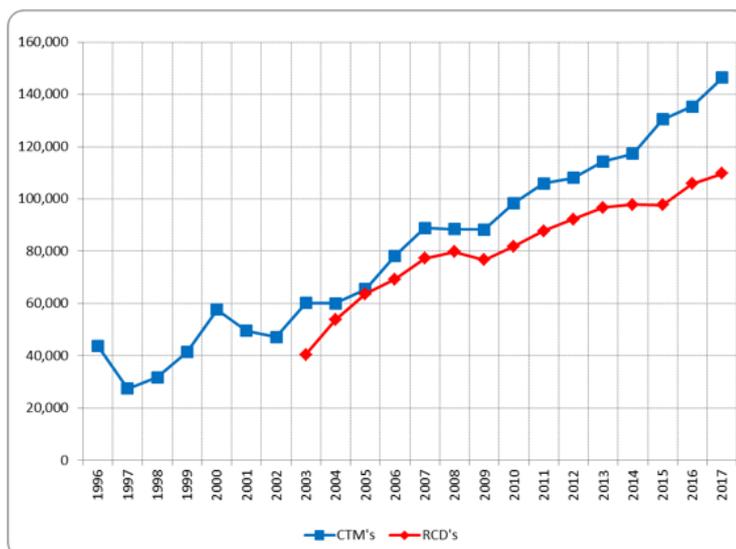
### Key Figures

EUTM	2017	vs 2016	RCD	2017	vs 2016
Direct filings	121,529	+4%	Direct filings	95,800	+5%
International Registrations	24,880	+32%	International Registrations	13,928	-6%
<b>TOTAL</b>	<b>146,409</b>	<b>+8%</b>	<b>TOTAL</b>	<b>109,728</b>	<b>+4%</b>

EUTM	2017	vs 2016	RCD	2017	vs 2016
Oppositions	18,570	-3%	Invalidities	440	-13%
Cancellations	1,821	-7%	Appeals	97	+15%
Appeals	2,664	+13%			

2

### Historical trade mark and design filings (direct and international)



#### Trademarks

In 2000 the dot.com bubble caused a 30% increase of filings followed by a drop of 16% in 2002.

The financial crisis of 2008-2009 had a negative effect on the filings of around -5400 trade marks.

Overall, as from 1997, the average increase of filings has been 9,4%

#### Designs

The first RCDs were filed in 2003. The first international designs were filed in 2008.

In 2009, filings dropped by 12%, reflecting the economic crisis.

Overall, as from 2003, the average increase in filings has been 7,7% .

3

## 2. Scope of protection of EUTMs

EUTM is a unitary right, i.e. a single right which applies in and covers all EU Member States.

Therefore, as from the withdrawal date, EU trade marks registered prior to that date will cease to be protected in the UK.

Likewise, EU trade marks registered as of the withdrawal date, are not protected in the UK, irrespective of whether they were filed before or after that date.

After the withdrawal date, any international registration designating the EU (as designated country) will only be valid in the EU27 Member States and will no longer have effect in the UK as a matter of EU law. Continuity of protection in the UK of international registrations designating the EU depends therefore exclusively on the conditions established by the law of the UK (see Section 3 below).

After the withdrawal date, all existing registered EUTMs will continue to be valid in the remaining EU27 Member States, and UK applicants, like EU and third country applicants (a US applicant, a Chinese applicant, etc.), will continue to be able to apply for protection in the EU through an EUTM application (or an international registration designating the EU) as they do currently.

## 3. Continued protection of registered EU trade marks in the UK in case of no-deal

Without revising UK law, EUTMs will no longer provide protection in the UK, if the UK leaves the EU without a deal.

**In the event of such an outcome, the recent UK legislative changes<sup>1</sup> ensure that the holder of a registered EUTM is provided with a comparable UK national trade mark. The objective of the UK Government is to ensure that the property rights in all existing registered EUTMs will continue to be protected and to be enforceable in the UK by providing an equivalent trade mark registered in the UK.**

Therefore, from the withdrawal date, all existing registered EUTMs will be treated as if they had been applied for and registered under UK law.

For all registered EUTMs the UK will create comparable UK trade marks, which will be recorded on the UK register and will be governed exclusively by UK law.

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<sup>1</sup> The Trade Marks (Amendment etc.) (EU Exit) Regulations 2019.

**The creation of these comparable UK trade marks will be automatic without any involvement or action from the right holder and with no costs to be paid<sup>2</sup>.**

These UK rights will retain the filing dates recorded against the corresponding EUTMs and will also inherit any priority and/or seniority dates.

**They will be fully independent UK trade marks which can be challenged, assigned, licensed or renewed, separately from the original EUTM.**

**This especially means that at the time of renewal, an EUTM holder, who is also the holder of a future comparable UK trade mark, will have to pay two different types of fees if it wants to maintain its trademark rights both in the EU and in the UK: fees due to the EUIPO for the renewal of its EUTM (which is protected in the EU27 Member States) and fees due to the UKIPO for the renewal of its UK clone mark (which is only valid in the UK)**

The UK Intellectual Property Office (UKIPO) will normally provide users with a means for identifying comparable UK rights and distinguishing them from existing UK trade marks.

The number allocated to the comparable mark will be the last 8 digits of the EUTM prefixed with UK009. By retaining the EUTM number, the UK aims to keep the administrative process to a minimum<sup>3</sup>.

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<sup>2</sup> We understand that the entries to be made in the UK register in relation to UK comparable trade marks will be made as soon as reasonably practicable after the withdrawal date. **These entries imply a huge transfer of personal data from the EUIPO to the UK Intellectual Property Office (UKIPO). In this connection and in case of no-deal Brexit, the author of this article has some doubts and questions about the automaticity and validity of such a transfer.** Indeed, according to Regulation (EU) 2018/1725 of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data (“the Regulation”), when personal data are transferred from the Union institutions and bodies to controllers,

processors or other recipients in **third countries** (the UK will be a third country after the withdrawal date), the level of protection of natural persons ensured in the Union by this Regulation should be guaranteed. In any event, transfers to third countries may only be carried out in full compliance with this Regulation and respecting the fundamental rights and freedoms enshrined in the Charter. A transfer could take place only if, subject to the other provisions of this Regulation, the conditions laid down in the provisions of this Regulation relating to the transfer of personal data to third countries are complied with by the controller or processor. The European Commission can decide that a third country offers an adequate level of data protection. In such cases, transfers of personal data to that third country by a Union institution or body can take place without the need to obtain any further authorization. However, in the absence of an adequacy decision, the controller or processor (i.e. the EUIPO) should take measures to compensate for the lack of data protection in a third country by way of appropriate safeguards for the data subject. Such appropriate safeguards can consist of making use of standard data protection clauses authorized by the European Data Protection Supervisor. Those safeguards should ensure compliance with data protection requirements and the rights of the data subjects appropriate to processing with the Union, including the availability of enforceable data subject rights and of effective legal remedies, including to obtain effective administrative or judicial redress and to claim compensation, in the Union or in a third country.

<sup>3</sup> The users of the Madrid System must also be aware of the fact that this new independent UK right will benefit from the date of the earlier designation of the EU. However, this new independent UK right would be governed exclusively by UK law; that is, it would no longer be governed by the Madrid Protocol. However, in most cases, holders could regain the advantages provided for by the centralized management features of the Madrid System by subsequently designating the UK in their international registrations, which would then replace their newly independent UK rights.

#### 4. Opt out

Although the UKIPO is planning to automatically create over one million comparable UK rights on the withdrawal date, some EUTM holders may not want to be granted such a right.

**Therefore, the UK will allow owners of the new right to 'opt out' at any time after the withdrawal date. This may be something you wish to consider if your company does not sell goods and/or services in the UK and you do not want to incur the expense of maintaining a UK trade mark registration.**

If exercised, the effect of such an opt out is that the comparable right will be treated as if it had never been applied for or registered under UK law.

However, you may not exercise an opt out right if you have used the comparable UK right in the UK. This also applies if you have assigned or licensed or entered into an agreement in relation to it or if you have initiated litigation based upon the comparable UK right.

**To request an opt out, you must submit a short notice providing the UKIPO with the EUTM number, along with details of any persons with an interest in the EUTM.**

Because the English law requires that notice to interested third parties must be given for opt out to have effect, you must confirm that such action has been taken.

The UKIPO has created a notice template which users should use when requesting opt out.

The template will be available at GOV.UK after the withdrawal date, and the UKIPO will provide a dedicated email address for sending it back. Once the UKIPO has received a request, it will send back confirmation that the right has been removed from the UK register.

**Opt out requests should only be submitted after the UK leaves the EU. Any requests made before the withdrawal date will not be valid.**

#### 5. Conditional protection of EU trade mark applications in the UK in case of no-deal

The UK will only be creating comparable trade marks from EUTMs which are registered before the withdrawal date.

**However, where applications for EUTMs are pending at the withdrawal date, applicants will have the possibility to re-file any pending EUTM applications, within nine months of the withdrawal date, as applications for UK equivalent rights. Provided the corresponding UK application is filed within that time period, it will enjoy the same filing or priority date as the underlying EUTM application.**

The UK application must relate to the same trade mark which was the subject of the EUTM application. It must seek protection in respect of goods and services which are identical to, or contained within, the corresponding EU application.

In these circumstances, the normal UK fees of £170 will apply to file your UK application online, including one class of goods or services, and an extra £50 for each additional class.

Before applying for a UK trade mark in the nine months after the withdrawal date, you are advised to search the EU Trade Mark Register. You can then identify any EUTM applications that were pending on the withdrawal date, and that may hold a filing or priority date earlier than your own.

**It is important to note that applicants with pending applications for an EU trade mark will not be notified and after the withdrawal date will need to consider whether they refile with the UKIPO to obtain protection in the UK.**

## **6. Maintenance of rights conferred to EU trade marks and reputation**

**Article 58 (1) of the EUTM Regulation provides:**

*“The rights of the proprietor of the EU trade mark shall be declared to be revoked on application to the Office or on the basis of a counterclaim in infringement proceedings:*

*(a)if, within a continuous period of five years, the trade mark has not been put to genuine use in the Union in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use. »*

**Use of the EUTM in the UK does, as from the withdrawal date, not qualify any more as use “in the EU”.**

Therefore, **for a EUTM registered after the withdrawal date**, its holder, especially if it is an English-based company, will have to use its EUTM in all or part of the EU-27 Member States in connection with the goods or services in respect of which it is registered. Otherwise, if this holder uses its EUTM only in the UK, a third party could claim in the future for a revocation of this EUTM on the grounds that it has not been put to genuine use in the EU for a continuous period of 5 years.

As regards the proof of use of an EUTM **registered before the withdrawal date**, evidence relating to the UK and to a period of time prior to the withdrawal date will be relevant to maintain the rights in the EUTM and will be taken into account.

However, the significance of that use for the overall assessment of genuine use in the EU will progressively decrease – from potentially sufficient to entirely irrelevant – depending upon the extent to which it covers the period for which use has to be established in the case at hand<sup>4</sup>.

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<sup>4</sup> Only a judgment of the Court of Justice of the European Union will ultimately clarify whether use of the EU trade mark in the UK before the withdrawal date continues to qualify as use « in the EU » after the UK’s withdrawal from the EU.

It shall also be reminded that the EUTM Regulation aims at protecting the advertising function and the investment made in creating a certain brand image by granting protection to **reputed trade marks**, irrespective of the similarity of the goods or services or of a likelihood of confusion, provided it can be demonstrated that use of the contested trade mark (application) without due cause would take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier EU trade mark.

To benefit from this large protection, the holder of an alleged reputed EUTM must demonstrate that its EUTM is known in a substantial part of the EU by a significant part of the public concerned by the goods or services covered by that trade mark. In view of the facts of each particular case, the territory of one EU Member State can be considered to constitute a substantial part of the territory of the EU.

**After the withdrawal date, evidence relating to the UK only can no longer sustain, or contribute to the protection of an EUTM, in the context of proving reputation of this EUTM, even if that evidence predates the withdrawal date. Indeed, the EUTM must be reputed “in the European Union” at the moment of decision taking<sup>5</sup>.**

## 7. Relative grounds of refusal and invalidity

‘Opposition’ is a procedure that takes place before the EUIPO when a third party requests the EUIPO to reject a EUTM application or an international registration designating the EU on the basis of the earlier rights it holds.

Under the EUTM Regulation, an opposition must be based on rights held by the opponent in an earlier trade mark or other form of trade sign.

The grounds on which an opposition may be based are called ‘relative grounds for refusal’. Unlike absolute grounds for refusal, which are examined *ex officio* by the EUIPO, relative grounds for refusal are *inter partes* proceedings based on likely conflict with earlier rights.

Such relative grounds objections are not raised *ex officio* by the EUIPO. The onus is therefore on the earlier right owner to be vigilant concerning the filing of EUTM applications by others that could clash with such earlier rights, and to oppose conflicting marks when necessary.

**After the withdrawal date, earlier rights protected in the UK, like an English trade mark, can no longer be invoked in proceedings before the EUIPO against an EUTM/EU trade mark application.**

Indeed, according to the EUTM Regulation, earlier rights have to be protected in the EU, either by EU law or by the law of an EU Member State.

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<sup>5</sup> Conversely, it seems that under new UK Trade Mark Regulation and in consideration of any time prior to the withdrawal date, reputation of the corresponding EU trade mark, in the EU but not necessarily in the UK, will be considered for the purposes of the **comparable UK right**.

As from the withdrawal date, earlier rights protected in the UK can thus not be invoked in proceedings before the EUIPO against EU trade marks or EU trade mark applications filed before, on or after the withdrawal date.

**This extends to pending invalidity and opposition proceedings which have been initiated before the withdrawal date: earlier rights must continue to produce their effects in the EU at the date on which a decision is taken by the EUIPO on the opposition or on the invalidity request on relative grounds.**

This has certain consequences as to how disputes will be treated by the EUIPO both before and as from the withdrawal date.

*Before the withdrawal date:*

According to the Communication No 2/2019 of the Executive Director of the EUIPO of 22 February 2019, any adversarial procedure in inter partes proceedings (opposition, EUTM invalidity) that is **based solely on UK rights will be suspended**. This means that no new incoming correspondence will be treated by the EUIPO other than submissions which lead to termination of the proceedings (e.g. withdrawal of the action or of the contested mark).

**Therefore, if the UK is an important market for an EUTM applicant**, this applicant should consider whether any **pending opposition** can be successfully resolved before the withdrawal date. The aim is for the EUTM application to be registered before that date so that it will automatically be protected as a comparable UKTM registration for free and without any loss of priority/filing dates.

If the EUTM is not registered before the withdrawal date, then the EUTM applicant simply has a right to apply for the same mark in the UK for a period of 9 months from the withdrawal date, claiming the benefit of the EUTM priority/filing date, but that application will imply the payment of new fees, will be examined anew by the UKIPO and may face new objections and oppositions.

*As from the withdrawal date:*

**According to the Communication No 2/2019 of the Executive Director of the EUIPO of 22 February 2019, actions in inter partes proceedings based solely on UK rights that are still pending on the withdrawal date will be dismissed for lack of valid basis.**

In inter partes proceedings based on UK rights accompanied by other, non-UK rights, proceedings will be processed as usual after the withdrawal date, subject to the following adjustments:

- Requests for proof of use for an earlier UK trade mark will be rejected as ineffective. At the stage of decision taking, if the action cannot be fully upheld on the basis of non-UK rights, it will be formally rejected by the EUIPO;

- As regards the proof of use of earlier EUTMs, evidence relating to the UK and to a period of time prior to the withdrawal date will be relevant to maintain the rights in the EUTM and will be taken into account. However, the significance of that use for the overall assessment of genuine use in the European Union will progressively decrease depending upon the extent to which it covers the period for which use has to be established in the case at hand.

Actions to consider:

Review ongoing EU opposition and invalidation proceedings because, if they are based solely on a UK right, that right will not be a valid prior right after the withdrawal date.

Consider if you need to expedite ongoing inter partes proceedings to ensure completion before the withdrawal date.

Consider filing an EUTM alongside your UK application or registration in order to have an assertable right against future EUTM applications or registrations, since after the withdrawal date, a UK right will no longer be relevant to an EUTM application.

## 8. Mandatory representation before the EUIPO

Except for the act of filing an application for registration of a EU trade mark, **natural or legal persons having their domicile or principal place of business in the UK will have to be represented** in all proceedings (opposition proceedings, cancellation proceedings, etc.) before the EUIPO **after the withdrawal date. This representation is mandatory.**

In all Member States of the EEA<sup>6</sup>, representation in legal proceedings is a regulated profession and may only be exercised under particular conditions.

In proceedings before the EUIPO, two main categories of representative are distinguished:

**Legal practitioners** (Article 120(1)(a) EUTMR) are professionals who, depending on the national law, are fully entitled to represent third parties before national trade mark offices.

**Other professionals** (Article 120(1)(b) EUTMR) need to comply with further conditions and need to be included on a specific list maintained by the EUIPO for this purpose. The EUIPO refers to these other professionals collectively as “**professional representatives**”.

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<sup>6</sup> The European Economic Area (EEA) includes EU countries and also Iceland, Liechtenstein and Norway. It allows them to be part of the EU's single market.

Who is qualified to be a representative before the EUIPO?

In order to represent parties before the EUIPO, **legal practitioners** pursuant to Article 120(1) (a) EUTMR must be (i) qualified in one of the EEA Member States, and, (ii) must have their place of business within the EEA, and (iii) must be entitled to act as a representative in trade mark or design matters in the Member State of the EEA in which they are qualified. Legal practitioners do not have to be nationals of an EEA Member State.

**Consequently, legal practitioners that are established in the UK and are qualified and entitled to act as a representative in trade mark or design matters, will no longer be able to represent parties as legal practitioners before the EUIPO after the withdrawal date.**

In order to represent parties before the EUIPO, **professional representatives** pursuant to Article 120(1)(b) EUTMR must be (i) nationals of an EEA Member State, (ii) must have their place of business in the EEA, and (iii) must be entitled under national law to represent third parties in trade mark or design matters before the national industrial property office.

**Consequently, professional representatives that are (i) UK nationals, or (ii) established in the UK, or (iii) entitled to act as representative in trade mark and design matters in the UK will no longer be able to represent parties as professional representatives before the EUIPO after the withdrawal date.**

Consequences of the Brexit for UK legal practitioners, UK professional representatives, EUTM holders and EUTM applicants as from the withdrawal date:

**Representatives who no longer meet the legal requirements recalled above due to the UK's withdrawal from the UE will lose their capacity to act in proceedings before the EUIPO as from the withdrawal date.**

**This has also several serious consequences for EUTM holders and EUTM applicants.**

**First example:** during the examination proceedings of a EU trade mark application, the EUIPO examines especially the formalities, classification, priority and / or seniority where applicable, and absolute grounds for refusal. The applicant is notified of any deficiency and given 2 months to remedy it and / or submit observations.

In that case, if the applicant is a UK-based company (or a US or Japan-based company), this applicant **will have to** appoint a representative to remedy to the deficiency and / or to submit observations to the EUIPO.

**This appointed representative can be, for instance, a French or a German lawyer, but it can no longer be, after the withdrawal date, a UK solicitor or a UK trade mark attorney. If the UK-based company (or the US or Japan-based company) has initially appointed a UK solicitor or a UK trade mark attorney, it will have to appoint (within a certain delay set by the EUIPO) a new representative who fulfil the conditions of Article 120(1) (a) EUTMR or Article 120(1)(b) EUTMR. Otherwise, the EU trade mark application will be refused.**

**Second example:** a UK-based company (or a US or Japan-based company), who is the holder of a registered EUTM, decides to start, **after the withdrawal date**, an opposition proceedings against a EU trade mark application or a cancellation proceedings against a registered EUTM. In that case, this claimant **will have to** appoint a representative who can be, for instance, a French or a German lawyer (but not a UK solicitor or a UK trade mark attorney). Otherwise, the opposition or cancellation request will be rejected as inadmissible. The same will also apply where that opponent's or cancellation applicant's appointment of a UK representative ceases to exist, because of the Brexit, in the course of the registration process.

**Third example:** a South Korea-based company is the holder of an EUTM which is **currently** challenged in a cancellation proceedings before the EUIPO and the decision is expected after the withdrawal date. This South Korea-based company has initially appointed a UK solicitor as its representative before the EUIPO.

**After the withdrawal date** and the "loss" by the UK solicitor of his/her "capacity" to act as a representative, the EUIPO will consider that this South-Korea-based company is no longer represented, and the examiner will invite it to appoint a new EEA representative. If this South-Korea-based company does not do so, procedural statements made by it before the withdrawal date will not be taken into account, and the cancellation application will be dealt with on the basis of the evidence that the EUIPO has before the withdrawal date.

More generally, as from the withdrawal date, any national or legal person having their domicile or principal place of business in the UK will need to be duly represented by an EEA representative for all requests and procedures before the EUIPO related to its EUTMs (except that any natural or legal person, including those having their domicile or principal place of business outside the EEA, can request the renewal of an EUTM itself, without the need to be duly represented).

**It is also important to note that UK-qualified lawyers will lose their rights of audience before the EU courts (the General Court and the Court of Justice of the EU) after the withdrawal date, unless they hold alternative EU/EEA (but not a Swiss) qualification.**

## 9. Jurisdictional arrangements and EU trade mark disputes

In all the EU Member States, there are EU trade mark courts which have exclusive jurisdiction for all infringement actions relating to EU trade marks and for counterclaims for revocation or for a declaration of invalidity of an EU trade mark.

Proceedings in respect of those actions and claims shall normally be brought in the courts of the EU Member State in which the defendant is domiciled or, if he is not domiciled in any of the Member States, in which he has an establishment.

*EU trade mark disputes started after the withdrawal date:*

**As from the withdrawal date, UK courts will no longer be competent for taking measures with effect in the EU or as regards the validity of EU trade marks. Also, as from the withdrawal date, UK courts cannot refer questions for preliminary reference rulings to the Court of Justice of the European Union.**

This has serious consequences.

**Indeed, before the withdrawal date, the EU trade mark court seating in London had exclusive jurisdiction:**

- when on the one hand, the defendant has its seat in the UK or is a legally distinct second-tier subsidiary, with its seat in the UK, of an undertaking that itself has not seat in the EU, if this second-tier subsidiary is to be considered as an “establishment” of that undertaking;
- and when on the other, the EUTM holder was seeking for an EU-wide injunction.

**After the withdrawal date**, and if this EUTM holder is seeking for an EU-wide injunction against this UK-based defendant, it will have to start its infringement litigation:

- either before the EU trade mark court of the EU Member State in which the EUTM holder is domiciled or, if he is not domiciled in any of the Member States, in which he has an establishment ;
- or, if the plaintiff has no domicile nor establishment in the EU, before the court of Alicante, i.e. the EU trade mark court of the EU Member State (Spain) where the EUIPO has its seat.

This EUTM holder can also start its infringement litigation before the EU trade mark court of the EU27 Member State(s) in which the acts of infringement have been committed or threatened.

However, in that case, this/these EU trade mark court(s) shall have jurisdiction only in respect of acts committed or threatened within the territory of the Member State(s) in which that/these court(s) is/are situated.

Pending proceedings:

**On the withdrawal date**, an existing EUTM can also be the subject of proceedings which are **pending before a court in the UK acting as an EU trade mark court**.

If that case, if the **defendant** has, for instance, **two establishments in the EU** (one in the UK and the second in France), and if the EUTM holder thinks that it has a good chance to win, this EUTM holder may therefore consider to terminate its proceedings before the UK EU trade mark court and rather to initiate a new infringement proceedings before the Court of First Instance of Paris (the only French EU trade mark court).

Indeed, only this French EU trade mark court will have jurisdiction to grant an **EU-wide injunction** prohibiting the performance of acts **in all the EU** which infringe the EUTM of the plaintiff.

Conversely, the UK court which was acting as an EU trade mark court before the withdrawal date will only have jurisdiction, after that date, to grant an injunction to prohibit unauthorised use of the UK comparable trade mark which derives from the existing EUTM.

However, if the EUTM holder does not have a strong case and if the pending proceedings before the UK EU trade mark court involve a counterclaim for the revocation of, or a declaration of invalidity in relation to the EUTM of the plaintiff, then this plaintiff might prefer to continue its proceedings before this same court after the withdrawal date.

Indeed, in that case, the “former UK EU trade mark court” will only have jurisdiction to revoke the registration of the UK comparable trade mark which derives from the existing EUTM or declare the registration of the comparable trade mark which derives from the existing EUTM to be invalid. Therefore, the EUTM of the plaintiff will still be valid in the EU27 Member States after this UK judgment.

Existing EUTM: effect of injunction

It is important to remind that the objective of the UK Government, thanks to the Trade Marks (Amendment etc.) (EU Exit) Regulations 2019, is to ensure that the property rights in all existing registered EUTMs will continue to be protected and to be enforceable in the UK by providing an equivalent trade mark registered in the UK.

In this connection, this UK statute provides that if an EUTM holder has obtained, **before the withdrawal date**, an injunction prohibiting the performance of acts in the UK which infringe its EUTM, then this injunction will have effect and be enforceable to prohibit the performance of acts which infringe a UK comparable trade mark to the same extent as in relation to the EUTM from which the UK comparable trade mark derives.

## 10. "No-deal" Brexit and commercial contracts

Most commercial contracts such as trade mark licence, commercial agency or distribution agreements which confer rights in a defined territory often, if that territory is "EU", define it with reference to the Member States of the EU.

After the withdrawal date, these will no longer include the UK.

Therefore, for existing contracts granting rights in the EU, the parties need to decide whether the UK will continue to be included as part of the contract territory after the withdrawal date.

New contracts would do well to provide for whether the "EU" as defined will include or exclude the UK at the outset and, if it is to be included, whether, when the UK leaves the EU, it should remain part of the contract territory or not.

Departure from the EU will mean the following changes:

- Restrictions on the movement of people, meaning key staff may be more difficult to secure or keep;
- The UK diverging from the EU in legal and regulatory terms, meaning "one size fits all" products and services may no longer be possible in some cases and the UK may go its own way in areas such as VAT, data protection and competition law;
- Higher trade barriers between the UK and the EU;
- Changes in the competition regime governing exhaustion of rights and parallel importation;
- A more volatility of the pound.

All of the above could have a significant effect on the suitability and attainability of existing contractual provisions relating to matters like delivery times, pricing, royalty calculation, minimum purchase targets and product liability.

For existing contracts, therefore, the parties need to ask the following questions:

- Do any clauses need renegotiating?
- If the other side will not renegotiate or we cannot agree the changes, should I terminate on notice (if I can)?
- Is there any scope to get out of the contract by relying on force majeure or break clauses?
- How much scope will there be to mitigate any disruption? Does the contract allow this?

All of these issues should also be considered when new contracts are entered into.

Moreover, if an existing contract between parties in different countries is silent on what law and jurisdiction will apply, the issue is addressed by European Conventions and Regulations which may no longer apply to the UK post-Brexit. It will therefore be very important to include clauses in the agreement providing for which state's law and jurisdiction it will be subject to.

Furthermore, after the UK has left the EU:

- it will be much harder for a successful UK litigant to enforce a judgment in the EU;
- and if it litigates in the courts of an EU Member State, it may find itself getting less favourable treatment than before<sup>7</sup>.

## Conclusion

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In case of no-deal Brexit on April 12 2019, EU trade mark holders for which the UK is an important market can take some short-term comfort from the continued protection of their existing EU trade marks in the UK.

However, in the longer term, the effects of Brexit on intellectual property may be costly for these EU trade mark holders: parallel filing, renewal and fee systems for EU and comparable UK trade marks, respectively, and the need to defend their trade marks before two different types of courts in case of infringement: the EU trade mark courts for the acts of infringement committed within the EU and the English courts for the acts of infringement committed within the UK.

It is also likely that over time, the EU and the UK IP law will be more and more divergent.

There would also probably be a gradual divergence of case law, since although decisions of the Court of Justice of the EU would probably still be considered by courts in the UK, they would no longer be binding as precedent after the withdrawal date and, in time, they would become less persuasive.

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<sup>7</sup> Please report to the following article written by Mr. Olivier Mandel : "The International Chambers of the Paris Court of Appeal and of the Paris Commercial Court. <https://www.mandel-office.com/the-international-chambers-of-the-paris-court-of-appeal-and-of-the-paris-commercial-court/>