



EU referendum: what a UK exit would mean for trademarks

On June 23, 2016, British people will vote on whether they wish to remain in the EU. *WIPR* explores what impact a 'Brexit' could have on trademarks.

To some, a 'Brexit' could well be the latest brand of chocolate or snack. To others, particularly those living in the EU, it has a very different meaning.

Developed from the term 'Grexit' (Greece's exit), Brexit was coined to describe Britain's potentially exiting the EU. Although political discussions around the impact of a Brexit on trademarks are likely to be rare in the run up to the vote, there are plenty of talking points.

The pledge of a referendum on EU membership, promised by UK Prime Minister David Cameron before last May's general election if his Conservative Party won a majority, is now a reality.

His party did win a majority and on June 23, 2016 UK residents will go to the polls to vote on whether they wish to remain in, or leave, the EU.

At the time of writing the Brexit talk has reached fever pitch and arguments from opposing sides are splashed across the UK's—and to a certain extent mainland Europe's—media on a daily basis.

Although probably not high on the priority list for mainstream news gatherers and politicians, the impact on the IP landscape of Britain's voting to leave the EU is likely to be significant.

'No-one has ever left'

First is the question of what would happen to European Union trademarks (EUTMs).

David Stone, a partner in the London office of law firm Simmons & Simmons, tells *WIPR* that if the UK were to leave, UK legislation to



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establish what would happen to EUTMs would be required.

EUTMs, which were known as Community trademarks until March 23 this year, are valid across the whole of the union.

“No-one has ever left—the EU has only ever got bigger,” Stone says, adding that there are “at least two main options” for what might happen.

“One is that we become a bit like Norway where we are outside the EU but part of the European Economic Area and are still subject to a lot of EU laws. Alternatively, we take the approach of, say, Switzerland, and become completely separate, but negotiate free-trade agreements giving us differing levels of engagement with the EU,” he adds.

Switzerland, which is not part of the EU, works closely with the union on several issues.

“If and when a Brexit is agreed it would require UK legislation to put in place the various bits and pieces. Things won’t happen automatically,” Stone says.

He explains that potential problems may be abated by the UK government stipulating that an EUTM will continue to apply in the UK, but adds that it is “an unlikely option”.

“What is more probable is that the government

will announce a transitional period during which EUTM owners can re-apply and get a separate UK right that dates back to the priority date of the original EUTM.”

A merging of rights

Mark Holah, partner at law firm Bird & Bird in London, is almost certain that there will be a way for people to convert existing EUTMs to include a UK right.

“The only vaguely similar scenario I can think of is when the Republic of Ireland left the UK [in 1922]. At the time, UK-wide trademark registrations were converted to Ireland registrations,” he says.

If this were the case, it seems likely that trademark owners may be forced to pay a fresh set of fees on top of what they had already submitted in order to apply for the initial EUTM.

On the face of it, this may seem unfair. After all, the original EUTM owner, particularly one from outside the UK who would have had no say whatsoever on Brexit, could lose its UK-based right for a perfectly valid trademark if it didn’t want to pay the extra fees to convert the mark.

But, Holah says, this is to be expected.

“What you pay for isn’t a UK registration

specifically, it’s an EU registration. If the UK were to exit you would still have EU-wide protection; it just wouldn’t include the UK any more.

“You could argue that would be unfair on trademark owners, but if they were able to convert their rights to cover the UK then they would have a brand new right—a UK registration that they did not have before.”

Stone says one of the questions on converting EUTMs into UK-based rights following Brexit should centre on whether those marks should be subject to opposition.

“You would assume that there would be many EUTM owners that would want to take up the option of converting their EUTMs to maintain their coverage in the UK,” he says.

“But do those marks have to go to opposition? It’s possible that a UK right owner may not have bothered opposing an EUTM applied for by a small business on the other side of the EU, as it would have appeared unlikely to have consequences.

“However, if upon Brexit that business were to designate the UK then maybe the UK right owner would be more concerned.”

Holah adds that the situation could be even more complicated.

“What if there is a pending opposition against an EUTM application based on an EUTM registration?”

“On Brexit, the EUTM registration and application are both going to stay in place and the opposition will just continue. What happens in the UK will depend on whether the earlier owner converts its rights into a UK right.

“You could be left with a situation where you have two separate actions: a UK application opposed by a UK registration and an EUTM application opposed by an EUTM registration,” Holah says.

Stone adds that legal practice for attorneys could also change significantly.

“EU-wide injunctions that had previously been granted would no longer apply here and injunctions issued from a UK court would only have a UK-wide effect,” he says.

Holah agrees and adds that the rights and remedies given by an EU-wide registration are “a lot better” than the rights provided by an individual national registration, because EU-wide injunctions and damages through one set of proceedings are available.

Legal changes

The UK’s trademark law, the Trade Marks Act 1994, implements EU Council Directive No. 89/104/EEC (trademarks directive). It replaced an earlier law, the Trade Marks Act 1938.

A Brexit could potentially free the UK to make its own legislation but, Stone says, there is “no

reason” why the current law would change.

“On the day of Brexit the law would stay the same unless the UK government wanted to change it. The only difference would be that we would no longer be under an obligation to comply with EU law.

“The government could decide to take it in a different direction, as Australia and Hong Kong (both countries formerly bound by UK trademark laws) have.”

In the last few months, Europe’s top court, the Court of Justice of the European Union (CJEU), has clarified, or at least attempted to through its interpretation of EU law, several seminal IP cases.

On the patent side, in a dispute that centred on fair, reasonable and non-discriminatory licensing terms, the court ruled in a case between ZTE and Huawei.

Then, earlier this year, the much-awaited judgment in the 3D trademark dispute between Nestlé and Cadbury centring on the shape of the Kit Kat was handed down.

If EU membership were to cease, UK practitioners and brand owners would no longer be waiting for CJEU judgments.

However, Holah says, because the UK’s trademark law is “substantially based” on the trademarks directive, interpretations given by

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the CJEU—while no longer binding in the UK—would still be “very persuasive”.

“One of the biggest differences will be that UK courts will no longer be able to refer to the CJEU and will have to make decisions by themselves, without guidance,” he says.

“Given the time it takes to make a referral to the CJEU, wait for a judgment, then make your own judgment based on the CJEU’s judgment, it should actually speed things up a bit.

“Although previous decisions from the court may be taken into account, over time the way UK law is interpreted may change,” he says.

Holah adds that the reason cases are referred to the CJEU is that a decision can be reached that can be applied across the EU.

“The court looks at laws that make sense for the whole of the EU” he says.

“Following Brexit, a UK court wouldn’t have to worry about how the situation impacts on the EU, only the UK—and over time CJEU decisions will have less impact on the UK.”

Stone adds: “The precedents of the CJEU and General Court would cease to bind the UK courts. Once outside the EU, UK law could diverge, unless we take the position of Norway and try to map the law of the EU while being outside it.”

He says that UK practitioners would “almost certainly” lose their rights of audience before the CJEU.

Discussions over what Brexit may mean for the UK economy, jobs and immigration will probably escalate in the coming weeks and months.

While IP may not get much of a mention during the referendum campaign, spare a thought for the brand owners and trademark practitioners whose lives may end up getting a little more complicated on the morning of June 24. ■

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