

**EXPLANATORY MEMORANDUM TO**  
**THE TRADE MARKS (AMENDMENT ETC.) (EU EXIT) REGULATIONS 2018**  
**2018 No. XXXX**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Intellectual Property Office, an Executive Agency of the Department for Business, Energy, and Industrial Strategy and is laid before Parliament by Act.

**2. Purpose of the instrument**

- 2.1 This instrument primarily amends the Trade Marks Act 1994 (TMA) and the Trade Mark Rules 2008 (TMR), to correct deficiencies in, and failures of, retained EU law to operate effectively as a result of the United Kingdom leaving the European Union.

*Explanations*

What did any relevant EU law do before exit day?

- 2.2 European Union Trade Marks (EUTMs) are unitary intellectual property rights (i.e. a single right covering all EU Member States) as defined by EU Regulation 2017/1001 on the European Union Trade Mark (EUTMR). The EUTMR provides the framework for granting EUTMs. Once the UK leaves the EU, any existing EUTMs will only cover the remaining EU Member States, and will not provide protection in the UK.

Why is it being changed?

- 2.3 On and after exit day, proprietors of existing EUTMs will no longer enjoy protection in the UK. To ensure that these proprietors do not therefore lose these rights in the UK, this instrument provides that holders of existing EUTMs will receive a comparable UK trade mark on exit day.

What will it now do?

- 2.4 This SI ensures that the UK Government provides comparable UK rights at exit day, separate from registered EUTMs, so that existing EUTM rights holders can continue to enforce their rights in the UK. These comparable UK rights will be fully independent UK trade marks which can be challenged, assigned, licensed or renewed, separately from the original EUTM. This SI will also introduce provisions to ensure that any holder of a pending EUTM application can retain relevant filing and priority dates in the UK via a new domestic application. UK applications based on pending EUTMs must be filed within a period of nine months from exit day.

Additionally, the SI changes relevant references to the EU to include the UK. Unaffected, such references would otherwise create deficiencies in UK law.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 None

*Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*

- 3.2 The territorial application of this instrument includes Scotland and Northern Ireland.
- 3.3 The powers under which this instrument is made cover the entire United Kingdom (see section 24(1) of the European Union (Withdrawal) Act 2018) and the territorial application of this instrument is not limited either by the Act or by the instrument.

**4. Extent and Territorial Application**

- 4.1 The territorial extent of this instrument is the United Kingdom.
- 4.2 The territorial application of this instrument is the United Kingdom.

**5. European Convention on Human Rights**

- 5.1 The Minister of State for Universities, Science, Research and Innovation, Sam Gyimah MP, has made the following statement regarding Human Rights:

“In my view the provisions of the Trade Marks (Amendment etc.) (EU Exit) Regulations 2018 are compatible with the Convention rights.”

**6. Legislative Context**

- 6.1 These Regulations are made under section 8 of, and paragraph 1 of Schedule 4 and paragraph 21(b) of Schedule 7, to the European Union (Withdrawal) Act 2018. Section 2 of that Act saves domestic law which derives from EU legislation on exit day, whilst section 3 retains EU law which has direct effect in the UK on exit day as domestic law. Section 8 allows a Minister to make regulations to resolve any deficiencies in law that arise as a result of the UK’s departure from the European Union. Paragraph 1 of Schedule 4 allows provision to be made in relation to the charging of fees or other charges by the registrar under the TMA in connection with the exercise of functions conferred on the registrar by virtue of provisions made under section 8. Paragraph 21(b) of Schedule 7 allows a Minister to make supplementary, incidental, consequential, transitional, transitory or saving provisions that may be required such as those in Schedule 5 of these Regulations.

The TMA and the TMR are the principal legislation governing the trade marks system in the UK and give the Comptroller-General of Patents, Trade Marks and Designs (the Registrar) certain powers and duties relating to its operation.

This SI ensures that, where appropriate, references to the EUTM are removed from the TMA, and introduces the framework for creating comparable UK rights which are derived from registered EUTMs.

**7. Policy background**

*What is being done and why?*

- 7.1 This statutory instrument makes the changes necessary for continued protection for EUTM rights in the UK through the creation of a comparable right upon the UK’s withdrawal from the EU.
- 7.2 A trade mark is a sign which distinguishes goods or services of an undertaking from those of another. Trade marks predominantly take the form of words or logos, or a mixture of both – although, they can be anything which is capable of being

represented in a manner which is clear, precise, self-contained, easily accessible, intelligible, durable and objective. Trade marks must be distinctive so that they are able to differentiate the goods and services of one trader from those of another. Trade mark protection can be renewed every 10 years on payment of a fee and may last indefinitely.

- 7.3 A recent paper by the Chartered Institute of Trade Mark Attorneys stated that, in the UK alone, trade mark-intensive industries contribute an estimated 38.4% (£650 billion) of UK GDP and 21.5% (6.4 million) of UK employment per year.
- 7.4 The EUTM is a unitary right, i.e. a single right which applies in and covers all EU Member States. Applications for EUTMs are made at the European Union Intellectual Property Office. Once the UK leaves the EU, any existing EUTMs will only cover the remaining EU Member States and will not provide protection against infringement in the UK. There are currently over 1.2 million EUTMs, approximately 10% of which are owned by UK-based businesses. UK protection for such businesses is important, as they are likely to intend to use their marks in the UK after exit day.
- 7.5 Domestic legislation (the TMA and TMR) provides the framework for users to apply for trade mark protection in the UK. This protection starts from the date of filing or, where applicable, the date of priority. While it is possible that, on exit day, the owner of an existing EUTM could file a UK trade mark application for the same trade mark, protection would only be conferred from the date of filing of the new UK domestic application rather than the earlier date of filing or priority date. By creating new UK rights which are comparable to, and which retain the earlier dates of, existing EUTMs, the UK Government will ensure that rights continue after exit day.
- 7.6 The European Convention on Human Rights (ECHR) places limits on states' abilities to deprive natural or legal persons of their property. There are a number of UK/Court of Justice of the European Union cases which make it clear that EU trade mark applications are considered property under the ECHR. In the absence of an agreement to remain part of the EU trade mark system, it is necessary to provide a mechanism to ensure continuity of the protection in the UK which is currently provided by the EUTM Regulation.
- 7.7 There are many references to the EUTM in the TMA. Without action these references will mean that certain elements of the Act will be inoperable.

#### Creating comparable rights

- 7.8 This SI allows the UK Government to ensure continued protection in the UK for registered EUTMs, with no loss of rights, by granting the owner a comparable UK trade mark. On exit day, in-force EUTMs (including those within their six-month late renewal period) will be copied across to the relevant UK register and become UK rights. These comparable UK rights will be fully independent UK trade marks which can be challenged, assigned, licensed or renewed, separately from the original EUTM.

#### Pending applications

- 7.9 It is estimated that there will be approximately 85,000 EUTM applications pending at exit day. Those with such pending applications will be able to file a new application in the UK, claiming the earlier filing or priority date of the EUTM, for the same trade mark in respect of goods and services which are identical to or contained within the

EU application. In order to claim the earlier filing date, such an application must be submitted to the IPO within nine months of exit day.

#### Renewals

- 7.10 This SI will preserve the existing renewal date of the EUTM following its conversion into a UK right, meaning that some new UK rights may have renewal dates falling immediately after exit. Under existing law, the IPO is required to send reminder notices to owners whose marks are due for renewal six months prior to the renewal date. For UK rights which are created on exit day and which expire soon after, the IPO will be unable to send reminder notices in advance, because the comparable UK rights will not yet exist. Therefore, the IPO will send a renewal notice to these rights holders once the UK right is created (but not before), and provide the owner with six months to renew its UK right from the date of the notice. Where the right is not renewed in the UK, it will be removed from the register, but may also be restored in accordance with existing UK law.

Where the renewal date of an EUTM falls before exit day but the late renewal period of that right expires after exit day, a late renewal fee payment at the EUIPO will be recorded as renewal of that right and no further payment will be required in the UK. If the right is not renewed at EUIPO, the comparable mark (which was created on exit day in the UK) will be removed from the UK register with effect from exit day.

#### Restitutio in integrum

- 7.11 The EUTMR contains provisions allowing parties to proceedings before the EUIPO to have their rights reinstated ('restitutio in integrum') if they were unable to meet a time limit set by the EUIPO, despite taking all due care required, and that the failure to meet the time limit had the direct consequence of causing loss of the right. As we are only creating comparable rights on registered cases, the SI includes a provision which will allow the IPO to create comparable rights on cases that were not transferred at exit day (due to being refused) but have subsequently been re-established under restitutio in integrum. If an EUTM application is abandoned but is subsequently reinstated, the same provisions will apply.

#### Seniority

- 7.12 Seniority is a concept which applies exclusively to EUTMs, allowing users to consolidate their national trade marks registered in a Member State into one EUTM. EU law holds that if the national marks are surrendered or allowed to lapse, then the owner is deemed to have the same rights as he would have if the earlier national mark had continued to be registered. Although the concept of seniority does not exist in UK law, it can determine the effective date of an existing EUTM and so will have effect in respect of any UK comparable right which corresponds to an EUTM with a seniority claim. To accommodate seniority, this SI will ensure that holders of UK seniority claims in the EU will have those claims transferred to the comparable right, allowing them to enjoy the earlier date that was afforded under the national right.

#### Effects on licences / security interests

- 7.13 The owner of a trade mark can license its use to another party or use it as a security interest. This SI ensures that existing licences affecting EUTMs will apply to the comparable UK right. As the TMA does not require that licences are registered per se,

the SI makes provisions for covering all such agreements whether they are officially recorded or not.

Opt Out

- 7.14 The IPO will be creating over one million comparable UK rights on exit, with each of these rights being present on the UK register at exit and treated as if registered under the TMA. However, some holders of the newly created comparable trade mark may not want to be granted such a right. The automatic granting of a comparable UK right might also render certain proprietors in breach of their obligations or cause them to incur a liability. Therefore the SI provides the owner of an EUTM with the right to opt out of owning the automatically-granted comparable UK right. If exercised, the effect of such an opt out is that the comparable right will not be treated as if it had been applied for or registered under UK law.

Jurisdictional arrangements

- 7.15 UK courts can act as EU Courts in trade mark infringement actions relating to EUTMs. At exit there will be EUTM cases ongoing before these Courts. The SI ensures that these cases continue to be heard, as if the UK were still a Member State with effect from exit day, but also confirms that actions and remedies taken or granted by the Court are applicable to the comparable UK right only.

**8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union**

- 8.1 This instrument is being made using the powers in section 8 of, and paragraph 1 of Schedule 4 and paragraph 21(b) of Schedule 7, to the European Union (Withdrawal) Act 2018 to address failures of retained EU law to operate effectively or other deficiencies arising from the withdrawal of the United Kingdom from the European Union. In accordance with the requirements of that Act the Minister has made the relevant statements as detailed in Part 2 of the Annex of this Explanatory Memorandum.

**9. Consolidation**

- 9.1 No consolidation of the Trade Marks Act is planned at present. Unofficial consolidated texts of this legislation are publicly available for free on the gov.uk website. The Intellectual Property Office is considering whether informal consolidation of the retained EU law as amended by this instrument will be necessary.

**10. Consultation outcome**

- 10.1 In order to ensure that the changes being made would work in practice for users of the system, and would not result in any unintended consequences, the Intellectual Property Office held informal discussions with a small group of trusted individuals with expertise in trade mark law, to get feedback on the approach taken and the legal drafting of the instrument. Participants were provided with a draft of the instrument in advance.

- 10.2 Outcome – all of the participants were generally in favour of the goal and purpose of the instrument; some issues that were raised included clarifying the authentic version of the specification of goods/services where the official language is not English, and the jurisdictional arrangements on infringement. These were considered when

preparing the final draft instrument, and helped with ensuring that the drafting was robust in these areas.

## **11. Guidance**

- 11.1 A technical notice, outlining preparations stakeholders may choose to take in the unlikely event that the UK leaves the European Union without an agreement in place, was published in September 2018 at:  
<https://www.gov.uk/government/publications/trade-marks-and-designs-if-theres-no-brexiteal/trade-marks-and-designs-if-theres-no-brexiteal>
- 11.2 The Intellectual Property Office expects to provide additional guidance to reflect the contents of this instrument once it has been approved by Parliament.

## **12. Impact**

- 12.1 The impact on business, charities or voluntary bodies is minimal. The Government is creating the new comparable right, free of charge. There may be slight familiarisation/administrative costs to business as they will need to create portfolios for the new comparable right.
- 12.2 There is no, or no significant impact on the public sector.
- 12.3 An Impact Assessment has not been prepared for this instrument because it is designed to place minimum burden on business: the Government will create the new right free of charge and the legal changes made by the instrument do not require major re-familiarisation. The total cost to business is calculated at £2.2 million and therefore under the £5 million threshold. This calculation covers familiarisation and administration of the new right (the main cost of which is the renewal of the right). The impacts therefore fall below the threshold for a formal impact assessment and so a de minimis assessment was carried out.

## **13. Regulating small business**

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 No specific action is proposed to minimise regulatory burdens on small businesses. The basis for the final decision on what action to take to assist small businesses is that, as the purpose of the instrument is to create a new comparable UK right, free of charge, it introduces no new burdens to small businesses that need to be mitigated. Small and micro businesses may not have the resources (either personnel or financial) to adapt to the changes as quickly as larger businesses. However, it is neither possible nor appropriate to vary the requirements of the trade mark framework by type or size of business. It is anticipated that the impact on the performance and operations of micro and small businesses will not be disproportionate: the right is being given free of charge, and the likelihood is that small businesses will, as now, require legal assistance if ever finding the need to deal with such scenarios. It is not anticipated that this requirement will change in any significant way as a result of this SI. In addition, there is sufficient time for all businesses to familiarise themselves with the changes ahead of implementation in March 2019.

#### **14. Monitoring & review**

- 14.1 The approach to monitoring of this legislation is, because the instrument makes no substantive changes, to assess the changes made in the course of normal departmental business.
- 14.2 As this instrument is made under the European Union (Withdrawal) Act 2018, no review clause is required.

#### **15. Contact**

- 15.1 Nathan Abraham at the Intellectual Property Office Telephone: 01633 814031 or email: Nathan.Abraham@ipo.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Liz Coleman, Divisional Director at the Intellectual Property Office can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Sam Gyimah, Minister of State (Universities and Science at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.

# Annex

## Statements under the European Union (Withdrawal) Act 2018

### Part 1

#### Table of Statements under the 2018 Act

This table sets out the statements that may be required under the 2018 Act.

| Statement       | Where the requirement sits                              | To whom it applies   | What it requires   |
|-----------------|---|--|--|
| Sifting         | Paragraphs 3(3), 3(7) and 17(3) and 17(7) of Schedule 7 | Ministers of the Crown exercising sections 8(1), 9 and 23(1) to make a Negative SI   | Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/ESIC   |
| Appropriateness | Sub-paragraph (2) of paragraph 28, Schedule 7           | Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2  | A statement that the SI does no more than is appropriate.  |
| Good Reasons    | Sub-paragraph (3) of paragraph 28, Schedule 7           | Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2  | Explain the good reasons for making the instrument and that what is being done is a reasonable course of action.   |
| Equalities      | Sub-paragraphs (4) and (5) of paragraph 28, Schedule 7  | Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2  | Explain what, if any, amendment, repeals or revocations are being made to the Equalities Acts 2006 and 2010 and legislation made under them.<br><br>State that the Minister has had due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010. |
| Explanations    | Sub-paragraph (6) of paragraph 28, Schedule 7           | Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2<br>In addition to the statutory obligation the Government has made a political commitment to include these statements alongside all EUWA SIs | Explain the instrument, identify the relevant law before exit day, explain the instrument's effect on retained EU law and give information about the purpose of the instrument, e.g., whether minor or technical changes only are intended to the EU retained law.                               |



|   |  |   |  |
|---|--|---|--|
| Criminal offences   | Sub-paragraphs (3) and (7) of paragraph 28, Schedule 7 | Ministers of the Crown exercising sections 8(1), 9, and 23(1) or jointly exercising powers in Schedule 2 to create a criminal offence   | Set out the ‘good reasons’ for creating a criminal offence, and the penalty attached.  |
| Sub-delegation  | Paragraph 30, Schedule 7                               | Ministers of the Crown exercising sections 10(1), 12 and part 1 of Schedule 4 to create a legislative power exercisable not by a Minister of the Crown or a Devolved Authority by Statutory Instrument. | State why it is appropriate to create such a sub-delegated power.  |
| Urgency   | Paragraph 34, Schedule 7                               | Ministers of the Crown using the urgent procedure in paragraphs 4 or 14, Schedule 7.  | Statement of the reasons for the Minister’s opinion that the SI is urgent.   |
| Explanations where amending regulations under 2(2) ECA 1972       | Paragraph 13, Schedule 8                               | Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s 2(2) ECA  | Statement explaining the good reasons for modifying the instrument made under s.2(2) ECA, identifying the relevant law before exit day, and explaining the instrument’s effect on retained EU law.   |
| Scrutiny statement where amending regulations under 2(2) ECA 1972 | Paragraph 16, Schedule 8                               | Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s.2(2) ECA  | Statement setting out:<br>a) the steps which the relevant authority has taken to make the draft instrument published in accordance with paragraph 16(2), Schedule 8 available to each House of Parliament,<br>b) containing information about the relevant authority’s response to—<br>(i) any recommendations made by a committee of either House of Parliament about the published draft instrument, and<br>(ii) any other representations made to the relevant authority about the published draft instrument, and,<br>c) containing any other information that the relevant authority considers appropriate in relation to the scrutiny of the instrument or draft instrument which is to be laid. |

## **Part 2**

### **Statements required when using enabling powers under the European Union (Withdrawal) 2018 Act**

#### **1. Appropriateness statement**

1.1 The Right Honourable Sam Gyimah, Minister of State for Universities, Science, Research and Innovation, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Trade Marks (Amendment) (EU Exit) Regulations 2018 does no more than is appropriate”.

1.2 This is the case because: as outlined in paragraph 7.8 of this Memorandum, the Government is creating a new comparable right so that current holders of the EUTM do not lose protection on exit day.

#### **2. Good reasons**

2.1 The Right Honourable Sam Gyimah, Minister of State for Universities, Science, Research and Innovation, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view there are good reasons for the provisions in this instrument, and I have concluded they are a reasonable course of action”.

2.2 These are: that the provisions are needed to ensure the continuing protection of the UK part of the European Trade Mark, so that rights holders do not lose any rights upon exit. It also ensures that the Trade Marks Act 1994 continues to operate. As set out in paragraph 7.6 of the Memorandum, without these provisions, the legislation will not function correctly.

#### **3. Equalities**

3.1 The Right Honourable Sam Gyimah, Minister of State for Universities, Science, Research and Innovation, Sam Gyimah has made the following statements:

“The draft instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts”.

3.2 The Right Honourable Sam Gyimah, Minister of State for Universities, Science, Research and Innovation, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In relation to the draft instrument, I, Sam Gyimah have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010.”.

#### **4. Explanations**

4.1 The explanations statement has been made in section 2 of the main body of this explanatory memorandum.