

EXPLANATORY MEMORANDUM TO
THE TRADE MARKS REGULATIONS 2018

2018 No. 825

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 (BEIS) and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument implements Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (“the Directive”). The Directive ensures that national trade mark registration systems of EU Member States remain effective as technology develops, and ensures a consistent approach to trade mark protection for businesses working across Europe. A number of the provisions of the Directive were contained in the previous Council Directive 89/104/EEC, (subsequently recodified by Directive 2008/95/EC) and those provisions have already been implemented in the UK in the Trade Marks Act 1994 (“the Act”). Accordingly, this instrument implements the provisions of the Directive to the extent that they have not already been implemented in the UK.

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 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the United Kingdom. The amendments to the Act made by this instrument also extend to the Isle of Man subject to such exceptions and modifications as may be specified by Order in Council.
- 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, has made the following statement regarding Human Rights:

“In my view the provisions of the Trade Marks Regulations 2018 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 This instrument meets the UK's legal obligation to implement the Directive. It sets out measures to provide for the further harmonisation of the UK trade mark registration system with those of other EU Member States, as well as with that of the EU unitary trade mark which covers all 28 EU Member States in a single registration (Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Trade Mark ("the EUTM Regulation")). The Directive needs to be implemented by 14th January 2019. The Regulations (which amend the Act and related secondary legislation) are made under the powers contained in section 2(2) of the European Communities Act 1972.
- 6.2 A Transposition Note is attached as an annex to this explanatory memorandum. It sets out in tabular form how each of the articles of the Directive corresponds to the provisions of the Act and the Trade Marks Rules 2008 as amended by this instrument. Many articles of the Directive had already been implemented into UK law, pursuant to Directive 89/104/EEC. The amendments made by this statutory instrument are therefore limited to those we consider necessary to implement the new provisions contained in the Directive. We have not sought to re-implement provisions of the Directive which have already been implemented, even though in certain circumstances, the language used in UK law is not exactly the same as that used in the Directive.
- 6.3 The Directive was part of a package of reforms which included the EUTM Regulation. An explanatory memorandum dated 17 April 2013 covered the proposals for both the Directive and the EUTM Regulation. Several letters were exchanged between the BEIS Minister and the EU Scrutiny Committees, as the proposals progressed within the European Union. The Directive and EUTM Regulation were cleared from scrutiny on 18 March 2015 by the House of Commons European Scrutiny Committee and on 26 March 2015 by the House of Lords European Union Committee.

7. Policy background

What is being done and why?

- 7.1 The objective of the Directive is to ensure that trade mark law is consistent across the EU for national trade marks valid only in each individual Member State and that such national laws are consistent with the law applying to the unitary EU-wide trade mark, as provided in the EUTM Regulation.
- 7.2 A trade mark helps identify a business's branding by protecting its business reputation and is a sign which identifies goods or services of a particular source from those of others. Trade marks predominantly take the form of words or logos, or a mixture of both. Trade marks must be distinctive, they must not describe the goods or service being applied for, and must not consist of words that must be left free for others to use. Trade mark protection lasts 10 years, although this can be renewed indefinitely.
- 7.3 Domestic legislation (the Trade Marks Act 1994 as amended, and the Trade Mark Rules 2008) provides the framework for trade mark protection in the UK. A trade mark registered by the Intellectual Property Office (IPO) provides protection in the UK only. The UK trade mark system is well established and already harmonised with the EU system to a great extent.

- 7.4 Regulatory intervention is necessary to amend the statutory provisions and to ensure consistency once the Directive has come into force across Member States.
- 7.5 The SI introduces a number of new provisions to UK trade mark law, alongside more minor amendments to a number of the existing provisions. The changes relate to areas such as: removing the current requirement that the trade mark must be capable of being represented graphically which will, for example permit the presentation of trade marks in an electronic format, such as an mp3 file. This change allows for the filing of, for example, sound or moving image file formats, as well as permitting new multi-media trade marks, which combine both moving images and sound.
- 7.6 Other significant changes will introduce new infringement provisions, which enable the detention by Customs authorities of potentially fake or counterfeit goods that are “in transit” from a country outside the EU customs territory, i.e. passing through the UK en route to a third country. Trade mark owners will also be able to take action to stop acts preparatory to counterfeiting, in relation to a broader range of items associated with packaging, labels or other materials to which a trade mark is applied. Some of the more minor amendments relate to such actions as: providing licensees with the right to intervene in infringement proceedings brought by the proprietor of the trade mark to obtain compensation for any loss; and issuing the notification for renewal to rights holders at least six months before the renewal date is due, rather than the current practice of four months.
- 7.7 There is general support from trade marks agents and the legal profession for the implementation of the Directive to ensure the further and ongoing harmonisation between the UK and the EU trade mark systems.
- 7.8 The instrument will enter into force on 14 January 2019.

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

- 8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

- 9.1 Informal consolidated texts of the Trade Mark Act 1994 and the Trade Mark Rules 2008 will be published as soon as possible after the SI is made, on the GOV.UK website at <https://www.gov.uk/government/publications/trade-marks-act-1994> and <https://www.gov.uk/government/publications/trade-marks-rules> respectively. The information will also be available on <http://www.legislation.gov.uk/>.

10. Consultation outcome

- 10.1 An informal discussion with a small group of trade mark legal experts helped inform early thinking on how to transpose certain articles of the Directive which raised difficult questions of construction. This initial discussion was followed by a public consultation which sought views from businesses, trade mark holders and professional advisers as to the most appropriate means of implementing the required changes to UK trade mark law. The consultation included a draft SI for comment.
- 10.2 The consultation ran for eight weeks, from 19 February to 16 April 2018. The paper set out views on how the Government proposed to transpose the Directive into UK

trade mark law. Respondents were also invited to provide their views on the possible economic costs associated with the proposed changes.

- 10.3 Ten responses were received. These were from professional bodies for trade mark attorneys and the legal profession, interest groups, a public body and a trade mark agent. There were 24 articles identified in the consultation paper about which we were specifically interested in gaining stakeholders' views. All respondents agreed with our approach for transposition for the majority of these, but raised queries about our interpretation of a number of the articles. For example, the Directive provides for conditions which apply to exclusive and non-exclusive licenses, but is silent on whether a proprietor should be joined in infringement proceedings brought by a licensee. Our initial proposal was to remove existing references in the Act to proprietors being joined in such action. However, after taking into consideration the concerns of the respondents, this provision will be retained.
- 10.4 The respondents also made suggestions where they felt there was a risk that the proposed legislation may create legal and practical problems. For example, the intended enforcement mechanism for the misidentification of a registered trade mark as a generic term in dictionaries, might steer the courts into ordering the destruction of a dictionary when alternative remedies would be more appropriate.
- 10.5 The Government considered the responses to the consultation including the queries raised and the various drafting suggestions made. We amended the SI, where appropriate, to respond to stakeholders' views, so they better align with the provisions of the Directive, and provide improved clarity, coherence and transparency. In both the examples given above, the Government revised the drafting to take into account the views of the respondents.
- 10.6 The Government response to the consultation, which includes a summary of stakeholder responses, is available on the GOV.UK website at:
<https://www.gov.uk/government/consultations/implementation-of-the-trade-mark-directive-2015>.

11. Guidance

- 11.1 The Government intends to publish guidance on the Regulations contained in the SI and what they mean for businesses and right holders, by 14 October 2018.

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 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 the changes were considered to have no, or very little, direct impact. For example, some introduce new choices to users or formalise terminology within the legislation, without resulting in changes to current practice. Others, such as the update to existing provisions for the detention of goods in transit, are intended to reduce or shift the burden of proof (on where the goods are to be placed on the market) from trade mark owners, to the owner of the detained goods. Therefore the costs were predicted to be minimal and under the £5 million threshold for a full impact assessment. Nevertheless, a pre-consultation impact assessment was published alongside the consultation document.

- 12.4 Stakeholders were asked to consider our analysis, and specific questions about the various impacts were also asked in the consultation document. As a result of responses received, we have concluded that our initial assessment is broadly confirmed - that the impacts on business are below £5 million Equivalent Annual Business Net Cost (EABNC). A De Minimis Self-Certification process has been carried out instead of a full impact assessment.
- 12.5 Due to the technical nature of the majority of the changes, we anticipate that any businesses affected are likely to already be receiving legal advice, from trade mark professionals, such as qualified trade mark attorneys. In this regard, we anticipate many of the direct costs will be familiarisation costs of legal advisors. Calculations were based on a figure of 3,515 IP legal practitioners in the UK with 3 hours dedicated on familiarisation per practitioner. This “time spent” figure was drawn from estimates provided in consultation responses submitted by the legal profession, and was costed at the salary of a mid-career trade mark attorney. The familiarisation cost calculated from this is comfortably below the De Minimis threshold (£5m EABNC).
- 12.6 In terms of the wider context of these changes – many of the provisions encompassed within the Directive have already been adopted by the European Union Intellectual Property Office (EUIPO) in relation to the processing and administration of EU trade marks. These were introduced in a phased manner in March 2016 and October 2017. Therefore consideration must also be taken into account that many professionals are already aware, or have already experienced the changes first-hand through the EU scheme and the familiarisation needed would not be so onerous in these instances.

13. Regulating small business

- 13.1 The legislation applies activities that are undertaken by small businesses. Branding and service/product identity is a feature of virtually all businesses regardless of size. 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: many of the changes are technical, 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 January 2019.

14. Monitoring & review

- 14.1 The approach to monitoring of this legislation is that the IPO will carry out ongoing monitoring of the impact of the instrument alongside regular contact with affected stakeholders.
- 14.2 The regulation does not include a statutory review clause. A statutory review is not required for the following reasons: the impact of the changes to UK law are relatively small; the changes amend limited parts of UK trade mark law; and stakeholders are keen for UK law to retain parity with EU trade mark systems for as long as possible post EU Exit.

15. Contact

- 15.1 Janette McNeill at the Intellectual Property Office, telephone: 01633 814750 or email: janette.mcneill@ipo.gov.uk, can be contacted with any queries regarding the instrument.
- 15.2 Liz Coleman at the Intellectual Property Office can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Sam Gyimah at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.