TaylorWessing

White Paper Conferences

Brexit and its continuing impact

14 May 2024 | Louise Popple

The issues

1. REUL Act 2023
2. Relevant date(s) for assessing relative grounds
3. Use and reputation in the UK and EU
4. Possible divergence between UK and EU law

1 | REUL Act 2023

How will it affect the interpretation of retained EU law?

Retained EU Law (Revocation and Reform) Act 2023

- Royal Assent – 29 June 2023; most provisions effective – 1 January 2024
- Plan to automatically "sunset" swathes of retained EU legislation at end of 2023 abandoned BUT…

1. Retained EU law / case law = **assimilated** EU law / case law
2. **Supremacy of EU law**, **general principles** of EU law (fundamental rights, proportionality etc) and ability to rely on other **'rights, powers and liabilities'** (TFEU/free movement etc) stemming from EU law **abolished**
3. New principle of **domestic supremacy** for retained direct EU law
4. More **relaxed test** for UK higher courts to depart from retained CJEU case law and **new reference** mechanism for points to be leapfrogged by lower courts and tribunals to higher courts in UK – not yet in force
5. New ability for government to **restate, relax, revoke, replace and repeal** retained (secondary) EU law

"…REUL will fundamentally change the relationship between (now) 'assimilated law' and EU Law…" HHJ Tindal in *E-Accounting Solutions v Global Infosys*

Supremacy of EU law abolished

- EU law takes **priority** where domestic law inconsistent (disapplication rule) and courts **must interpret domestic law in conformity with (by direct reference to) EU law** (indirect effect / *Marleasing*) – expand, ignore, add to… wording of domestic law
- Has meant TMA 1994 interpreted by direct reference to the EUTMD (and interpretation of EUTMD by CJEU) which, in turn, has been interpreted in harmony with the EUTMR
- **Principle retained** for interpretation of retained EU law after end transition period to ensure **continuity** of interpretation - now abolished for "anything occurring" from 1 January 2024 onwards
  - Means TMA 1994 must be interpreted on its own words (in context)
  - Almost certainly does **not** mean EUTMD is now irrelevant – will come into play as an 'external aid' to interpretation BUT words of TMA 1994 are paramount (see eg *R(PRCBC)* and *Brent v Risk Management*)
- Relevance of EUTMD has changed… see 'worked example' by HHJ Tindal

"…what matters is the language of the Directive." Jacob J in *British Sugar v James Robertson* (see also comments in *Intel v CPM*)

"…the Recast Directive is only an 'external aid' … it cannot displace the meanings of a word conveyed by a statute, that, after consideration of that context, are clear and unambiguous and which do not produce absurdity." HHJ Tindal (obiter) in *E-Accounting Solutions v Global Infosys*

What does this mean for you?

- Comes into play when higher courts interpreting TMA 1994 – higher courts not bound by retained CJEU case law
- Could it also come into play before lower courts – tension between requirement to interpret retained EU law in accordance with retained CJEU case law and new requirement to interpret TMA 1994 on its own words?
- Unlikely to have huge practical impact - established body of settled UK and CJEU authority on most trade mark issues (and still taking note of current CJEU rulings)
  - BUT could open the door to arguments that we should diverge especially where the **wording of TMA 1994 and EUTMD differ** and CJEU has taken/does take a **purposive approach** to interpretation of the EUTMD
  - Be alive to risk of arguments that CJEU case law does not apply based on lack of supremacy of EU law

Parties would generally be reticent to "start from scratch" in settled areas of trade mark law where there has been significant CJEU case law like likelihood of confusion but that might not be the case where "fault lines" already exist between UK and EU case law – paraphrasing Arnold LJ at Are you ready for REULA? UCL, 22 Jan 2024

Domestic supremacy

- Any retained direct EU legislation (EU Regulations) must, so far as possible, be read and given effect in a way which is compatible with all domestic enactments and is subject to all domestic enactments so far as incompatible with them (unless regulation provides otherwise)
- Completely new principle of domestic supremacy in UK
- Relevant to interpretation of:
  - **Retained Community Design Regulation** (as amended) - must be read as compatible with eg Registered Designs Act 1949 and Community Design Regulations 2005
  - **Retained Customs Regulation** (as amended)
- Applies from 1 January 2024
- Again, query whether widely significant in practice but will be cases where important – be ready!

Departure test relaxed and references

- Currently, in deciding whether to depart from retained CJEU case law, higher courts (CA and SC) apply usual 'right to do so' test
- 'Right to do so' test to be relaxed / supplemented
  - When deciding whether to depart from retained **CJEU** case law – new non-exhaustive list of factors to be taken into account eg changes of circumstance relevant to the retained EU case law, and the extent to which proper development of domestic law restricted by retained EU case law (no express mention of 'right to do so')
  - When deciding whether to depart from retained **domestic** case law (eg domestic case law on TMA 1994) – new non-exhaustive list of factors to be taken into account when applying the 'right to do so' test
- New reference procedure for lower courts/tribunals (+ government) to refer **points of law** of **general public importance** arising on retained EU case law to higher courts for consideration – includes UKIPO BUT Appointed Person???
- Not yet in force

CPR Committee minutes suggest implementation in October 2024 - new provisions in CPR Rule 68

Will the higher courts take the hint?!

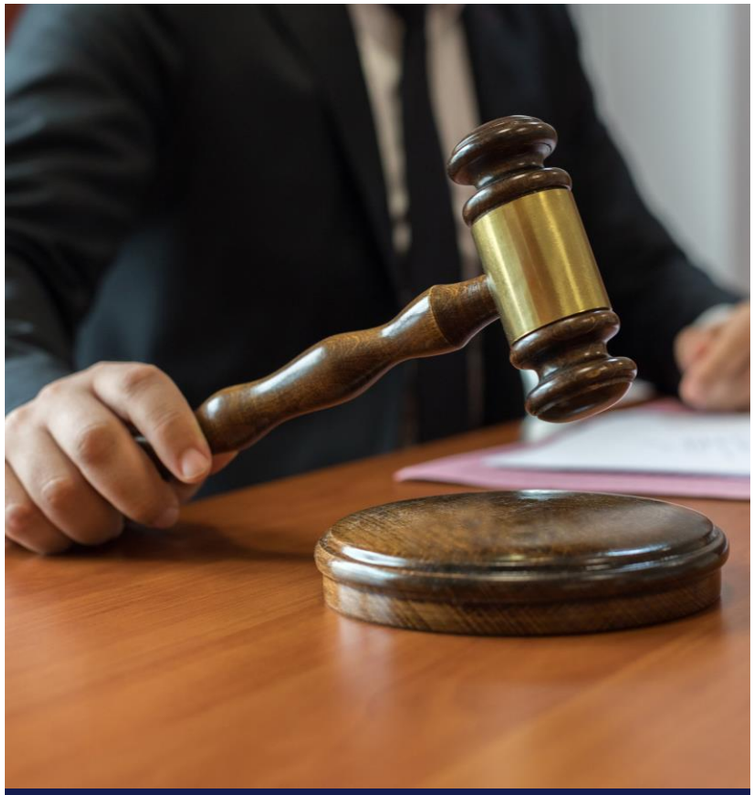
- Expect higher courts to continue to exercise "**great caution**" when deciding whether to depart from retained CJEU case law as enshrined in:
  - *TuneIn v Warner* (CA) – communication to the public in copyright – no departure - legal certainty – over 25 CJEU cases
  - *Industrial Cleaning v Intelligent Cleaning* (CA) – acquiescence – departure from ECJ in Budvar BUT v. specific circumstances
- CA still citing CJEU decisions issued after end transition period see eg *Tesco v Lidl* (citing GC in *Athlet v EUIPO*), *Montres Breguet v Samsung* (citing ECJ in *Louboutin*)

"…paradigm case in which it would be inappropriate for the Court of Appeal to exercise its new-found power to depart from retained EU law". Master of the Rolls in *TuneIn v Warner*

Factors in favour of departure in *Industrial Cleaning*: (a) Budvar not consistently followed, (b) little reasoning in Budvar on the point, (c) one CJEU ruling only, (d) would not affect legal certainty as few TM owners based commercial strategy on Budvar, (e) deciding otherwise would unduly limit law of acquiescence

Restate, relax, revoke, replace and repeal

- New powers under REUL for government to restate, relax, revoke, replace and repeal retained EU law
- Already exercised for IP:
  - The Design Right, Artist's Resale Right and Copyright (Amendment) Regulations 2023
  - The IP (Exhaustion of Rights) (Amendment) Regulations 2023 - restate assimilated law to ensure the UK's exhaustion regime continues to operate as a result of the REUL Act 2023 removing reliance on directly effective rights (**free movement**)
  - Changes to wording of s. 12 TMA 1994 (exhaustion of rights)
- UKIPO says it will monitor for divergence – possibility of codifying retained CJEU case law



2 | Date for assessing relative grounds

Priority/filing date of mark under attack or decision date as well?

What's the issue?

- At end Brexit transition period, EUIPO ordered that:
  - All pending EUTM oppositions and invalidity actions be **dismissed** to extent based on prior UK rights
  - Any reputation and enhanced distinctiveness of prior EUTM in UK be ignored in pending/future opposition and invalidity actions
- Basis - "strand of GC cases" which had held that prior right must be valid and subsisting (and reputation and enhanced distinctiveness present) at **EUIPO decision date** (including date of BoA decision, if there is one)
  - Cases involved situation where prior right had fallen away as it had been **revoked** (*Beko v EUIPO, Stella Kunststofftechnik* v *OHIM*), **expired** (*Style & Taste v EUIPO – design*), **surrendered** or **lapsed** during the action
  - Various reasons but mainly action has **no purpose** and prior right holder has **no continuing interest** (ie issues of enforceability, not substantive law)
- By analogy, if EUTMs no longer cover the UK at the EUIPO decision date, UK prior rights, reputation and enhanced distinctiveness cannot be relevant

"…according to settled case-law, the applicant's interest in bringing proceedings requires that the… act must be capable… of having legal consequences and…, through its outcome, procure an advantage to the party which brought it." ECJ *Mory* v *Commission*

"It follows that the fact that an EU trade mark relied on in support of an application for a declaration of invalidity no longer enjoys Union protection on the date on which EUIPO decides on that application must lead to the rejection of that application." GC in *Style & Taste v EUIPO*

What happened?

- Thousands of actions dismissed by EUIPO after end transition period
- Several parties appealed on basis that UK prior rights should not have been dismissed in this way
  - (Slightly) conflicting decisions of General Court - most say only relevant date is priority/filing date of mark under attack
  - Nobody argued that prior right must be in existence at date of CJEU decision as well (since CJEU simply reviews legality of BoA decision)
- Awaiting outcome of four appeals pending before ECJ - *Inditex v EUIPO* (prior UK TM), *Nowhere Co v EUIPO* (passing off), *Indo European Foods v EUIPO* (prior UK TM) and *Shopify v EUIPO* (enhanced distinctiveness)
- Implications extend beyond Brexit

"… EUIPO claims that the issue raised by the appeal goes beyond the grounds of the appeal themselves…. First of all, that issue is not exclusively linked to the withdrawal of the United Kingdom… from the European Union, but extends to any other case of the earlier right ceasing, *ex nunc*, in the course of the administrative proceedings, to be capable of being relied upon, in particular in the… circumstances in which that right has expired, has been revoked or has been surrendered. … [It] extends to all relative grounds… that same issue concerns not only proceedings before EUIPO, but all proceedings before the national administrative or judicial authorities…" ECJ in *Nowhere v EUIPO* (leave to appeal)

Implications

- If prior right/reputation/enhanced distinctiveness must be in existence at date of Board of Appeal decision as well as at priority/filing date of mark under attack:
  - If prior right revoked, surrendered, lapses, expires etc before decision date – action will **fail**
  - More actions to revoke prior rights by defendants to opposition and invalidity actions – more **stays** and **dragging out** of opposition/invalidity actions?
  - UK and EU/member state law partly **diverge** – UK *RIVIERA* case (revocation) BUT note *Transpay* (lapsed) and *Sundip* (surrender)
- If prior right/reputation/enhanced distinctiveness need only be present at priority/filing date of mark under attack:
  - More **straight-forward** for prior rights holders – does not matter what happens to prior right during action (unless invalidated)
  - Any means of **redress** for those who had their actions automatically dismissed by the EUIPO? Can they file for invalidity now eg could you now apply to invalidate EUTM filed in 2015 based on prior UK right? (Brings in question whether prior right needs to be in existence at date the action brought!)

3 | Reputation and use

To what extent can reputation and use be ported from the UK to the EU and vice versa?

Relevance of EU27 reputation to comparable TMs

- For any period prior to 1 Jan 2021, the reputation of the comparable trade mark is treated as the reputation of the predecessor EUTM – s.10, Part 1, Sch 2A TMA 1994
- All sounds very generous BUT of **little practical impact** because of case law which says that **reputation (or something close to reputation) must be present in the country where right being asserted** otherwise no link or unfair advantage/detriment
- Confirmed in numerous cases in Brexit and non-Brexit context

"I can see no basis upon which the relevant public (being the UK public) would make the requisite link, absent a reputation in the UK." UKIPO in BL O/0334/24 O/0084/24

"I can deal with this ground relatively swiftly. I have summarised the opponent's evidence of use above; it relates entirely to jurisdictions outside of the UK. At best, therefore, the opponent may be able to establish a reputation in the EU. However, even if that was the case, if the opponent's reputation does not extend to the UK, it is difficult to see how a link could be made in the mind of the UK relevant public. The opponent has provided no explanation as to how such a link might arise and I can see no basis for finding one on the facts before me." UKIPO in BL O/281/14 (citing AP in *China Construction Bank v Groupement Des Cartes Bancaires,* BL O/281/14)

"…commercially significant part of member state public is familiar with mark…" ECJ in *Iron & Smith*

Relevance of UK reputation to EUTMs

- EUIPO said UK reputation (and enhanced distinctiveness) irrelevant for EUTM for any decisions issued after end Brexit transition period - because the EUTM must be reputed in the EU **when decision issued**
- Confirmed by General Court in *Shopify v EUIPO* re enhanced distinctiveness – pending before ECJ
- If ECJ overturns General Court decision in Shopify *v EUIPO* and says that reputation/enhanced distinctiveness need only be present at priority/filing date of mark under attack:
  - Any means of **redress** for those who had their actions based on UK reputation/enhanced distinctiveness automatically dismissed by the EUIPO?
  - Can they file for **invalidity now** eg could you now apply to invalidate an EUTM filed in 2015 based on a prior EUTM with UK reputation? (Brings in question whether prior right needs to be in existence at date the action brought!)
- Suspect of limited practical relevance

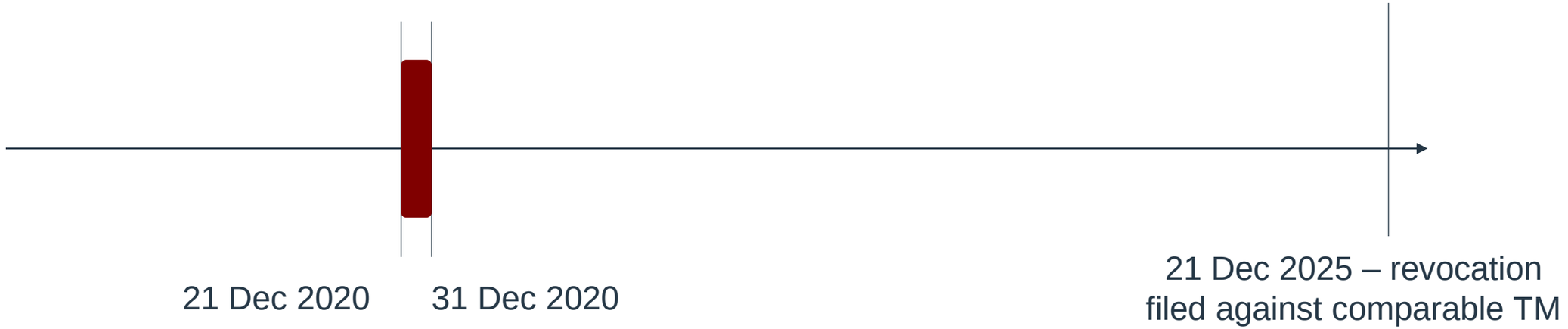
Relevance of EU27 use to comparable TMs (and vice versa)

- Use of EUTM in EU27 on or before 31 December 2020 will be relevant for assessing genuine use of comparable UK TM if it is within the relevant 5-year period – ss. 8 & 9, Part 1, Sch 2A TMA 1994
- Use of EUTM in UK on or before 31 December 2020 will be relevant for assessing genuine use of EUTM if it is within the relevant 5-year period – GC in *PrenzMarien v EUIPO* (STONES)
  - "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." - Communication No 2/2020 of the Exec Director of the EUIPO

Illustration

Approach of UKIPO and EUIPO

- UKIPO and EUIPO currently taking very **straight-forward** approach when "porting" use from one jurisdiction to the other – equal weight being given to "ported" use
- Will no longer be possible to "port" use where relevant use period expires on or after 1 January 2026
- What happens as we **approach 1 January 2026** such that use might only be at the start of the relevant 5-year period? No guidance yet and a bit early to assess (lag in case law)



What happens as we approach 1 Jan 2026?

- Normal rules:
  - Use does not have to be made during a minimum period of time to qualify as ‘genuine’. In particular, **use does not have to be continuous** throughout the relevant period of 5 years. It is sufficient if use was made at the **very beginning or end** of the period, provided the use was genuine – GC in *Heinrich Deichmann-Schuhe v OHIM*
  - Use need **not** always be **quantitatively significant** for it to be deemed genuine, as that depends on the characteristics of the goods or services concerned on the corresponding market; a ***de minimis* rule** cannot be laid down – ECJ in *Minimax*
  - It is not the case that **every proven commercial use** of the mark may automatically be deemed to constitute genuine use – ECJ in *Reber v OHIM*
- Do normal rules apply?
  - Depends how approach question – mechanistic (weighting all factors) or by going straight to underlying question of whether it is genuine use
  - Possible good use of new UKIPO reference mechanism…?

4 | Possible divergence

Where might UK and EU law diverge?

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Unlikely to be significant divergence in short / medium term

Legislation eg EU design reforms, Digital Services Act (including safe harbour voluntary own-initiative investigations)

Areas of difference in past eg date for assessing relative grounds, without due cause, partial revocation

Loss of interpretive effects eg exhaustion of rights (loss of free movement principle)

Where CJEU has interpreted (or does interpret) law purposively eg link (reputation), adverse effect on functions of TM (double identity) and whether use includes no use

Issues not decided by CJEU/unclear eg acquiescence (ICE), some elements of bad faith (*Sky v SkyKick*), 3D marks (differs from norms and customs of sector), first disclosure for unregistered designs

To summarise…

- REUL Act 2023 introduces some significant changes… especially around abolishment of supremacy of EU law and new rule of domestic supremacy for retained direct EU law
- Relaxed / supplemented rules for higher courts to apply when considering departure from retained CJEU case law and new reference mechanism – not yet in force
- Watch for ECJ rulings on correct date(s) for assessing relative grounds
- Use issues will come into play as we approach 1 January 2026
- Unlikely to see significant divergence between UK and EU law in short to medium term but there is scope for departure in specific cases

Any questions?