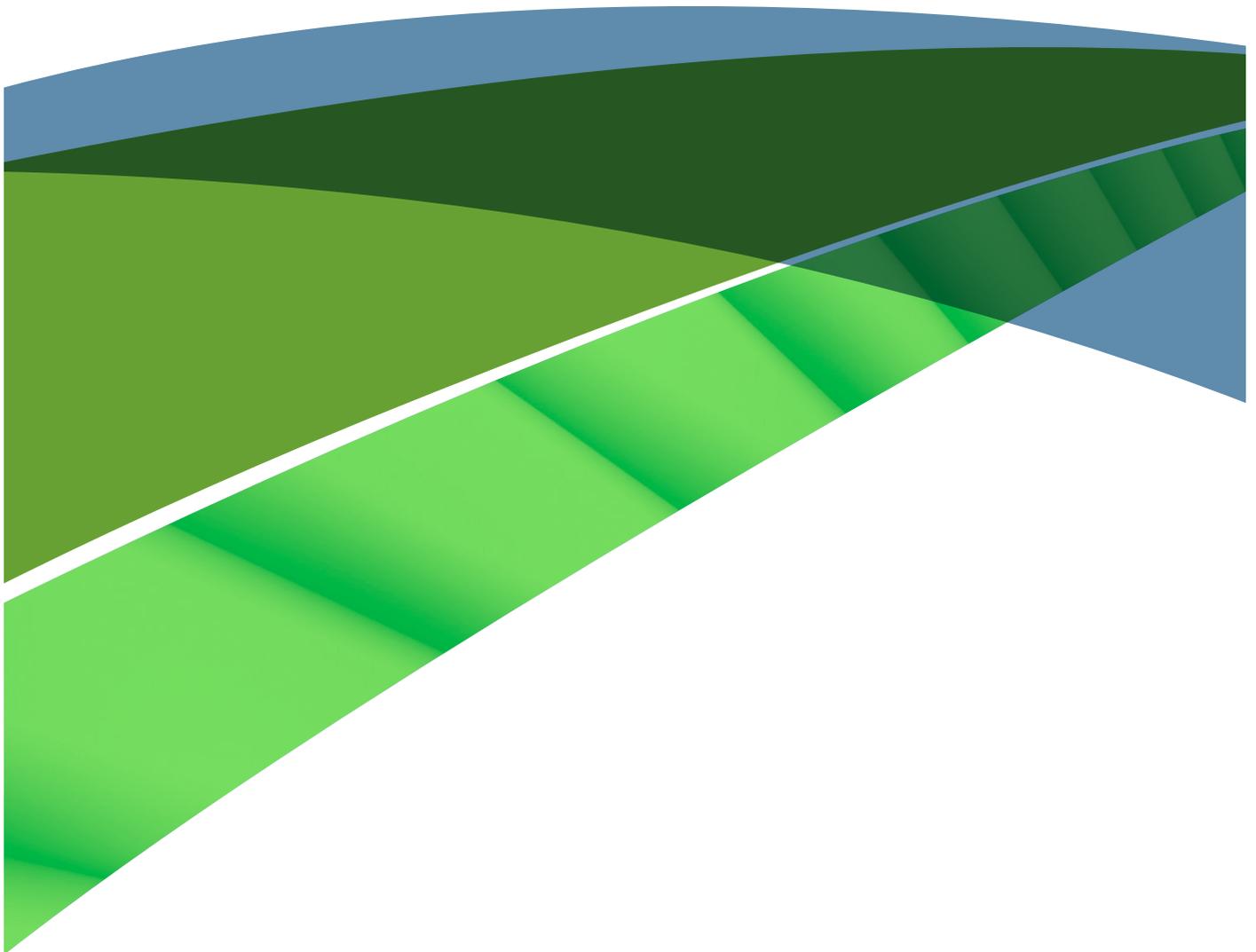




Intellectual
Property
Office

Implementation of the EU Trade Mark Directive 2015: response





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Executive Summary

1. This document is the Government's response to the consultation¹ on the implementation of the EU Trade Mark Directive 2015 ("the Directive")². It summarises the responses received, and outlines how the Government intends to make the necessary changes to UK law.
2. The consultation focused on specific aspects of the Directive and asked various questions. Most respondents concentrated on those issues, but a few commented on other aspects too. A total of 10 responses were received, mostly from representative organisations of intellectual property (IP) experts and IP attorney firms. A full list of respondents is given at Annex A.
3. Respondents were generally supportive of the approach taken in implementing the Directive. However, some respondents suggested alternative drafting for certain regulations contained in the accompanying provisional Statutory Instrument (SI) and others disagreed with certain of our proposals for implementing the Directive. These covered a range of issues including:
 - how to interpret various terms included in the Directive, such as 'competent authorities' (question 3; Articles 3 and 39.2); 'third countries' (question 10; Article 10.4), 'legal persons governed by public law' (questions 21 & 22; Article 29.2), and 'economic operators' (Article 39.2);
 - licensing provisions (question 19, Article 25; question 23, Articles 25.3 and 34.1).
4. These issues are considered more fully in the body of this document, including the Government's views on the comments made. Where appropriate, indications of how the draft legislation will be amended are also included.
5. Subject to the SI being made and laid before Parliament in the summer, we envisage making the changes necessary to implement the Directive on time, namely 14 January 2019. We intend to publish business guidance ahead of that date.
6. The Government would like to thank all those who responded to the consultation. The comments made by respondents have been very useful in refining the language of the SI.

1 <https://www.gov.uk/government/consultations/implementation-of-the-trade-mark-directive-2015>

2 Directive 2015/2436: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2436>

Background

7. The Directive is intended to update and further harmonise existing trade mark law applying to the national trade mark systems of EU Member States. It also reflects changes made to the EU unitary trade mark right by the EU Trade Mark Regulation (“the Regulation”)³. Together, the Directive and the Regulation aim to ensure that the EU trade mark system overall continues to remain effective in meeting the needs of business as technology develops.
8. The Directive is required to be implemented into UK law by 14 January 2019. As part of its preparations to implement the Directive, the Intellectual Property Office (IPO) published a consultation on 19 February 2018.
9. The consultation focused on the proposed wording of the SI required to make the appropriate changes to the Trade Marks Act 1994 (TMA) and related secondary legislation. In considering how to implement the Directive, the IPO took the view that many articles of the Directive had already been implemented into UK law, and so the TMA needed only minor updates to be fully compliant. These were mostly considered self-explanatory or required only minor explanation, and were merely referenced in a transposition table.
10. The body of the consultation document concentrated on issues the IPO particularly wanted to draw respondents’ attention to. Where necessary, it posed questions about the approach taken in drafting the law, and also asked about the likely impacts on businesses and professional advisers of the changes required by the Directive. These questions are duplicated in this document and are used to frame the Government’s response.
11. Although the questions asked focused on specific issues, respondents were invited to comment on any aspects of the implementation. Comments on these further issues, and the Government’s response to them, have been included towards the end of this document.
12. The consultation period ended on 16 April 2018.

³ Now codified by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1497603909400&uri=CELEX:32017R1001>

Discussion of responses to questions asked in consultation document

13. This section of the response document briefly introduces the issue and the questions asked about it in the consultation document, and then considers the responses given by those who responded.
14. Issues not specifically covered in the consultation document, but raised by respondents, are considered in a later section.
15. In this document, references to a
 - section or a schedule are to a section or a schedule of the TMA;
 - rule are to a rule of the Trade Mark Rules 2008; and to a
 - regulation are to a regulation contained in the draft SI.

Note: references to a regulation number are to that regulation as it appeared in the draft SI annexed to the consultation document. However, in the light of changes which require to be made following the consultation, these regulation numbers may change in the final version of the SI.

Article 3: Signs of which a trade mark may consist

Article 3: Removal of requirement for 'graphic representation' in section 1 - new file formats

(Regulation 3)

16. The consultation document discussed the many mark types which might benefit from digital presentation in the future, as a result of the removal from Article 3 of the requirement for marks to be graphically represented. It also referred to the IPO's proposal, in the short term, to accept the same digital file formats as EU Intellectual Property Office ("EUIPO"), which for non-standard mark types, included .mp3, .mp4, and .jpg. In the longer term the IPO was proposing to be more accommodating, in accepting many more formats.

Questions asked

1. How do you think the removal of the **graphical representation** requirement will change the demand for unusual mark types? Would you or your clients be more likely to register an unusual mark? If so how will you/they benefit from this?
2. Are there any other mark types, other than those identified, which may benefit from the ability to file representations in a digital format? Which formats (apart from .mp3, .mp4, .jpg mentioned above), do you think applicants would like to be able to use to file their trade mark applications?

Respondents' comments

Question 1

17. Five respondents commented that the removal of the graphical representation requirement would result in an increase in demand for non-traditional marks. However, several of the respondent's suggested that there would be only a modest increase for sound, motion, and the combination of sound and motion trade marks. Reasons for only a modest increase related to a level of uncertainty as to whether the ability to apply for such marks would encourage applicants to do so, and the uncertainty over the boundaries of the new law, which have not been defined by the courts or IPO.
18. One respondent commented that there may be a small increase relating to the re-filing of non-traditional marks that already exist, as right holders would use the new requirements to protect their marks more effectively. For example, movement trade marks would be filed in the form of an .mp4 file, rather than relying on a series of still images, to better reflect the actual mark.
19. Four of the respondents commented that demand would be dependent on the introduction of new technology by the IPO in relation to the filing requirements, and the ability to a conduct a search for the new marks. Several of the respondents raised some concerns that the IPO may interpret Article 4 and the Court of Justice of the European Union ("the CJEU") ruling in the Sieckmann case (C-273/00)⁴ in such a way that could lead to an increase in the level of absolute grounds refusals and invalidity actions.
20. One respondent suggested that the IPO should offer businesses the option of an informal consultation, to enquire about the new mark types in advance of completing their application. This was to gain the IPO's views on technical matters and their initial reaction to marks that have not been filed before.
21. One respondent suggested retaining the ability to submit graphical representations for a non-traditional trade mark as an alternative to the new form of digital filing.

⁴ Case C-273/00 Judgment of the Court of 12 December 2002 <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1526382558133&uri=CELEX:62000CJ0273>

Question 2

22. Respondents proposed the following file formats: PDF, PNG, GIF, MKV, MV4, M4A, MOV, PICT, TIF, TIFF, OBJ, STL, X3D, MP3, MP4, JPEG, PEG, WAV, WMA, MPG, MPEG, WMV and BMP. Several of the respondents commented that the list of acceptable formats should be regularly reviewed and updated in conjunction with users' comments.
23. One respondent suggested that the IPO should also accept digital formats that are used in smartphone and other technologies such as augmented reality and virtual reality technology.
24. The respondents proposed the following additional mark types; animated, taste, touch, position, tracer and texture.
25. Four respondents commented that a preliminary representation of the mark could be filed in any format to secure the filing date, and would be followed by the mark in an acceptable format without the loss of their filing date. The follow up representation would then be used as the default image for publication purposes. Reasons given were that images are sometimes in different formats and converting formats can be difficult and can affect the quality of the image. The submission of an initial representation would act as a 'preliminary examination' so that applicants could correct any technical difficulties.
26. Two respondents proposed that rights holders should be able to provide updated representations as older file formats become technically redundant. The new representation would be accompanied by a declaration that the replacement representation does not substantively alter the nature of the mark. Reasons given were that it would future-proof the register, and the IPO's list of acceptable formats must be suitable for long-term use and widespread usability.
27. One respondent commented that the IPO should consider using the same file formats that are accessible and available to enforcement bodies, including the courts, who also are responsible for interpreting trade mark protection.
28. Two respondents requested the publication of general guidance on the filing requirements, for example, in terms of file size, duration of the movement/animation, frame rate, pixels, to help applicants more effectively file applications for non-traditional marks.

Government response

29. The Government acknowledges the respondents' general assumption that the removal of the graphical representation requirement could have an impact on the demand for non-traditional marks, but that the overall increase is likely to be modest. We have carefully considered the list of suggested digital file formats and possible new mark types that have been proposed. Our ultimate intention is to enable applications to be submitted using the widest range of digital file formats that is technically possible with our current systems. We do not intend to restrict the ability of applicants to make an application for any type of mark which the technology of the day would allow, or to restrict the ability of applicants to make a paper application if they wish to do so. It would however be necessary for any application to fulfil the requirements that the mark be clearly and precisely defined, as set out by the amendments to TMA section 1.

30. We acknowledge the comment regarding the potential benefits of introducing a provision to allow the submission of a preliminary and secondary (subsequent) representations. We are carefully considering the practical, technical and legal implications concerned with this action.
31. We acknowledge the respondents concerns relating to the possible interpretation of Article 4 and the CJEU ruling in the ‘Sieckmann’ case⁵, which may result in some additional difficulties in applying for a non-traditional trade marks. However, comparable provisions to those contained within Article 4 and Sieckmann are currently applied to UK trade marks, so we do not foresee any changes to our current examination practices.
32. Further guidance with regard to the filing requirements for the new mark types, acceptable file formats, and what the Directive means for businesses and right holders, will be published in the coming months. This will also help address the point raised by a respondent who suggested the option of users being able to consult with the IPO for guidance on new file types before applying.

Article 3 (and Article 39.2): ‘Competent authorities’

(Regulation 3 and 35; section 1(1)(a) and rule 8(2)(b))

33. Article 3 of the Directive includes reference to the ability of ‘the competent authorities’ (and the public) to be able to determine the subject matter of the protection conferred by the trade mark. Article 39 also requires ‘the competent authorities’ (and economic operators) to determine the extent of protection sought. In both cases, we proposed transposing this term as ‘the registrar’, but mentioned the possibility that this potentially required the registrar to be called as a witness in legal proceedings.

Question asked

3. What is your view on how we should treat the term ‘competent authorities’? Please explain your answer.

Respondents’ comments

34. Eight respondents commented specifically on the issue of ‘competent authorities’. Six agreed with the notion of referring only to the registrar. Reasons given included that the courts or the Appointed Person (AP) were already provided for in the system, where their involvement was necessary; that these bodies could direct the registrar as appropriate; that it was important that jurisdiction was limited to a UK body, not any outside the UK’s jurisdiction; and that the proposed wording did not exclude the jurisdiction of the courts. In response to the suggestion in the consultation document that the registrar could be called as a witness in proceedings, two suggested that the inclusion of ‘public’ within section 1(1), would enable the courts or the AP to make a ruling without the registrar’s involvement.

⁵ (C-273/00) <http://curia.europa.eu/juris/document/document.jsf?text=&docid=47585&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=706408>

35. However, several of those who agreed with the proposed approach made suggestions about the text: to clarify that this did not affect the ability of the courts or the AP to make a decision about a UK trade mark; that the wording should also reference matters on appeal; or that the term could instead be transposed as 'registrar and other relevant authorities'.
36. Two respondents were concerned that the transposition of the term 'competent authority' as 'the registrar' was not appropriate. They both thought the courts and AP, as well as the registrar, should be specifically referenced, as a minimum, and agreed with the comment in the consultation which suggested this could impact on the ability of the courts or AP to make a determination. Both thought that Article 3 was not intended to be so limited in its application. One suggested including 'competent authorities' alongside 'registrar' in section 1(1).

Government response

37. The Government notes that even some of those respondents who agreed with referencing only the 'registrar' in section 1(1) offered some suggestions for further clarification. The Government has considered various options for doing so, and notes too that the term 'competent authorities' is already included in the TMA, albeit in a slightly different context, in section 25. Given the divergent views on this issue, the Government is concerned that in attempting to provide a comprehensive definition of "competent authorities" it may fail to properly implement the Directive. We will therefore amend the relevant regulations of the SI to include specific reference to the term 'competent authorities' and to include 'the registrar' as an example of a competent authority.

Article 4: Absolute grounds for refusal

Article 4.5: distinctive character acquired after application date, but before registration date (optional)

38. Article 4.5 permits the use made of a mark between the application and registration dates to be taken into account when considering whether the mark has acquired distinctive character. We considered that implementing this optional provision could create unnecessary uncertainty, with little advantage to the UK, so did not propose to implement it.

Question asked

4. If you support implementation of this optional article, please explain why and provide evidence of the advantage that implementation would provide.

Respondents' comments

39. Seven respondents commented on this question. All agreed with the proposal not to implement this Article, although one could foresee instances where it could be beneficial to be able to file a mark before commencing use, such as keeping the name of a product confidential until it was launched. Reasons for not implementing included uncertainty, added complexity, and the potential this could

provide to applicants to prolong the registration process. One respondent commented that in practice where there has been sufficient use, prior to the application date that the mark has acquired distinctiveness, use after the application is taken into account.

Government response

40. Given the lack of evidence to support the implementation of this article, and general agreement about the potential difficulties in doing so, the Government will not implement optional Article 4.5.

Article 5: Relative Grounds for refusal or invalidity

Article 5.2 – definition of earlier trade marks

(Regulations 7(3) and 41; section 6(3) and new rule 37(1A))

41. Article 5.2 provides an exhaustive list of what constitutes an ‘earlier trade mark’ for the purposes of relative grounds for refusal. It does not appear to cover expired marks, i.e. those that had been registered but were not renewed.
42. Section 6(3) requires expired marks to be taken into account for one year after expiry when considering the registrability of a later mark. This appears incompatible with the Directive. Section 6(3) also includes a proviso which requires that the expired marks should have been put to bona fide use in the 2 years preceding expiry, which is inconsistent with the Directive’s proof of use provisions which specify a 5 year period. We considered that for both reasons, section 6(3) should be repealed.
43. However, we had concerns that if expired marks do not fall within the definition of earlier marks, they would no longer be notified to applicants as earlier rights with which their mark may conflict. An applicant could therefore, in good faith, start to use their mark only to find later that such use becomes the subject of a dispute with the proprietor of a mark which had expired but which was subsequently restored.
44. We therefore proposed introducing provisions similar to those in existing laws⁶ which protect the legitimate activities of third parties who use an identical or similar sign in the period between the expiry of a registration and its restoration. We also proposed amending the test in Rule 37(1), which the registrar applies when considering restoring a mark, to one of whether the failure to renew is ‘unintentional’. This reflects tests applied in restoring patents and designs, would make the decision-making process simpler (it would be between the registrar and the owner of the expired mark, not between opposing parties), and would be more consistent with the concept that third party rights are taken into account by the new provision in Rule 37.

⁶ UK Patents Act 1977, sections 28 & 28A, Patent Rules 2007, rule 40; UK Designs Act 1949, sections 8A & 8B; EU Regulation 2017/1001 (codified), Article 104(6): <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R1001>

Questions asked

5. Do you agree with our conclusion that section 6(3) is contrary to the Directive? Please explain your answer.
6. Do you agree with our approach to dealing with the potential gap left by the repeal of section 6(3)? Please explain your answer.

Respondents' comments

Question 5

45. Seven respondents agreed specifically that section 6(3) was contrary to the Directive. One respondent suggested that, as the optional provision in the previous Directive to retain expired marks within the definition of earlier rights did not appear in the 2015 Directive, it was no longer permissible to retain section 6(3). Two also made reference to the *travaux préparatoires*⁷ which indicated the position taken in the consultation document was what had been intended by the EU legislators.

Question 6

46. Seven respondents agreed with the general approach proposed to protect legitimate use by third parties, and the introduction of a different test for failure to renew, which would examine whether such failure was 'unintentional'. One respondent also suggested a slight amendment to the wording of the new Rule 37(1A) to clarify that it is not an action for infringement that is prevented during the specified period, but the ability to invoke the earlier right.

Government response

47. The Government notes the general agreement about the approach it has proposed and will therefore repeal section 6(3) and amend the test in Rule 37(1) used to restore expired marks to refer to an 'unintentional' failure to renew. In relation to the drafting suggestion, we consider that the existing wording conveys the approach adequately and fits better with the existing language of the TMA.

Article 5.4(b)(iv): earlier rights being 'industrial property' (optional)

(New Regulation 5(6); section 5(4)(b))

48. Article 5.4(b)(iv) permits earlier 'industrial property' rights to be included as potential grounds for refusing an application or invalidating a registration. We considered that section 5(4)(b), which refers to earlier rights "by virtue of the law of ...design right or registered designs", implements the reference to "an industrial property right". No amendments were therefore proposed.

⁷ Search on the EU Commission's website at https://europa.eu/european-union/index_en

Question asked

7. Do you consider that the reference to “industrial property right” in this context might include rights other than a design right or registered designs? Please explain your answer.

Respondents’ comments

49. Nine respondents commented on this question. Some recognised that the use of ‘in particular’ meant that the list of rights in section 5(4)(b) was not exhaustive, but even so, it was suggested that the term ‘unregistered design right’ be included specifically. Most preferred a specific reference to ‘industrial property rights’ in UK law. This term is the one used in the Directive, and would mean that there was no risk of excluding a prior right that was intended to be covered, and it would be helpful for interpretation.

Government response

50. The Government notes the preference of respondents that the SI should reflect the language of the Directive. We will therefore include a provision in the SI to amend section 5(4)(b) to refer specifically to ‘industrial property rights’.

Article 5.4(c): earlier marks protected abroad (optional)

51. Article 5.4(c) provides a safeguard for earlier marks which are protected abroad, where an applicant acts in bad faith. We considered that adequate provision is already made in section 3(6) to cover such circumstances. No amendments were therefore proposed.

Question asked

8. If you support implementation of this optional article, please provide evidence of the advantage that implementation would provide.

Respondents’ comments

52. Seven respondents replied to this question. All broadly agreed that it was not necessary to implement this article. Most stated that it would be superfluous, given the existing section 3(6).

Government response

53. The Government notes the general agreement that existing legislation is broad enough to encompass this article. We will therefore not implement this article separately.

Article 10: Rights conferred by a trade mark

Article 10.3(f): comparative advertising

(Regulations 10(6) and 10(7); new section 10(4)(e), and section 10(6))

54. Article 10.3(f) prohibits use of a sign in comparative advertising if it is contrary to the Misleading and Comparative Advertising Directive 2006/114/EC. To ensure correct implementation, we proposed copying out the wording in the article (subject to inserting a reference to the UK's domestic implementing regulations, rather than the relevant EU directive).
55. As a result of this and decisions of the CJEU which exclude lawful comparative advertising from trade mark infringement, we considered that section 10(6) was effectively redundant, and should be repealed.

Question asked

9. Do you agree with our view that section 10(6) would serve no apparent purpose and can therefore be repealed? If not, please explain your answer.

Respondents' comments

56. Six respondents commented specifically on this question. All agreed that section 10(6) could be repealed, while agreement was inferred from another two respondents. Some commented that, although as a provision it arguably goes further than just comparative advertising, use which made reference to others' trade marks was covered by the defence in section 11(2)(c).
57. One respondent agreed broadly with the repeal of section 10(6), given its replacement by new section 10(4)(e), creating a specific act of infringement (use (comparative advertising) other than in accordance with honest business practices). However, the response suggested that this did not necessarily take account of an additional function of section 10(6), which was to provide a defence in respect of legitimate use by a third party of a trade mark to identify goods or services of those of a proprietor or a licensee. A specific defence in section 11 was suggested to take account of this.

Government response

58. The Government acknowledges the consensus around the proposed treatment of section 10(6), and will therefore, repeal it. In relation to the suggestion to introduce a specific defence, we do not believe this is necessary. New section 10(4)(e), when read in conjunction with the other sub-paragraphs of section 10, identifies that use contrary to the Business Protection from Misleading Marketing Regulations 2008 is infringing use. It therefore follows that use which is in compliance with those regulations is not infringing.

Article 10.4: 'goods in transit'

(Regulation 11; new section 10A)

59. Article 10(4) provides for potentially fake or counterfeit goods originating in third countries to be detained by customs authorities where they are passing through the UK without being released for free circulation there. Certain safeguards are included in the article to protect owners of any detained goods.
60. We considered that the reference in Article 10(4) to 'third countries' would not provide sufficient clarity if transposed into UK law. We therefore proposed defining the relevant area from which the goods in question came as being 'outside the EU' (rather than 'outside the EEA' as in section 89).

Question asked

10. Do you agree with our view that new section 10A should apply to goods originating outside the EU (rather than outside the EEA)? Please explain your answer.

Respondents' comments

61. Eight respondents provided comments on this question. Six agreed with the proposal that new section 10A should apply to goods originating outside the EU. Reasons given included the specific reference in the parallel EU Regulation to bringing goods 'into the Union' and the lack of harmonisation between the relevant customs practices in the EU and EEA. Two respondents expanded on the latter point, by referencing the reliance of non-EU countries on local laws to determine infringement (in contrast to harmonised rules within the EU). If the EEA was the relevant area, it may be possible for potentially infringing goods (as defined by EU rules) to be manufactured legally under local laws for export from the EEA. Even if those goods were transported through the EU/UK, it would not be possible to bring any action.
62. Two respondents disagreed with the proposed approach. They suggested that the term 'third countries' in the context of some other directives which are marked 'with EEA relevance' (as this one is) was understood to mean EU and EEA. They further referenced the Commission's original proposal for the Directive⁸ which suggested that the relevant area should be the 'customs territory of the European Union', and a reference was also made to the additional areas, such as the Isle of Man and Guernsey covered by the Union Customs Code⁹. It was also suggested that this drafting would have to be amended if the UK leaves the EU's Customs Union.

⁸ Point 6 of the European Commission's proposals for the 2015 Trade Mark Directive, 27 March 2013 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52013PC0162&from=EN>

⁹ Union Customs Code as per Regulation EU No. 952/2013 https://ec.europa.eu/taxation_customs/business/union-customs-code/ucc-legislation_en

Government response

63. The Government has carefully considered the discussions of, and proposals made in relation to, the transposition of the term ‘third countries’. We find that the arguments put forward in relation to use of the term ‘the customs territory of the (European) Union’ are persuasive, as the area is clearly defined in the Union Customs Code¹⁰. This is also internally consistent with the intention of Article 10.4, which makes reference to EU Regulation 608/2013¹¹, which in Article 1, also references the Union Customs Code. We will therefore amend regulation 11 (new section 10A) to reference the customs territory of the EU.
64. We note the comments made in relation to EEA countries and the potential for goods manufactured there to be deemed to be counterfeit under EU legislation. However, we are not convinced that this is correct. Trade Mark Directive 2008/95/EC (the predecessor to the 2015 Directive) was incorporated into the EEA Agreement. Article 5 (rights conferred by a trade mark) contains provisions which are similar to those in Article 10 and includes express reference to the export and import of goods under a sign. Accordingly, we believe the EU harmonised rules on infringement do apply to EEA countries.
65. We note the comment about potential further changes arising from the UK’s departure from the EU.

Article 11: The right to prohibit preparatory acts in relation to the use of packaging or other means

(Regulations 9, 10(2) and (7); section 9, new section 10(3B) and section 10(5))

66. Article 11 enables trade mark owners to take action to stop acts preparatory to counterfeiting in relation to a broad range of items associated with packaging, labels or other materials to which a trade mark is applied.
67. We considered that although this ground was to some extent covered by section 10(5), there were sufficient differences between the Directive and UK law to indicate that it was not feasible to amend section 10(5). We therefore proposed to repeal section 10(5) and introduce new section 10(3B) together with certain amendments to section 9, which would ensure that the preparatory acts in Article 11 were treated as infringements.

Questions asked

11. Do you agree with our proposal to implement Article 11 by, in effect, replacing section 10(5) with new provisions? Please explain your answer.

¹⁰ Regulation (EU) No. 952/2013 laying down the Union Customs Code (recast) <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0952&rid=1>

¹¹ Customs Enforcement Regulation 608/2013, Article 1 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0608&from=EN>

12. Will the changes made by Articles 10.4 (goods in transit) and 11 (preparatory acts), which are intended to help tackle counterfeit goods, allow your business or that of your clients to more effectively protect its products? If so, can you explain or quantify these benefits in more detail? Are there any associated costs? If so, can you explain or quantify these?
13. What, if any, impact has the change in the 'goods in transit' rules for EU trade marks already had on the transit of legitimate goods to third countries?

Respondents' comments

Question 11

68. Eight respondents commented. They agreed in principle with the proposal to repeal section 10(5) and to replace it with new provisions. This was, broadly, because of the differences in the wording of the current provision and Article 11.
69. There were various suggestions about the drafting in the regulation. Several respondents were concerned about the apparent complexity of the new provision; whether this might have unintended consequences; that it would be preferable to align the provision more closely with the language of the Directive, and that this would avoid judicial criticism for deviating from the language of the Directive without good cause. Others suggested some specific changes to help simplify or clarify the provisions, such as using the language of the Directive, but starting with 'a person infringes...'; adding 'under sections 10(1) to (3)' to new section 10(3C)(b) instead of amending section 9, and inserting new sections 10(3B) and (3D) as new subsection (5).

Question 12

70. Six respondents commented. They generally agreed that the new provisions were likely to assist in preventing counterfeiting and protecting legitimate businesses. Respondents were supportive for a number of reasons, including: the removal of the requirement that the 'offender' had knowledge of the unauthorised nature of the act, the closure of loopholes, the ability to tackle the problem of the logos etc, being shipped separately from unlabelled goods, and the ability to tackle warehoused, but not sold, goods in the UK. One suggested that the provisions may contain a 'significant firewall' which balanced the requirements of rights holders and international free-transit trade.
71. Although respondents were supportive of these new provisions, they were not in a position to detail the costs and benefits quantitatively. Some however commented that the costs in detaining the goods or to right holders would be offset by the costs to those whose goods were detained. One mentioned that there would be costs associated with the cross-EU coordination of detention with customs departments.

Question 13

72. No respondent was able to comment specifically on the impact of this provision on the transit of legitimate goods. One respondent commented that there should be little, if any, impact on legitimate trade, given the way the provision was constructed.

Government response

73. The Government acknowledges the general agreement of respondents with our proposal to repeal section 10(5) and replace it with new provisions. We note also that respondents made various suggestions about the current drafting of the new section 10(3B). In view of this, we will revise the drafting to follow the language of Article 11 more closely, as well as implementing the repeal of section 10(5).
74. We acknowledge the comments about the potential benefits of introducing provisions to implement Articles 10.4 and 11, as well as the costs of coordinating the detention of goods. It was not clear to us whether the latter were specific to the changes to the law now proposed, or whether they were more appropriate to the established principle behind the existing provision. However, all the comments have been useful in furthering our understanding of the likely impact of these provisions.

Article 12: Reproduction of trade marks in dictionaries

(Regulation 30; new Section 99A)

75. Article 12 introduces a new provision which protects against the misidentification of a registered trade mark as a generic term in dictionaries or other similar publications. We considered that, to be effective, new section 99A required a means of enforcement if the publisher did not comply with requests to amend the dictionary entries. We therefore proposed to introduce a provision, similar to section 15, permitting a court order to be granted for the amendment or destruction of the relevant publications.

Question asked

14. Do you agree that a specific enforcement mechanism is required, and that the mechanism proposed is the correct approach? Please explain your answer.

Respondents' comments

76. All nine respondents who commented on this question were supportive of the need for an enforcement mechanism. One made reference to instances of clients whose marks have been wrongly shown in this way in dictionaries. With one exception, all who responded were concerned that the focus on the destruction of the offending items was too severe, and may be interpreted as giving the courts little room for discretion. Several suggestions were made to take account of these concerns, with most focussing on including reference to other remedies, or, more specifically, requiring amendment to the dictionaries.
77. Several other suggestions were made to improve the wording of the provision, including allowing for cases where the mark has been registered after publication; providing defences for the publisher where, for example, the mark is invalidly registered; permitting a licensee to act; and requiring a more specific, perhaps, written request given the proposed focus on destruction as the main remedy.

Government response

78. The Government acknowledges the general agreement to incorporate a mechanism to allow for the enforcement of this provision. In view of the concerns raised about the limited set of remedies proposed, we will modify them to ensure it is clear that other remedies may be awarded by the courts as they see fit.

Article 13: Prohibition of the use of a trade mark registered in the name of an agent or representative

(Regulations 11 and 28; new section 10B, section 60)

79. Article 13 contains a prohibition on the use of a trade mark registered in the name of an agent or representative without the proprietor's consent. Article 5.3(b) is a similar provision relating to relative grounds for refusal.

80. We based our proposed implementation of this Article on section 60, which nevertheless required revision to take account of the need to include UK-based activities. We also retained specific reference to a right to apply for the 'rectification' of the register (as opposed to a right to "demand an assignment" as referred to in Article 13(1)(b)) as we considered that in this context this met the requirements of the Directive – to provide a mechanism for the proprietor to be substituted on the register – and in a cost-effective manner.

81. We also chose to use the words 'prevent the use' rather than 'oppose the use' in the new section 10B, to provide a means of enforcement, namely an injunction.

Questions asked

15. What are the

- a) cost implications and
 - b) consequences (negative or positive)
- for taking this approach in implementing Article 13?

16. Do you agree that a specific enforcement mechanism is required, and that the mechanism proposed is the correct approach? Please explain your answer.

Respondents' comments

Question 15

82. Six respondents commented on the implementation of this Article, with all but one supporting the retention of the current practice of seeking rectification, rather than specifying a requirement to 'assign' the mark to the correct owner. Most therefore felt that in relation to question 15a) the cost implications would be either neutral or positive in relation to the potentially more costly alternative of assignment.

83. In relation to question 15b) one respondent commented that there could be several adverse consequences. For example, any license taken, or infringement action brought, while the mark was registered to the agent/representative, may no longer be valid. Others felt the consequences were positive: a reduction in red tape; that rectification was more cost-effective than assignment; that rectification would be taken to mean that the 'error' in ownership had never been made, whereas, unless the assignment specified otherwise, rights and remedies accruing to the proprietor for past infringement were not generally transferred to the assignee. One commented that the 'error' that this provision is intended to correct was a not infrequent one, and that proprietors should be entitled to correct it at minimal cost.

Question 16

84. Six respondents commented positively that an enforcement mechanism was appropriate, and that the one proposed was the correct one. One explained that this avoided the necessity for potentially more costly court action, as the registrar could not order an assignment. Another explained in detail the need for a specific mechanism: without it a proprietor may need to bring a court action against the agent/representative, and as part of that action, may request relief in the form of rectification. However, it was not clear that a court could order such relief, given the jurisdiction the IPO has in the matter. The proprietor could instead seek rectification under section 64, but recent case law suggested that such action could affect the validity of the registered mark, given that the IPO would be required to determine who had the superior right to apply for the mark, which is properly determined in cancellation proceedings, and would run counter to the presumption of validity set out in section 72. Also it would not follow that a substitution of the name could be made, as the correction of an error/omission is not provided for in cancellation proceedings.
85. One other respondent, while agreeing broadly with the enforcement mechanism, suggested amendments to the drafting of new section 10B, to more fully reflect the wording of the Directive, to ensure that there was no suggestion that an agent/representative could prevent a proprietor from making an application for rectification, and to clarify to which body the proprietor should apply.

Government response

86. The Government notes that the majority of respondents were in favour of retaining rectification as a means to correct the name of the owner of the mark, if an agent had incorrectly been named as such. We note that this is generally believed to have more positive than negative consequences. We also acknowledge that respondents were generally content with the proposed enforcement mechanism. We have carefully considered the suggested amendments to the drafting, but note that the current language complies with modern legislative drafting. It should also be clear from the underlying rules who would be the appropriate decision-making body for whichever remedy was chosen. We therefore do not intend to amend the drafting of this provision.

Article 17: Non-use as defence in infringement proceedings

(Regulation 13; new section 11A)

87. Article 17 introduces the principle that, during infringement proceedings, the proprietor of a trade mark cannot seek to prevent use of a sign if his mark is liable to be revoked for non-use. This provides a third party with a defence against infringement. The proprietor of the mark may be required to prove he has been using it, and if he cannot do so, the infringement proceedings will not succeed.

Question asked

17. The introduction of the non-use as a defence has been discussed in the impact assessment as having beneficial effects, by preventing trade mark owners from using old unused rights in infringement cases, and removing the need for use to be challenged by way of separate proceedings. Does this benefit yourself/your business? If so, can you explain and/or quantify further?

Respondents' comments

88. Seven respondents commented specifically on the benefits of the non-use defence. They included: the likely cost and time savings, given that proceedings would now be more streamlined, and procedures would be harmonised with those for opposition proceedings; and the potential to reduce or eliminate proceedings based on registrations which are vulnerable to non-use. One respondent said that it is likely to be less of a risk for their clients to adopt 'unused' marks that otherwise exist as 'clutter' on the register. This may be especially useful when over 1 million UK national marks are created from existing EU trade marks, when the UK leaves the EU. Specific mention was made of the benefit to the claimant, that the construction of section 11A meant that its registered mark was not at immediate risk of being revoked (although it may be subject to later revocation proceedings if the court finds there has not been genuine use).

89. One respondent was concerned about the unintended consequences relating to the definition of the five year use period. These could affect either the claimant, or the defendant, depending on the circumstances and were described, as follows:

- the defendant commenced (infringing) use while the registered mark was not vulnerable to revocation, the mark became vulnerable in the period between the infringing use commencing and the proceedings being issued. The defendant would have a defence, including for the period when its use was infringing, and the claimant would have no remedy.
- the defendant commences use while the registered mark was vulnerable to revocation, but the claimant recommences use sufficient to protect the mark from revocation by the time proceedings are issued. The claimant would be entitled to damages and an injunction, although the defendant had commenced use at a point when the mark was not protected.

90. It was therefore suggested that the five year period should be defined in terms of when the defendant commenced use of the infringing sign, rather than the date the proceedings were brought. The associated uncertainty could be remedied by amending the Civil Procedure Rules to require the defendant to disclose the date on which it first used the allegedly infringing sign.

Government response

91. The Government acknowledges the reasons given for the positive impact this provision is likely to have.
92. It has carefully considered the suggestion to redefine the five year period described above. As the same respondent also noted, the definition of the use period given in section 11A clearly reflects that in Article 17, and also of Article 127(3) of the Regulation. We note the respondent's reference to recital 32, which is not so specific, but note that recitals are useful in helping to interpret the articles to which they correspond. We suggest that there is no lack of clarity in the wording of this Article or its counterpart in the Regulation. We therefore believe that to implement the Directive correctly, the period of use should be defined as originally proposed in regulation 13. Accordingly, we do not propose to amend this wording.

Article 24: Levy of execution

(No new regulation)

93. Article 24.1 provides that trade marks may be levied in execution, that is they may be regarded as assets in enforcement proceedings, and may therefore be subject to court orders. We considered that there was no need to make specific provision within trade mark law to implement this Article: the Senior Courts Act 1981 and the County Courts Act 1984 provide a means by which enforcement measures may be taken against the assets of a judgement debtor, which consist of trade marks.

Question asked

18. Do you agree that our interpretation of this non-trade mark law means that we do not require specific reference in the TMA to levy of execution? Please explain your answer.

Respondents' comments

94. Eight respondents comment specifically on this question. Seven agreed with our interpretation. The eighth had no comment on our interpretation, but noted that, as trade marks do not necessarily have a readily ascertainable market value, it was not particularly effective to regard them as the kind of assets dealt with by a levy of execution.

Government response

95. In view of the comments received on this issue, the Government concludes that it is not necessary to reference 'levy of execution' specifically in the TMA.

Article 25: Licensing

(Regulations 17 and 33; Section 30(4), (5), and Schedule 1, paragraph 12(4) and (5))

96. Article 25 provides the conditions which apply to exclusive and non-exclusive licences, but is silent about whether a proprietor should be joined in an action for infringement, either as a claimant or a defendant, if the licensee brings proceedings for infringement in accordance with Article 25(3). Taking this into account and the requirement of the Directive that 'not only provisions of substantive law but also procedural rules' (as general principles) are 'approximated'¹², we considered that to comply with the Directive, sections 30(4) and (5) should be repealed.
97. Similar considerations apply to authorised users in the context of collective marks (Article 34.1 and regulation 32(4) refers).

Questions asked

19. Do you agree with our interpretation of the Directive which requires the removal of references in the TMA to proprietors being joined in infringement proceedings taken by licensees (and in the case of collective marks, authorised users)? Please explain your answer.
20. What proportion of UK registered trade marks that you have, or deal with, are licensed to third parties on a non-exclusive basis? Of these, approximately how many have been subject to legal action?

Respondents' comments

Question 19

98. Of the nine respondents who answered, only one agreed with the proposal to repeal section 30(4) and (5) on the basis that it could contravene the Directive. Several of those who did not agree with the repeal regarded these sections of the Act as, broadly, dealing with the conditions used by the courts in the enforcement of licensed trade marks. It was suggested that the interpretation of Recital 9 in the consultation document was taken out of context as, for example, Recital 9 referred to 'procedural rules in the areas of trade mark registration' whereas the provisions proposed for repeal dealt with infringement. It failed to take into account the ability of Member States to implement 'more specific rules'. In addition, some felt that it was important that proprietors were not able to abuse their position by shielding themselves from proceedings. They should be joined for cost implications so that they can be bound by arguments in proceedings and decisions issued. It would also ensure licensees could not harm trade marks or e.g. associated good will, by taking action without the knowledge

¹² Recital (9) of the Directive

and consent of the owner. Changing the law could also have detrimental and serious practical impacts: namely the costs and difficulties associated with reconsidering, and possibly renegotiating, existing licences which would span the old and new laws.

Question 20

99. None of the respondents was in a position to give a response. Two however commented that their members or clients would licence on a non-exclusive basis.

Government response

100. Given the concerns raised about this issue, the Government has carefully considered the repeal of sections 30(4) and 30(5). The arguments suggesting that Recital 9 should be taken to refer to 'registration', rather than procedural rules more generally, are persuasive. As respondents noted, sections 30(4) and (5) deal with the enforcement of licensed trade marks, and therefore fall outside the scope of Recital 9. We will therefore not repeal sections 30(4) and (5). We will however make consequential amendments to the wording of paragraph 30(4) to reflect the different circumstances under which infringement proceedings may be taken by the authorised user.
101. In line with this decision, we will not repeal similar provisions relating to collective marks, namely Schedule 1, paragraph 12(4) and (5).

Article 29: Collective marks

Article 29.2: 'legal persons governed by public law'

(Regulation 24; section 49)

102. Article 29.2 specifies the nature of those 'persons' who are permitted to be the proprietors of collective marks. It includes 'legal persons governed by public law', the nature of which is not specified in the Directive.
103. We considered that this wording could not be meaningfully incorporated into UK trade mark law, as the term 'public law' was not generally recognised in this context, so proposed that no amendment was necessary, but had concerns that reliance on the term 'association' may not cover all those organisations which should be eligible to hold a collective mark.

Questions asked

21. Do you agree that the term 'legal persons governed by public law' cannot be meaningfully transposed into UK trade mark law? Please explain your answer.
22. Is the reference to 'association' incorporated within section 49 (as amended by Regulation 24) sufficiently broad to cover all those organisations for whom a collective mark may be appropriate? Please explain your answer.

Respondents' comments

Question 21

104. All ten respondents made comments. Three agreed outright that the phrase 'legal persons governed by public law' could not be meaningfully transposed. However, the remaining seven were all concerned that something additional would be needed to cover all those who should be able to be the proprietor of collective marks. Specific concerns were mentioned by different respondents: failure to accommodate 'persons governed by public law' could prevent those from other Member States from protecting their collective marks in the UK, as well as bodies created by statute, such as the Harris Tweed Authority, which is defined as a public body¹³. It was suggested that other types of organisation could also be unnecessarily excluded, for example, public bodies, collectives or associations which do not fall within the definition in proposed section 49(1A). There may also be situations in which natural persons, partnerships, companies, unincorporated associations and local government authorities could be competent to certify collective marks, but again, would be excluded. Overall, the majority favoured the inclusion of 'legal persons governed by public law', whether specifically, or in some other form.

Question 22

105. Nine replied specifically on the issue of whether the definition of 'association' was broad enough. All agreed that there would need to be some accommodation for other organisations, especially if 'persons governed by public law' was not transposed in some other way. The definition should be sufficiently broad to cover, for example, societies, guilds, organisations, companies limited by guarantee, and trusts. One respondent suggested a revision to the definition of a collective mark, which focused on how the mark is used to distinguish the goods and services of members from non-members and to indicate membership of the group, as well as referencing an example of a definition of 'legal persons governed by public law' in the area of public procurement.

106. The point was however made, in contrast to one of the responses to question 21, that the provisions of the Directive (Article 29(2)) restrict holders of collective marks to legal bodies that have been incorporated. The question of whether or not natural persons or unincorporated bodies, such as some universities, could hold collective marks was therefore outside the scope of considerations of how to implement the Directive.

Government response

107. The Government acknowledges the concerns raised by respondents that the definition of those who can hold collective marks, as proposed in the original draft SI, may be too restrictive. We recognise, in particular, the example of the Harris Tweed Authority which would fall outside that definition although it holds collective marks in the EU. We have carefully considered how to ensure that the TMA recognises a broader group of organisations than was proposed in the initial drafting of the SI, and have concluded that using the term in the Directive

¹³ Harris Tweed Act 1993, paragraph 2 to the Schedule, <http://www.legislation.gov.uk/ukla/1993/11/contents/enacted>

is the most appropriate way forward. We also considered whether it would be appropriate to give examples of bodies which could fall within this term, but concluded that this would not be helpful if the law specified certain cases which were later found by the courts to be incorrect.

108. The SI will therefore be amended to refer to 'legal persons governed by public law' without further elaboration. This has the benefit of being consistent with the approach taken in the EU trade mark Regulation, and from the responses received, it is now clear that it does apply to at least one type of organisation specific to the UK.
109. We do not consider it appropriate to include 'natural persons' in the definition of who may own a collective mark. This SI focuses on the implementation of the Directive, which does not include 'natural persons' within the scope of Article 29.2.

Article 34: Persons entitled to bring an action for infringement

Article 34.1: cross-references to Article 25 licensing provisions

(Regulation 32(4); Schedule 1, paragraph 12)

110. Article 34.1, by reference to licensing provisions included in Article 25.3 and 25.4, permits the authorised users of collective marks to take, and intervene in, infringement proceedings under certain conditions. The conditions in Article 25.3 differ for exclusive and non-exclusive licensees. We considered that there was no scope for an authorised user to have the 'exclusive' right to use a collective mark, given the nature of collective marks. Accordingly, the rights of authorised users should be equivalent to those of non-exclusive licensees, i.e. to bring infringement proceedings only with the consent of the proprietor of the collective mark. As Schedule 1, paragraph 12(3) permits authorised users to bring proceedings without such consent, we considered that it did not comply with the Directive, and that it should be repealed.
111. In line with our approach to the implementation of Article 25, we considered that to comply with the Directive, Schedule 1, paragraph 12(4) & (5) should also be repealed. (See Article 25 above)

Question asked:

23. Do you agree with our interpretation of the interplay between Articles 34.1 and 25.3, that an authorised user of a collective mark should be treated in the same way as a non-exclusive licensee, rather than an exclusive licensee? Please explain your answer.

Respondents' comments

112. Seven respondents commented on question 23. All agreed that it was appropriate to treat an authorised user of a collective mark as a non-exclusive licensee, rather than an exclusive licensee. Although in agreement with the proposal, it was noted by one respondent that treating the authorised user as an exclusive licensee would be closer to the present scheme.
113. Treating an authorised user as a non-exclusive licensee would ensure control of the collective mark by its proprietor. However, one respondent was concerned that where a proprietor failed to take action there was a danger of dilution of the mark, with the commensurate reduction in protection of the public. To prevent this, it was therefore suggested that the authorised user should be able to take action if the proprietor does not do so within a reasonable period.
114. One respondent also cross-referenced the proposed repeal of Schedule 1, paragraphs 12(4) & (5) with the repeal of sections 30(4) & (5) – see Article 25.

Government response

115. The Government acknowledges the consensus around the treatment of an authorised user of a collective mark, as a non-exclusive licensee. We have carefully considered the suggestion from one respondent that an authorised user should be able to take action if the proprietor does not. This would mean retaining Schedule 1, paragraph 12(3). However, we consider that this would not align with the treatment of the user as a non-exclusive licensee with which the majority of respondents agreed. We will therefore not amend the drafting of the SI in relation to this issue.
116. As mentioned in the discussion relating to Article 25, we will not now repeal Schedule 1, paragraphs 12(4) and (5). We will however make consequential amendments to the wording of paragraph 12(4) to reflect the different circumstances under which infringement proceedings may be taken by the authorised user.

Article 41: Division of applications and registrations

(Regulations 20 and 38; section 41 and new rule 26A)

117. Alongside the existing requirement to provide for the division of applications, Article 41 requires the UK to introduce the ability to divide registrations. Section 41 is amended to provide a power to make provision by Rules for the division of a registration into several registrations, and new rule 26A introduces the detailed rules. We considered that this rule should reflect existing rule 27, and require that any licences, security interests, etc, as well as disclaimers should apply to all the newly created divisional registrations.
118. We also considered that the ability to divide a registration should be limited to those goods and services in a registration which are not the subject of a dispute. This would prevent assignment of the disputed elements to other parties, thereby preventing a possible increase in the number of parties involved, and in

the costs. This reflected the approach taken elsewhere¹⁴. New rule 26A also included reference to ‘counterclaims’, to take into account the fact that revocations and invalidations may be dealt with before the courts, not just the registrar (see sections 46(4) and 47(3)).

119. We also considered the implications for international registrations under the Madrid Protocol. We concluded that it was not necessary to make specific reference for divisions in such circumstances, as these cases would be determined by the law of the UK (as the relevant Contracting Party).

Questions asked

24. Do you agree with our proposed approach-

- a) In relation to the treatment of licences, security interests, etc, and disclaimers for the new divisional registrations?
- b) That a division of a registration cannot split the contested goods and/or services?
- c) that there is no need to specifically reference the division of international marks?

Please explain your answers.

25. Our approach to restricting the ability to divide registrations is based upon Article 56.2 of the EUTM Regulation and the treatment of mergers in Rule 27(3A)(a). Are there any other circumstances, e.g. when a trade mark is the subject of infringement proceedings, in which it would be appropriate to add similar restrictions?

Respondents' comments

Question 24

120. Eight respondents commented on question 24 in general.

121. In relation to question 24a) there was general agreement that the proposal to ensure any licences, security interests, etc, and disclaimers on the parent registration should be transferred to the new divisional registrations. However, two respondents commented that the licence of the original registration may apply only to certain goods or services, which may not be relevant to all the divisional registrations. Having referred to this, one respondent considered that for the sake of simplicity for the registrar, and for consistency with the approach taken in relation to applications, the original proposal was acceptable. However, the other suggested enabling the proprietor to request the removal of any licence recorded against the divisional registration.

122. In relation to question 24b) seven respondents agreed with the general idea of preventing the division of registrations under dispute, and one questioned whether the perceived benefit of preventing a division outweighed the practical benefit of being able to do so. Of those that agreed, one queried whether this lay within the scope of the Directive. Another suggested that it could be helpful in enabling the court to deal with cases justly and at proportionate cost (the overriding objective of the Court Procedure Rules) to allow a division if the parties to the dispute consented. Two respondents did not consider it necessary to make specific reference to ‘counterclaim’. One explained that the difference including this wording would introduce between existing rule 27 and new rule 26A could

¹⁴ Divisions of registrations in Article 56.2 of the EU TM Regulation; mergers in rule 27 of the UK's Trade Mark Rules 2008

suggest that the rule 27 proceedings were limited to those before the IPO, when that was not the case.

123. In relation to question 24c) all seven of those commenting agreed that there was no need to reference the division of international marks specifically.

Government response

124. The Government notes the general agreement with the proposal to ensure divisional registrations fully reflect the licences, security interests, etc and disclaimers of the original 'parent' registration. We have considered whether there is a need to introduce a new provision to allow for the removal of a licence which does not apply to the goods or services of a new divisional registration. However, as there is already in place a mechanism for removing licences from registrations¹⁵ we see no need to make specific provision. We will therefore not amend the SI to include a reference, specific to divisions, to the removal of licences.

125. The Government notes that respondents agreed with the proposal to prevent the division of a registration where it was under dispute. We note the suggestion that divisions could be allowed if both parties consent, but, as other respondents have suggested in their responses to question 25, this would change the nature of the proceedings, and is unlikely to be permitted. We acknowledge the suggestion that inclusion of the reference to counterclaim is unnecessary and could suggest that new rule 26A(3) and existing rule 27(3A) should be interpreted differently from each other. This is not our intention. We will therefore remove the reference to 'counterclaim' in new rule 26A(3).

126. The Government acknowledges respondents' agreement with our conclusion that there is no need to make specific provision for the division of international registrations.

Question 25

127. This elicited comments from five respondents. One suggested that it could be appropriate in infringement proceedings. One agreed with the (existing proposed) approach. Three respondents did not think there were other circumstances in which it would be appropriate to limit the ability to divide a registration. Two explained that it would be highly unusual for a division to be requested in relation to infringement proceedings because the divisional would not automatically become part of the proceedings. One went on to explain that the proprietor would have the additional costs of amending the claim, and if permission were needed, it may not be granted by the court. It would in any case not be possible - by virtue of new rule 26A - if the defendant was to counterclaim for invalidity or revocation.

128. One respondent also made various suggestions to revise certain aspects of the drafting of new rule 26A.

¹⁵ Form TM51: <https://www.gov.uk/government/publications/application-to-remove-or-amend-the-recordal-of-a-licence>

Government response

129. Having carefully considered the views expressed in response to this question, the Government considers that it is not appropriate to restrict the ability to divide registrations in relation to infringement (or any other) proceedings. It seems that such a restriction would in practice apply by virtue of the nature of the proceedings. No amendment to the SI is therefore considered necessary.
130. In relation to the drafting proposals, the Government agrees that where these adopt similar drafting to that contained in rule 26, which also relates to divisions, amendments will be made. It notes that the other suggestions do not comply with modern legislative drafting practice.

Section 13: Disclaimers and limitations

131. We considered whether disclaimers and limitations were permitted by the Directive. We considered this was arguable, and concluded provisionally that they serve a useful function for business, and would continue to do so. We therefore proposed to retain section 13.

Questions asked

26. Do you agree that the ability to disclaim or limit part of a trade mark is a useful mechanism, and that it should therefore be retained? Please explain your answer.
27. If disclaimers were removed what would be the impact of removing the ability to disclaim/limit the rights of a TM e.g. by restricting it to a particular locality?

Question 26

132. Nine respondents commented on this question. All agreed that disclaimers should be retained. One commented that they did not believe retaining the possibility of 'voluntary' disclaimers was incompatible with the Directive. The reasons for retaining disclaimers included: enabling the registration of marks which might otherwise be regarded as non-distinctive; being integral to the settlement of disputes; avoiding or limiting ambiguity; fostering cooperation with other systems internationally, for example, with the US; and creating the potential to assist in defining rights associated with new and non-traditional marks.

Question 27

133. Eight respondents commented. Removing disclaimers would have a varied impact. Respondents thought that it would remove the opportunity for parties located in confined areas to retain or pursue registrations, and with the potential to prevent registrations co-existing, could force those without registrations to rely on passing-off, which would be more difficult to prove, especially for SMEs. It would remove opportunities to resolve disputes, making them more costly and time consuming to resolve. It would be more difficult to deal with objections raised during examination or opposition, and may result in an increase in the number of proceedings.

Government response

134. The Government acknowledges respondents' comments that disclaimers should be retained. It has been helpful to see the reasons for retaining them, and the potential difficulties that would be created by removing them. In the light of these responses, we will not repeal section 13.

Regulatory, Economic Impact

135. At various points in the consultation document, we asked for respondents' views about the impact which specific articles would have on businesses and professional advisers. This was required to help test certain assumptions made in the accompanying impact assessment ("IA")¹⁶.

136. We also asked some more general questions:

Questions asked

General

28. a) How would your business familiarise itself with the implications of these changes? Would you use in-house legal support, request legal advice or neither?
- b) How much time would it take for you/your staff/trade mark owners to familiarise yourself with the legal implications of the changes required by the Directive? To give us an indication of likely costs, could you indicate the job title or level of job of the members of staff who will be involved in this?
- c) Are there any costs to you/your business beyond staff time? For example, preparation of guidance or amending existing licence agreements. Can you quantify these in monetary terms?
29. The IA identified costs and benefits associated with implementing the Directive, including retaining closer alignment with the EU trade mark system. Can you explain and/or quantify the benefits/costs you foresee?

Specific

30. For IP/legal advisors, given the changes in the Directive, do you envisage any increases in work as trade mark owners try to explore the extent to which the current boundaries may have shifted slightly? This may be generally, or relate to specific changes, such as the removal of the need to graphically represent a mark. How much staff time do you think this might equate to, and in which roles?

¹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/682233/impact-assessment-consultation-trade-mark.pdf

Respondents' comments**Questions 28**

137. In response to question 28, eight respondents commented.
138. In relation to question 28a), it was generally felt that different businesses would require different approaches. One respondent categorised the familiarisation process in terms of time and money being spent reviewing, understanding and implementing the changes as part of day to day work. Others suggested reading and reviewing documents, attending seminars, either of which may be prepared in house or externally, including those provided by the IPO and representative bodies like the Chartered Institute of Trade Mark Attorneys and the Chartered Institute of Patent Attorneys. One respondent commented that the changes are not radical, so would be dealt with as and when they arise, by in-house teams. Another pointed to brands owners seeking external 'counsel', rather than dealing in house.
139. In response to question 28b) only three respondents felt able to estimate how long 'familiarisation' would take. Time estimates ranged from 30 minutes to up to 6 hours dependant on the existing knowledge and specialisation of the person concerned. Two suggested about an hour. One was concerned that the proposals in the consultation on licensing could have a significant impact. The costs could be spread across a range of staff, from junior to senior, carrying out a variety of tasks from legal advice to marketing.
140. In relation to question 28c) only two commented. One suggested there would be no additional costs beyond staff time. Another referred to staff time, and the costs of creating marketing materials. Neither commented on the monetary costs.

Question 29

141. Six respondents commented on costs and benefits. All felt that retaining alignment or harmonisation with the EU trade mark system would be beneficial. Three specifically mentioned that there would be cost savings, which was explained in one case by reference to the advice being applied over a wider area, with 'local' advice not being sought as often. One organisation suggested that it was likely to take their members between four and six hours, and as with the one of the answers to question 28, would apply to all members, from senior fully qualified staff, to paralegals, to those who were in the process of qualifying.

Question 30

142. Six respondents commented on expected changes in workloads. Most felt that the changes would likely result in some additional work as clients sought to understand the impact, but one commented that many of their clients would already be aware of the changes because of the parallel changes already made to the EU trade mark system. There could also be some (minimal) additional work arising from the ability to file marks in an electronic format. Again, respondents were not in a position to quantify the impacts.

Government response

143. The Government acknowledges the difficulties respondents face in answering these questions, and others in the consultation, which focus on the impacts the Directive is likely to have. However, the answers have proven useful in helping us understand the likely impacts, and to try and assess the extent to which the changes are likely to have positive or negative consequences for both professional advisers and their business clients.

Discussion of other issues raised by respondents

144. Respondents generally confined their comments to answering the questions specifically raised in the consultation document. However, several commented on other matters, which are referenced below.

Article 14: 'Own name' defence

145. The consultation document referenced the change in the 'own name' defence against infringement, which meant that it would only apply to the names of individuals, and would no longer apply to those using company names. No question was asked.

Respondents' comments

146. Two respondents commented specifically. One was particularly interested in guidance (see paragraph 153 below), while the other suggested a transitional provision.

147. It was suggested that as the SI has (limited) transitional provisions relating to the substitution of a reference to the current (EU) Trade Mark Regulation for the reference to the predecessor regulation (including in relation to the own name defence in relation to EU trade marks), UK law should have the same in relation to this article. They should take into account circumstances where a business was currently relying on this defence, and where a family business trades under the family name, but is incorporated. It was felt that this would not be open to abuse, given the requirement for use to be in accordance with honest business practices.

Transitional provisions

148. The consultation document made no reference to transitional provisions, and the SI contains no transitional provisions on specific aspects of the Directive. It merely include a single transitional provision intended to ensure the ongoing relevance of matters relating to the (EU) Regulation.

Respondents' comments

149. One respondent commented specifically on the difficulties associated with the introduction of transitional provisions in the TMA. It cited the example of the Budweiser case¹⁷. In that case, difficulties were experienced in moving from the Trade Marks Act 1938, which permitted concurrent registration of identical or confusingly similar marks where the marks had been used honestly and concurrently, to the TMA, which did not.

Government response to 'own name defence' and transitional provisions

150. The Government has carefully considered the arguments put forward in support of specific transitional provisions regarding the 'own name defence'. Transitional provisions are not mandated by this Directive, so if we were to introduce a transitional provision providing that the removal of the own name defence would only apply to company names registered AFTER the coming into force of the regulations, this may amount to a misimplementation of the Directive (and may go beyond the scope of the power in section 2(2) of the European Communities Act 1972, under which we are making the regulations). It would, in addition, be regarded as 'gold-plating'. This is counter to the Government's policy of transposing EU Directives to the minimum extent required. We therefore do not intend to introduce any transitional provisions beyond the one relating to the EU Trade Mark Regulation. This provision replicates a similar transitional provision which was included in The European Union Trade Mark Regulations 2016¹⁸. This was incorporated to ensure that where things have been done in the past under the previous (revoked) Community Trade Mark regulation, the legislation can continue to operate in relation to them in the future (now that the legislation refers to the current EUTM Regulation), as those things need to be regarded as things done under the current EUTM Regulation (such as applications to the EU Trade Mark Court in respect of infringements of EUTMs). This provision was incorporated as it was considered that the general savings in section 16 of the Interpretation Act 1978 may not be sufficient.

Proposals for amending the draft Regulations

151. Some respondents made suggestions to amend the drafting of the proposed SI which related to various articles and which are discussed above. One respondent made several suggestions for making amendments to various of the regulations included in the SI. They are discussed in turn below.

- **Regulation 4(4):** the proposal was to ensure consistency in the introductory phrasing of new sections 3(4A) to 3(4C) with that in the existing subparagraphs of section 3, effectively amending 'is' to 'shall'.

Government response: we do not consider anything turns on these differences. Making the amendments would be contrary to modern legislative drafting practice, and accordingly we consider that it is not appropriate to make any changes in this regard.

¹⁷ One specific instance cited was Budejovicky Budvar Narodni Podnik v Anheuser-Busch Inc [2012] EWCA Civ 880

¹⁸ <http://www.legislation.gov.uk/uksi/2016/299/made>

- **Regulation 5(5):** the respondent noted that the current wording of new section 5(4B) did not transpose sub-paragraph (ii) of Article 5.3(c), which deals with the right of authorised users of geographical indications, etc to prohibit the use of subsequent trade marks.

Government response: we consider that Article 5.3(c)(ii) is covered by the existing words in the introductory sentence to section 5(4), and accordingly do not propose any further amendment.

- **Regulation 5(5):** the respondent noted that Article 39.7, transposed by new section 5(4C) and dealing with the similarity of goods and services, was relevant not just to relative grounds for refusal, but applied equally to infringement. It was suggested that relevant wording instead be inserted in TMA Part IV: Miscellaneous and General Provisions, together with the definition of the Nice Classification given in new section 5(7).

Government response: we agree with this proposal, and will make the necessary amendments to the SI in relation to regulations 5(5) and 5(7), effectively moving them to create a new regulation in TMA Part II which applies across the provisions dealing with registered trade marks.

- **Regulation 9:** the respondent considered that most of the proposed amendments made by this regulation to section 9 (defining infringement related acts) were unnecessary, and that section 9(1) should in fact refer to new section 10A (goods in transit).

Government response: in relation to the first point, given the comments made by respondents generally about the drafting of new section 10(3B) (implementing Article 11, preparatory acts), we will re-consider the drafting of section 9 in conjunction with amendments to section 10.

In relation to the second point, Article 10.4 envisages that proceedings relating to goods in transit should be initiated in accordance with EU Regulation 608/2013. We therefore do not believe it appropriate for these kinds of activities to constitute an infringement, which would attract the provisions in sections 14-21. Accordingly, we do not propose any further changes in this regard.

- **Regulation 10:** the respondent suggested that new section 10(3A) was unnecessary.

Government response: this section was inserted to ensure transparency in the UK's transposition of the Directive, and we therefore intend to retain it.

- **Regulation 13:** this (and another respondent) referenced the need to change the wording in new section 11A(4) from 'semi-colon' to 'colon'.

Government response: we agree with this proposal, and will make the necessary amendments to the SI in relation to regulation 13.

- **Article 17(3):** the respondent noted that section 46 (revocation) did not have a definition of the ‘completion of registration procedure’ for international trade marks (EC), although regulations 8(6) and 23(7) had inserted definitions for relative grounds opposition (new section 6(5A)) and invalidity (new section 47(2DA)) respectively. It was suggested that a definition covering all three situations instead be inserted in TMA Part IV: Miscellaneous and General Provisions.

Government response: we consider that section 46 deals only with the revocation of UK marks, (and is concerned with use, rather than earlier rights). It therefore does not seem appropriate to include within that section a definition which is specific to international marks (EC). Any revocation relating to such marks would fall to be dealt with by the EUIPO which administers the EU-unitary right. We therefore do not propose any amendments in relation to this issue.

- **Article 39.2:** the respondent suggested an amendment to the definition of ‘economic operators’ in regulation 35 (new rule 8(5)), to incorporate the words ‘or otherwise deals in goods and services’.

Government response: we agree with this proposal, to ensure that the definition is not too prescriptive. We will therefore amend the wording of new rule 8(5).

Support for implementing the Directive

152. Six respondents had commented in their answers to question 29 about the desirability of implementing the Directive and harmonising UK trade mark law with that of the EU. However, two respondents commented more generally on this issue. They felt this was especially important for the sake of clarity and consistency, including for the transfer of EU marks onto the UK national register when the UK leaves the EU. Avoiding divergence of the respective legal systems was also considered important. Divergences could create barriers for UK businesses to access the EU. This was thought especially relevant to those in the technology sector who work across international boundaries.

Guidance for business

153. In the consultation document reference was made to the publication of guidance for business before the legislation comes into force. One respondent commented specifically that the guidance should cover when the new provisions take effect, and what, if any, transitional provisions applied. The latter was particularly mentioned in relation to the new provisions on the ‘own name’ defence and when it takes effect for company names.

Government response

154. As mentioned in the executive summary, and in relation to questions 1 and 2, we intend to publish guidance on the changes to UK law arising from the Directive in the coming months, before the changes come into force.

Annex A: List of respondents to the consultation

AIPPI UK (UK national group of The International Association for the Protection of Intellectual Property, (Association Internationale pour la Protection de la Propriété Intellectuelle)

Burness Paull LLP on behalf of the Harris Tweed Authority

Chartered Institute of Patent Attorneys (CIPA)

Chartered Institute of Trade Mark Attorneys (CITMA)

International Trademark Association (INTA)

IP Federation

The Law Society

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