

## Changes to trade mark law in the UK: what businesses need to know

January 2019

The new Trade Marks Directive (2015/2436/EU) (the Directive) will be implemented in UK law with effect from 14 January 2019 by the Trade Mark Regulations 2018 (SI 2018/825) (2018 Regulations). The 2018 Regulations will amend provisions in the Trade Marks Act 1994 (TMA) and the Trade Marks Rules 2008 (SI 2008/1797).

The Directive is focused on national trade marks but harmonises the law in line with amendments made to EU trade marks (EUTMs) that are already in effect. This will bring in some useful new tools to assist brand owners fighting counterfeits and the misuse of trade marks as company names. It also brings changes to the regime for the enforcement of trade marks by licensees and introduces a number of other useful substantive and procedural changes which modernise and improve efficiency in prosecution and enforcement without introducing radical change.

### Anti-counterfeiting

Trade mark owners will have some valuable new tools to combat counterfeiting. Currently, customs authorities can be asked to detain goods where there is sufficient suspicion of counterfeiting and where a trade mark owner can prove that the goods coming from outside the EU were intended to be put on sale in the UK (*Koninklijke Philips Electronics NV v Lucheng Meijing Industrial Company Ltd and others, Nokia Corporation v HMRC, Joined cases C-446/09 and 495/09; www.practicallaw.com/1-517-3293*). This

requirement put a high evidential burden on trade mark owners and led to a drop in customs seizures. Under the Directive, where potentially infringing goods from outside the EU customs territory are passing through the UK without being released for free circulation, the burden will shift to the importer to prove that the trade mark owner is not entitled to stop them being marketed in the country of destination (*new section 10A, TMA*).

In addition, under the Directive, a wider range of counterfeiting activities will be considered infringing, enabling trade mark owners to bring action against traders involved in the chain of production of counterfeit goods, that is, those preparing to engage in the trade of counterfeit goods. Preparatory acts include affixing an identical or similar sign to packaging, labels, security or authenticity features or devices, and offering or placing on the market or stocking, importing or exporting these items (*new section 10(3B), TMA*). This should make it harder for counterfeiters to escape liability by dealing only in parts.

### Enforcement

The Directive makes a number of changes in relation to the enforcement of trade mark owners' rights.

**Using trade marks in company names.** It will be a specific act of infringement to use a registered mark in a company name (*new section 10(4)(ca), TMA*). This should assist in taking action against infringers who are either making ill-formed choices without doing searches or who are making

speculative company registrations in the hope of securing an unjustified payment to transfer the registration.

**Own name defence.** In future, the own name defence will only be available to natural persons rather than companies (*amended section 11(2)(a), TMA*). This should help focus disputes on adjudicating between genuine conflicting claims to marks.

**Actions against licensees.** Certain breaches of a licence (relating to duration, form of the mark, scope of goods or services covered, territory and quality of goods or services) will give rise to a new cause of action under trade mark law, in addition to the licensor's contractual right to sue for breach (*new section 28(5), TMA*). This will give licensors a new tool against wayward licensees which may be easier to enforce and potentially provide additional remedies. This new provision will apply to breaches committed on or after 14 January 2019 irrespective of the date of the licence. Parties will need to consider the interaction between the new section 28(5) of the TMA and the governing law and dispute resolution provisions in an agreement, especially when the governing law of the contract is not English law.

### Invalidity actions

The Directive will require claimants relying on earlier similar marks to show stronger evidence of their earlier rights. Anyone challenging a mark on the basis that they have an earlier similar mark will need to be able to show:

- Evidence that there has been genuine use of the earlier mark (where that earlier mark is an old one, that is, it has been registered for more than five years) in the five years before the defendant filed its mark, in addition to the current requirement that the earlier mark be used for five years before the attack on validity (*amended section 47(2B)(a), TMA*).
- That their earlier mark would not have been declared invalid on the basis of it not being sufficiently distinctive or not having acquired the necessary reputation as at the filing date or priority date of the later trade mark (*new section 47(2G) and 47(2H), TMA*).

### Licensees' rights in case of infringement

Exclusive and non-exclusive licensees will have the statutory right to bring an infringement action, but only with the permission of the licensor (*new section 30(1A), TMA*). The licensor can remove this right by contract. Equally, the licence can, as before, specify that an exclusive licensee will have the right to sue in its name, therefore effectively giving consent in advance for the action. Where the licensor has been called on to take action in its name and either refuses to do so or fails to act within a two-year period, an exclusive licensee will also have the right to bring an action in these circumstances. This right, however, will no longer apply to non-exclusive licensees. Where a licence is silent on the issue, a non-exclusive licensee will have no right to bring proceedings without consent (*new section 30(1A) and amended section 30(2), TMA*).

Licensees have been given an important new express right to seek compensation where an infringement has affected them, and the ability to intervene in proceedings to obtain that compensation (*new section 30(6A), TMA*). Currently, the court may take into account any loss suffered, or likely to be suffered, by a licensee and can order that the owner holds these damages on behalf of the licensee. The new section 30(6A) of the TMA goes further by giving any licensee the right to intervene. This may be important, in particular, in long-term exclusive licences where the licensee is generating all the business, or for non-exclusive licensees suffering damages in fields in which the licensor is not active.

The licensing provisions will apply to trade mark applications as well as registered trade marks. According to the guidance on this provision from the Intellectual Property Office, even if a trade mark is still at the application stage and has not yet been registered, parties to a licence could be involved in actions relating to the mark. It goes on to point out that potential licensees or licensors of a trade mark which has not been registered should be aware that not all applications to register are successful or, if successfully registered, may cover a more restricted range of goods or services.

## Automatic transfer with a business

From 14 January 2019, a transfer of a business will include an obligation to transfer any registered trade mark unless the contract excludes the mark or it is clear from the circumstances that the presumption should not apply (*new section 24(1A), TMA*). This appears to give a buyer the right to call for a formal assignment of the relevant marks. Sellers will need to take care that agreements to do not inadvertently catch marks not intended to transfer. This reflects a similar provision for EUTMs.

## Collective marks

A wider range of organisations will be able to apply for registrations of collective marks (*new section 49(1A), TMA*). An authorised user of a collective mark will only be able to bring proceedings with the permission of the owner, subject to any agreement to the contrary, but may intervene in proceedings in order to obtain compensation for any loss suffered (*amended paragraph 12(2) and new paragraph 12(7), Schedule 1, TMA*).

## Other changes

The Directive will bring about a number of other useful changes of substance and procedure. In addition, there will be important adjustments in prosecution rules and procedure (*see box “Changes to prosecution rules and procedure”*).

**Comparative advertising.** The current section 10(6) of the TMA, the effect of which is to permit comparative advertising in the UK, was a home-grown provision and, as a result, its status was unclear. This will be repealed and a new provision included to ensure that the use of a sign in comparative advertising contrary to the provisions of the Misleading and Comparative Advertising Directive (2006/114/EC), as implemented in the UK by the Business Protection from Misleading Marketing Regulations 2008 (SI 2008/1276), will be a specific act capable of being infringing (*new section 10(4)(e), TMA*).

**Generic terms.** Where a registered trade mark is identified as a generic term in a dictionary or other similar publication, the owner of that mark will have the right to ask the publisher to make it clear that the entry is a registered trade mark (*new section 99A, TMA*). If action is not taken promptly or, in the case of printed copies, in the next edition, the trade mark owner can apply to the court for action to be taken.

**Agent registrations.** New provisions concern an agent or representative of a trade mark owner applying for, or having registered, a trade mark in their name without the owner’s permission (*new section 10B, TMA*). Any application made in these circumstances will be refused and the owner can seek to remedy the situation by preventing use or applying for rectification of the register, or both. Alternatively, an application may be made to invalidate the registration.

**Infringement and invalidation proceedings.** The defence that a (later or earlier) registered trade mark cannot infringe another registered trade mark is being changed. This provision meant that a registered trade mark owner could not take action until it had successfully invalidated the third-party trade mark registration. Invalidity matters will now be dealt with together in the infringement action and, in addition, the defence will be restricted to later marks. Owners of later registered marks will have a defence in infringement actions where use of that later mark would not be declared invalid on certain grounds; for example, where the court considers that the owner of the earlier mark has acquiesced in the use of the later mark, the owner of the later mark will have a defence to infringement. In addition, where this defence of the later mark is successful, it will not be possible for the owner of the later mark to use its mark to prohibit use of the earlier mark (*amended section 11(1) and new sections (1A) and (1B), TMA*).

**Non-use defence.** A defendant to infringement proceedings will be able to raise non-use of the claimant’s mark as a defence so that it will no longer be necessary to commence parallel revocation proceedings (*new section 11A, TMA*).

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## Changes to prosecution rules and procedure

CHANGES TO APPLICATIONS FOR A TRADE MARK		
Provision	Change	Comments
Representation of the mark	It will no longer be necessary for a mark to be represented graphically, but marks must be represented in a manner that enables the registrar and the public to determine the clear and precise subject matter of the protection afforded to the owner.	Easier to show non-traditional marks more precisely.  Allows online filing in a range of electronic formats, such as in an MP3 or MP4.  Does not apply to international Madrid system marks which still requires graphical representation.
Absolute grounds	Existing objections which apply to shapes (that is, where the shape: performs a purely technical function; adds value to the goods; or results from nature of the goods) will be extended to cover any characteristic intrinsic to the goods.	Further restricts the registration of non-conventional marks by placing limits likely to apply to relatively few marks.
Searching procedures	No notification by the Intellectual Property Office (IPO) of any conflicting expired trade marks for searches after 14 January 2019.	Applicants should conduct searches against trade marks that have expired less than a year before an application as it is possible that these may be restored or renewed. Owners of these earlier marks may seek to prevent a conflicting application.
Opposition proceedings	The starting date for the five-year period for non-use challenge will need to pre-date the making of the application, rather than the publication date of the application as was previously the case.	Businesses should bear this in mind when thinking about the evidential burden of challenging an opposition.

PROCEDURAL CHANGES RELATING TO THE MANAGEMENT OF TRADE MARKS		
Division of trade mark registrations	The ability to divide trade mark registrations into separate registrations will apply to trade mark registrations, not just applications.	May be useful to businesses, for example, where a registration is subject to a dispute concerning a limited range of goods.  Any transactions recorded against the original registration (for example, licences, security interest, disclaimers) will apply to the new registration
Renewal practicalities	The IPO will send renewal reminders six months (as opposed to the current four month period) before the renewal fee is due to be paid and the registration expires.	A transition period will apply during which renewal reminders may be sent earlier.
Restoration of a lapsed mark	The applicant will need to show that the failure to renew was unintentional, rather than the previous test of whether it would be just to renew it.	An easier test for trade mark owners. While the mark is not on the register, it will not be notified to applicants of potentially conflicting marks and cannot be used as a basis for an infringement action against such third-party marks.

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