



## Brexit: Impact for British owners of pan-EU Trade Marks (EUTMs)

On 29<sup>th</sup> March 2017, the United Kingdom took a momentous and historic step by formally announcing to the President of the European Council that it wishes to leave the European Union. As if to underscore its '*Brexit means Brexit*' mantra, the Prime Minister, Theresa May, had already indicated that the United Kingdom will be leaving the Single Market and European Customs Union.

It goes without saying that the decision by the UK Government to come out of the European Union will have significant consequences for many businesses in the United Kingdom, not least those which have pan EU Trade Marks (EUTMs) and Designs (RCDs) as part of their Intellectual Property portfolios. While British companies will still be able to apply for and register EUTMs and RCDs after Brexit, they could well find it more challenging to enforce these rights against non-EU based infringers. These challenges, (in the context of EUTMs), as well as suggested solutions, are discussed below in further detail.

### Where do I enforce my EUTM after Brexit?

A question many British EUTM owning companies will face following Brexit is where they can bring proceedings in the event their EUTMs are infringed. Enforcement of EUTMs before UK courts will no longer be an option. The enforcement provisions of the EUTMR are quite clear; infringement proceedings can only be brought before courts of Member States of the European Union.

The rules concerning infringement and validity of EUTMs are set out in Articles 94 to 111 of Council Regulation (EC) No.207/2009 on the European Union trade mark (EUTMR), as amended by Regulation No.207/209, the legislative instruments upon which the EUTM is based.

Article 125(1) EUTMR stipulates that, unless otherwise specified in the EUTMR, jurisdiction of proceedings relating to EUTMs shall be determined by European Council Regulation No 44/2001 ("Brussels Regulation"). The Brussels Regulation essentially determines the jurisdiction and enforcement of judgements throughout the European Union in civil and commercial matters.

Significantly however, the EUTMR has its own jurisdictional and enforcement rules which overrides much of the Brussels Regulation. That said, provided at least one party is domiciled in an EU Member State, parties to a dispute concerning an EUTM can avoid the jurisdictional rules of the EUTMR by deciding amongst themselves that the court of another Member State shall have exclusive jurisdiction to determine the dispute concerning the EUTM in question. Otherwise, Article 122(2)(c) EUTMR provides that the rules under the Brussels Regulation, which are applicable to persons domiciled in an EU Member State, shall also apply to persons who have an establishment, but not a domicile in that Member State. By way of illustration, this means that the rules of the Brussels Regulation will apply to a British business which has an establishment in an EU Member State, even it is not domiciled (see below for definition of 'domicile') in that State. The actual concept of

'establishment' itself is significant and is dealt with in further detail below.

### European Union trade mark courts: jurisdiction of disputes

Article 123 EUTMR requires each Member State of the European Union to designate courts and tribunals of first and second instance to effectively determine disputes concerning the infringement of EUTMs. These special courts are known as 'European Union trade mark courts' and under Article 124 have exclusive jurisdiction to determine inter alia:

1. All infringement actions relating to EUTMs;
2. If permitted under the national law of the relevant EU Member State, actions in respect of threatened infringement relating to EUTMs;
3. Actions for declarations of non-infringement, if permitted under the national law of the relevant EU Member State;
4. Counterclaims for revocation or for a declaration of invalidity of the EUTM.

### Article 125 – the 'Cascade Effect'

The default position for the jurisdiction of actions and claims referred to under Article 123 EUTMR is outlined in Article 124 EUTMR and provides that proceedings referred to in Article 125 EUTMR shall be brought in the courts of the Member State where the defendant is domiciled or, if he is not domiciled in any of the Member States, the courts in which he has an establishment.

If a defendant is neither domiciled nor has an establishment in any of the EU Member States, Article 125(2) EUTMR stipulates that proceedings shall then be brought in the Member State in which the plaintiff is domiciled or, if he is not domiciled in any of the Member States, the courts in which he has an establishment.

If neither the defendant nor the plaintiff is domiciled nor has an establishment in any of the EU Member States, the proceedings must be brought in the Member State where the EUIPO has its domicile, i.e. Spain.

Under Article 125(5), with the exception of an action for declaration of non-infringement of a EUTM, infringement proceedings can be brought in the courts of the Member State where the acts or threatened acts of infringement have occurred in that Member State. However, the court seized of proceedings only has jurisdiction in respect of acts occurring within its jurisdiction. By way of illustration, this would mean that a non-EU based plaintiff wishing to bring proceedings against a non-EU based defendant that infringed or threatened to infringe the plaintiff's EUTM in Ireland could bring proceedings before the High Court in Dublin (the designated European Union trade mark court in Ireland), but only in respect of infringement or threatened infringement in Ireland. This is significant because it has a bearing on whether it would be possible for the plaintiff in



such a situation to secure a pan EU relief contemplated by Article 102.

### **The meaning of ‘domicile’**

The EUTMR does not define ‘domicile’. Therefore, it is necessary to look to Articles 59-60 of the Brussels Regulation. Article 59 of the Brussels Regulation stipulates that the court seized of a matter shall determine ‘domicile’ on the basis of its own national law. Further guidance is provided in Article 60 which stipulates that inter-alia a company or other legal person is domiciled at the place where it has:-

- statutory seat, or
- central administration, or
- principal place of business.

In Ireland, a ‘statutory seat’ means a company’s Registered Office or, where there is no registered office, the place of incorporation or, where there is no place of incorporation anywhere, the law of the place where formation took place. Accordingly, if a company has its Registered Office in say, Dublin, it will be deemed to have a domicile in Ireland under Irish law.

### **The meaning of ‘establishment’**

In cases where neither the plaintiff nor the defendant are domiciled in an EU Member State, the principle of ‘establishment’ plays a key role in determining jurisdiction for EUTM infringement proceedings.

The Court of Justice of the European Union in *Hummel Holding A/S v Nike Inc, Case C617/15* ruled that a legally distinct subsidiary, located in a Member State of the European Union which has the character of permanency, of a parent which is not located in the European Union can be considered an ‘establishment’ for the purposes of the EUTMR.

The ruling of the ECJ is in line meaning of ‘establishment’ in the context of Article 5(5) of the Brussels Convention (the predecessor of the Brussels Regulation) which was considered by the ECJ in *Établissements Somafer SA v Saar-Ferngas AG, Case 33/78* where the Court ruled that:

*“The concept of branch, agency or other establishment implies a place of business which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, does not have to deal directly with such parent body but may transact business at the place of business constituting the extension”.*

In the later case of *SAR Schotte GmbH, Hermer v Parfums Rothschild SARL, Case 218/86*, the ECJ confirmed the approach in *Somafer/Saar Ferngas* by stating at paragraph 15 of its ruling:-

*“In such a case, third parties doing business with the establishment acting as an extension of another company must be able to rely on the appearance thus created and regard that establishment as an establishment of the other company even if, from the point of view of company law, the two companies are independent of each other”.*

Notably, the concept of ‘independent legal personality’ was irrelevant when determining whether a subsidiary was an establishment for the purposes of the Brussels Convention. The same must also be the case for the purposes of determining “establishment” under the EUTMR.

In view of the close commercial ties between Ireland and the United Kingdom, there will be many British parent companies who have significant subsidiaries in Ireland. An option that will therefore be open to these British parent companies to transfer the EUTMs they hold to their Irish subsidiaries or to grant these subsidiaries, by way of written licence, significant enforcement rights over their EUTMs.

### **Pan European sanctions – Article 131 relief**

Article 131 EUTMR stipulates that if a European Union trade mark court finds that the defendant has infringed or threatened to infringe, the court shall, unless there are special provisions for not doing so, issue an order prohibiting the defendant from proceeding with acts which infringe or would infringe the European Union trade mark.

Also, even if the European Union trade mark court of another Member State has jurisdiction, a plaintiff is entitled to apply to the courts of another Member State for such provisional, including protective measures, as may be available under the national law of that Member State.

The provisions of Article 102 (CTMR) were considered in *DHL Express France SAS, formerly DHL International SA v Chronopost SA, Case C-235/09* where the European Court of Justice ruled that the scope of the prohibition against further infringement or threatened infringement of a [Community] trade mark, issued by a European Union trade mark court whose jurisdiction is based on Articles 97(1) to (4) EUTMR, extends, as a rule, to the entire area of the European Union. The Court further ruled that that a coercive measure, ordered by a European Union trade mark court by application of its national law in order to ensure compliance with a prohibition against further infringement or threatened infringement which it has issued, has effect in Member States to which the territorial scope of such a prohibition extends other than the Member State of that court, under the conditions laid down in Chapter III of the Brussels Regulation.

The effect of the *DHL/Chronopost* ruling is that a European Union trade mark court can grant pan European Union injunctions to prevent further infringement in other Member States. This applies in all cases where the jurisdiction of the European Union trade mark court is based on the domicile of the parties under Articles 97(1) to 97(5) EUTMR.



A limitation of the *DHL/Chronopost* ruling is that a pan European injunction is only appropriate if the plaintiff can show that use of the offending sign will affect the functions of the plaintiff's trade mark. If, because of linguistic differences, the defendant's sign would not be considered visually, phonetically or conceptually similar to the plaintiff's EUTM in a Member State not seized of the infringement proceedings, then it would be difficult to see how a pan European Union injunction could be justified. Notably, a plaintiff needs to satisfy the court of the Member State seized of the dispute that acts of infringement of the EUTM have taken place in other EU Member States in order to have a reasonable chance of securing a pan EU protective relief.

### Law which governs ownership of EUTMs

The law of the EU Member State where a EUTM has its domicile or an establishment governs ownership. Where neither condition can be satisfied, Spanish law will govern the ownership; being the law of where the European Union Intellectual Property Office has its seat.

In view of the close similarity in legal tradition between Ireland and the United Kingdom and law governing ownership of property rights, it is suggested that a British company would be well advised to place ownership of its EUTMs into an Irish company unless it has an establishment in another EU Member State.

### Why should you place your EUTMs in an Irish company?

Ireland has a number of unique advantages for British companies seeking to place and manage their EUTMs in an Irish company following Brexit:

1. After Brexit, Ireland will be the only country in the European Union where court cases will be heard and decided in English as a matter of course.
2. Ireland will be the only pure Common law country in the European Union. Like England, Wales and Northern Ireland, Ireland has followed the Common law tradition since its development under the reign of Henry II in the 12<sup>th</sup> century.
3. In view of its Common law tradition, proceedings can be brought for Passing off in Ireland. This is significant because if an Irish based EUTM owner sues for Passing off as well as EUTM infringement before an Irish court, then the Irish court will have jurisdiction to determine the EUTM infringement claim if the defendant enters an appearance to contest the Passing off claim. It is to be noted that English jurisprudence has influential effect in Irish Passing off law.
4. The rules relating to establishment of goodwill in Ireland are far more relaxed than the United Kingdom. In *C&A Modes Ltd v C&A (Waterford) Ltd*<sup>1</sup> the plaintiff who traded in the United Kingdom (Northern Ireland) was able to injunct

the defendant from continuing to trade under the 'C&A' name in Ireland even though the plaintiff did not trade here. Thus it may be possible to rely on goodwill established in the UK to ground an action for Passing off in Ireland.

5. Ireland's Commercial Court is now one of the most technologically advanced in the European Union. The Court deals with all types of Intellectual Property disputes, regardless of value. The Court is designated as the European Union Trade Mark and Designs Court for Ireland and can therefore hear disputes relating to the pan-EU EUTM and RCD rights. It has not been unknown for well managed cases brought before the Irish Commercial Court to have concluded within six months.
6. The criteria under which injunctive relief is granted in Ireland is based on the principles enunciated by the House of Lords in *American Cyanamid v Ethicon*<sup>2</sup>.
7. Additional protection for EUTMs can be gained under Ireland's written Constitution, which has two significant provisions that protect property rights. Article 40.3.2° protects *inter-alia* the property rights of corporations based in Ireland. Article 43.2.1° prohibits the Irish State from abolishing the right of private ownership or the general right to transfer, bequeath the private ownership of external goods. Significantly, Intellectual Property rights secure the same Constitutional protection as real property. This was confirmed in two Supreme Court decisions - *Phonographic Performance (Ireland) Ltd v Cody (1998)*<sup>3</sup> and *Re Article 26 and the Employment Equality Bill 1996*<sup>4</sup>
8. EUTMs owned by an Irish company/entity will also be afforded protection under Article 17.2 of the Charter of Fundamental Rights of the European Union which explicitly protects Intellectual Property.
9. While the nature of Ireland's corporate structures was changed by the Companies Law Act, 2014, it is still possible to register a limited company to hold valuable IP rights. The principles upon which limited companies operate in Ireland are similar to those of UK companies. However, any British company contemplating incorporating in Ireland would be well advised to seek advice and assistance from lawyers in Ireland with expertise in Irish corporate and tax law.

### Summary

While Brexit will no doubt present new challenges to British companies seeking to enforce their EUTMs, these challenges can be mitigated by placing and managing EUTMs in an Irish domiciled company. It will thus be easier to litigate in a familiar and favourable jurisdiction in the event of the scenario envisaged in Article 125(2) EUTMR.

<sup>1</sup> [1976] IR 198

<sup>2</sup> [1975] AC 396

<sup>3</sup> 4 IR 504

<sup>4</sup> [1997] 2 IR 321



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