



British EUTM holders – Enforcement after departure from the EU

On 29th March 2017, the United Kingdom (“UK”) took a momentous and historic step by formally announcing to the President of the European Council that it wished to leave the European Union (“EU”) Three years later, and after difficult ‘divorce’ negotiations, the United Kingdom legally left the European Union on 31st January 2020.

It goes without saying that the decision by the UK 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. These challenges, (in the context of EUTMs), as well as suggested solutions, are discussed below in further detail.

Transition Period

A standstill timeframe of one year (“Transition Period”) has now come into effect to facilitate the negotiation of a Free Trade Agreement (“FTA”) between the United Kingdom and the European Union. It is expected that the FTA negotiations will begin in March of this year.

The Transition Period effectively allows for a standstill in relations between the United Kingdom and the European Union whereby, in return for financial contributions to the EU budget and commitment to be bound by EU rules, the UK will continue to receive the benefits of EU membership.

The Transition Period can be extended by a further two years if the EU and UK jointly agree. However, either side must put in an extension request by 1st July 2020 and this must be accepted by the other side. The UK Government has already indicated that it will not request an extension and has gone to the extent of incorporating this into UK statute law. It can therefore be reasonably assumed that the FTA negotiations between the EU and the UK will end on 31st December 2020.

As it generally takes a minimum of five years to successfully conclude a FTA with the EU, TIERNEY IP believes that it will be extremely unlikely a

comprehensive FTA will be reached between the UK and the EU by 31st December 2020. In the circumstances, it is therefore wise for IP right holders to prepare now for this likely scenario.

Unless the UK and the EU successfully conclude a comprehensive FTA by the end of 2020, the European Union will thereafter treat the United Kingdom like any other third country with which it does not have a trade agreement. Effectively, this means that UK goods coming into the EU after 2020 will be subject to tariffs and quotas. Likewise, EU goods coming into the UK after 2020 will also be subject to tariffs and quotas. This is called trading on a WTO basis.

Where to enforce EUTMs after the Transition Period?

A question many British EUTM owning companies will face following the end of the Transition Period is where they can bring proceedings in the event their EUTMs are infringed, particularly if they are looking for pan EU relief. 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 123 to 135 of Council Regulation (EU) No. 2017/1001 on the European Union trade mark (EUTMR), upon which the EUTM is based.

Subject to the provisions of the EUTMR, jurisdiction of proceedings relating to EUTMs principally governed by European Council Regulation No 1215/2012 (“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 a 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, the 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

The 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 'EU Trade Mark Courts' and 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.

The 'Cascade' Rule

There will be situations where the owner of a EUTM which is being infringed in more than one EU Member State may need to consider pan EU relief. The prerequisite for pan EU relief is the necessity to satisfy the cascade rule outlined in Article 125 EUTMR. The default position for the jurisdiction of actions and claims referred to under Article 124 provides that proceedings referred 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, 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.

With the exception of an action for declaration of non-infringement of a EUTM, infringement proceedings can also 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.

The meaning of 'domicile'

The EUTMR does not define 'domicile'. Therefore, it is necessary to look to the Brussels Regulation which stipulates that the court seized of a matter shall determine 'domicile' on the basis of its own national law. 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



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located in the European Union, can be considered an 'establishment' for the purposes of the EUTMR.

The ruling of the ECJ is in line with the 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.

Sanctions

The EUTMR stipulates that if a European Union trade mark court finds that the defendant has infringed or threatened to infringe in that State, 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 predecessor provisions mentioned above (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 the EUTMR, extends, as a rule, to the entire area of the European Union. The Court further ruled 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 has effect in Member States to which the territorial scope of such a prohibition extends.

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 as outlined in the 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.

Factors to consider in bringing EUTM infringement actions before Irish courts.

Ireland has a number of unique advantages for British companies contemplating proceedings before Irish courts.



1. Now that the United Kingdom has left the European Union, Ireland is the largest Member State in the European Union with English as an official language. Court cases in Ireland are heard and decided in English as a matter of course.
2. Ireland is also the largest and oldest 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 12th century.
3. In view of its Common law tradition, proceedings can be brought for Passing off in Ireland. This is significant because, if an British EUTM owner sues for Passing off in Ireland, as well as EUTM infringement before an Irish court, then the Irish court will also have jurisdiction to determine the EUTM infringement claim if the defendant enters an appearance to contest the Passing off claim.
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*¹ 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 actually trade in Ireland. Thus, it may be possible to rely on goodwill established in the UK to ground an action for Passing off before an Irish court even if the plaintiff has not traded in Ireland. Interestingly, the recognition by Irish courts of 'spill over' reputation from the United Kingdom may also give British brand owners, who can no longer rely on UK earlier trademark rights, the ability to oppose/challenge the registration of EUTMs, even after the end of the Transition Period.
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. Although recently modified by the Supreme Court of Ireland, the criteria under which injunctive relief is granted in Ireland is ostensibly based on the principles enunciated by the House of Lords in *American Cyanamid v Ethicon*².

Summary

While the departure of the United Kingdom from the European Union will no doubt present new challenges to British companies seeking to enforce their EUTMs, Ireland offers the ability to litigate in a familiar and favourable jurisdiction.

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¹ [1976] IR 198

² [1975] AC 396