

EXPLANATORY MEMORANDUM TO
THE TRADE MARKS AND INTERNATIONAL TRADE MARKS (AMENDMENT)
(EU EXIT) REGULATIONS 2021

2021 No. 1235

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Intellectual Property Office (IPO), an Executive Agency of the Department for Business, Energy, and Industrial Strategy and is laid before Parliament by Command of her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

- 2.1 This instrument amends statutory instruments (SIs) [2019/269](#) and [2019/638](#). Those instruments corrected deficiencies in, and failures of, retained European Union (EU) law to operate effectively as a result of the United Kingdom leaving the European Union. However, since those instruments were made, a change in practice at the European Union Intellectual Property Office has resulted in an unintended consequence affecting a very small number of UK trade marks and trade mark applications. It is necessary to address that issue in legislation.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 The instrument was laid for sifting on 14 October 2021 as a proposed negative instrument in accordance with the European Union (Withdrawal) Act 2018. It was considered by the House of Lords Secondary Legislation Scrutiny Committee and the House of Commons European Statutory Instruments Committee on 26 October 2021. Both Committees confirmed that they are content for the instrument to remain subject to the negative procedure.
- 3.2 No substantive changes have been made to the instrument since it was presented to the Sifting Committees.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the United Kingdom.
- 4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

- 5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

- 6.1 These Regulations are made under section 8 of, and paragraph 21(b) of Schedule 7 to, the European Union (Withdrawal) Act 2018. Section 8 allows a Minister to make regulations to resolve any deficiencies in law that arise as a result of the UK's

departure from the European Union. Paragraph 21(b) of Schedule 7 allows a Minister to make supplementary, incidental, consequential, transitional, transitory or saving provisions that may be required.

- 6.2 The Trade Marks Act 1994 and the Trade Marks Rules 2008 are the principal legislation governing the trade marks system in the UK. They give the Comptroller-General of Patents, Trade Marks and Designs certain powers and duties relating to its operation.
- 6.3 SIs 2019/269 and 2019/638 amended the Trade Marks Act and Rules to correct deficiencies in, and failures of, retained EU law to operate effectively as a result of the United Kingdom leaving the European Union. This SI adjusts the transitional provisions in those previous SIs, to correct an issue which has arisen since those SIs were made in connection with a small number of trade marks and trade mark applications.

7. Policy background

What is being done and why?

- 7.1 European Union Trade Marks and International Trade Marks (EU) (for convenience, we refer to these collectively as EUTMs) are unitary intellectual property rights (i.e., a single right covering all EU Member States) as defined by EU Regulation 2017/1001 on the European Union Trade Mark. They are granted by the European Union Intellectual Property Office (EUIPO). The EU Regulation provides the framework for granting EUTMs. Following the end of the transition period, EUTMs no longer provided protection in the UK.
- 7.2 To ensure that holders of existing EUTMs did not lose protection in the UK, the UK Government created “comparable marks” from every registered EUTM at the end of the transition period. The IPO created over 1.4 million comparable marks on 31 December 2020. These are fully independent UK trade marks (UKTMs) which can be assigned, licensed, renewed and challenged separately from the original EUTM.
- 7.3 A challenge against a trade mark can come in the form of an opposition or an invalidation. These proceedings allow the owner of an earlier trade mark to challenge a later trade mark (or application) if they are too similar. These challenges are dealt with by the IPO’s Trade Marks Tribunal. The Tribunal will hear arguments from both sides and make a decision based on those arguments. If the Tribunal finds in favour of the challenger, then the UKTM application will be refused (or the UKTM invalidated).
- 7.4 While the UK was part of the EU, an EUTM could be used to challenge a UKTM (or application) in the Tribunal. That EUTM could be counterchallenged at the EUIPO. If the counterchallenge was successful, the original challenge in the Tribunal would fail and the UKTM could proceed to registration.
- 7.5 As a transitional matter, UK law continues to allow challenges to UKTMs and UKTM applications on the basis of EUTMs in very limited circumstances. Challenges which were pending at IP completion day are allowed to continue after the end of the transition period, while new oppositions based on EUTMs are allowed only against UKTM applications that were filed before the end of the transition period.
- 7.6 In contrast, the EUIPO decided that all challenges to EUTMs, if based on a UK right, must be struck out as soon as the transition period ended, irrespective of when that

challenge was started. This means EUTMs can no longer be challenged on the basis of a UKTM or a UKTM application, even if the challenge was ongoing at the end of the transition period.

- 7.7 This difference in approach created an unintended and unforeseen consequence. That is, where an EUTM is used to challenge a UKTM (or UKTM application), the EUTM can no longer be counterchallenged at the EUIPO on the basis of an earlier UK right.
- 7.8 This SI addresses this loss of rights for UKTM holders/applicants by providing an alternative remedy to counterchallenge. Where the ability to counterchallenge against the EUTM has been lost, a counterchallenge can instead be made against the relevant comparable mark. If the comparable mark is successfully challenged, the Tribunal may determine that this will limit the extent to which reliance may be placed on the related EUTM in the original challenge.
- 7.9 Although this will be an important change for the small number of businesses it affects, it is a minor change in terms of the trade mark system as a whole. For scale, there are over 100,000 UKTM applications each year and this SI is expected to affect approximately 10-15 trade marks or applications.

Explanations

What did any law do before the changes to be made by this instrument?

- 7.10 Transitional provisions in SIs 2019/269 and 2019/638 allow ongoing EUTM challenges against UKTMs to continue once the transition period ended. They also allow for new oppositions to be brought against UKTMs that were at application stage at the end of the transition period. The EUIPO subsequently decided that following the end of the transition period, challenges to EUTMs (if based on a UK right) are no longer allowed.

Why is it being changed?

- 7.11 If no change were made, then EUTMs could be used to deny a very small number of UKTM applications (or trade marks) in a potentially unfair way. Although we expect this issue to only affect a very small number of cases (estimate 10-15), for those businesses the effects could be quite harmful. Their UK trade mark application could be unfairly denied or their trade mark unfairly invalidated.

What will it now do?

- 7.12 This SI provides an exception to the transitional provisions in SIs 2019/269 and 2019/638. This means that, in the affected cases, proceedings brought against the relevant comparable mark (the counterchallenge) may be determined first, and only then will the validity of the EUTM based challenge be assessed. Where the comparable mark is successfully challenged to any extent, the EUTM from which it is derived may not be treated as an earlier trade mark for the purposes of determining the original challenge to the same extent, and so in this respect the original challenge will be dismissed.

8. European Union Withdrawal and Future Relationship

- 8.1 This instrument is being made using the power in section 8 of, and paragraph 21(b) of Schedule 7 to, the European Union (Withdrawal) Act 2018 in order to address failures of retained EU law to operate effectively or other deficiencies arising from the withdrawal of the United Kingdom from the European Union. In accordance with the

requirements of that Act, the Minister has made the relevant statements as detailed in Part 2 of the Annex to this Explanatory Memorandum.

9. Consolidation

9.1 No consolidation is planned for the instruments being amended.

10. Consultation outcome

10.1 To ensure that the changes being made would work in practice for users of the system, the IPO held discussions and invited comments from key stakeholders to get feedback on the approach taken and the legal drafting of the instrument. A draft of the instrument was provided to representatives from: six intellectual property attorney/lawyer associations, three intellectual property law associations, and three organisations representing brand owners and industry. They were invited to provide comments from 3 to 21 September 2021. This level of consultation was thought proportionate and appropriate due to the very small number of affected cases and the need to act quickly to reduce uncertainty for those affected (which included pending tribunal cases).

10.2 Two organisations provided constructive technical comments on the legal drafting, which are reflected in the instrument. Two organisations expressed their support for the overall aim of the changes. No objections were raised.

11. Guidance

11.1 Detailed guidance will be made available through a Tribunal practice notice, which will be published on gov.uk at <https://www.gov.uk/government/collections/tribunal-practice-notice> at least three weeks before the changes come into force.

12. Impact

12.1 The impact on business, charities or voluntary bodies is minimal because we expect only a very small number of businesses to be affected. Although very few will be affected, we expect the impact to be positive because the instrument will prevent the possible unfair loss of trade marks and trade mark applications.

12.2 There is no, or no significant impact on the public sector.

12.3 A full impact assessment has not been prepared for this instrument because the impact is estimated to fall below the threshold for a full assessment. A de minimis assessment has therefore been conducted. The instrument will overcome an unforeseen consequence of the UK's departure from the European Union which would otherwise mean that 10-15 (estimated) UK trade mark applicants/owners could have their applications or trade marks unfairly denied.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses.

13.2 The instrument does not create any new requirements on small businesses. The ability to counterchallenge already exists, and this instrument simply restores the option to do so when a UKTM or UKTM application is challenged by an EUTM.

13.3 The basis for the final decision on what action to take to assist small businesses is that, since the impact is positive, there is no need to take action to minimise that impact.

14. Monitoring & review

14.1 The approach to monitoring of this legislation is, because the instrument makes no substantive changes, to assess the changes made in the course of normal departmental business.

14.2 As this instrument is made under the European Union (Withdrawal) Act 2018, no review clause is required.

15. Contact

15.1 Virgil Scott at the Intellectual Property Office Telephone: 01633 813767 or email: Virgil.Scott@ipo.gov.uk can be contacted with any queries regarding the instrument.

15.2 James Porter, Deputy Director for Policy & Legal, at the Intellectual Property Office, can confirm that this Explanatory Memorandum meets the required standard.

15.3 George Freeman MP, Parliamentary Under Secretary of State (Minister for Science, Research and Innovation) at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.

Annex

Statements under the European Union (Withdrawal) Act 2018 and the European Union (Future Relationship) Act 2020

Part 1A

Table of Statements under the 2018 Act

This table sets out the statements that may be required under the 2018 Act.

Statement	Where the requirement sits	To whom it applies	What it requires
Sifting	Paragraphs 3(3), 3(7) and 17(3) and 17(7) of Schedule 7	Ministers of the Crown exercising sections 8(1) or 23(1) to make a Negative SI	Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/Sifting Committees
Appropriateness	Sub-paragraph (2) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1) or 23(1) or jointly exercising powers in Schedule 2	A statement that the SI does no more than is appropriate.
Good Reasons	Sub-paragraph (3) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1) or 23(1) or jointly exercising powers in Schedule 2	Explain the good reasons for making the instrument and that what is being done is a reasonable course of action.
Equalities	Sub-paragraphs (4) and (5) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1) or 23(1) or jointly exercising powers in Schedule 2	Explain what, if any, amendment, repeals or revocations are being made to the Equalities Acts 2006 and 2010 and legislation made under them. State that the Minister has had due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010.
Explanations	Sub-paragraph (6) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1) or 23(1) or jointly exercising powers in Schedule 2 In addition to the statutory obligation the Government has made a political commitment to include these statements alongside all EUWA SIs	Explain the instrument, identify the relevant law before IP completion day, explain the instrument's effect on retained EU law and give information about the purpose of the instrument, e.g., whether minor or technical changes only are intended to the EU retained law.
Criminal offences	Sub-paragraphs (3) and (7) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1) or	Set out the 'good reasons' for creating a criminal offence, and the penalty attached.

		23(1) or jointly exercising powers in Schedule 2 to create a criminal offence	
Sub-delegation	Paragraph 30, Schedule 7	Ministers of the Crown exercising section 8 or part 1 of Schedule 4 to create a legislative power exercisable not by a Minister of the Crown or a Devolved Authority by Statutory Instrument.	State why it is appropriate to create such a sub-delegated power.
Urgency	Paragraph 34, Schedule 7	Ministers of the Crown using the urgent procedure in paragraphs 5 or 19, Schedule 7.	Statement of the reasons for the Minister's opinion that the SI is urgent.
Scrutiny statement where amending regulations under 2(2) ECA 1972	Paragraph 14, Schedule 8	Anybody making an SI after IP completion day under powers conferred before the start of the 2017-19 session of Parliament which modifies subordinate legislation made under s. 2(2) ECA	Statement setting out: a) the steps which the relevant authority has taken to make the draft instrument published in accordance with paragraph 16(2), Schedule 8 available to each House of Parliament, b) containing information about the relevant authority's response to— (i) any recommendations made by a committee of either House of Parliament about the published draft instrument, and (ii) any other representations made to the relevant authority about the published draft instrument, and, c) containing any other information that the relevant authority considers appropriate in relation to the scrutiny of the instrument or draft instrument which is to be laid.
Explanations where amending regulations under 2(2) ECA 1972	Paragraph 15, Schedule 8	Anybody making an SI after IP completion day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement explaining the good reasons for modifying the instrument made under s. 2(2) ECA, identifying the relevant law before IP completion day, and explaining the instrument's effect on retained EU law.

Part 1B

Table of Statements under the 2020 Act

This table sets out the statements that may be required under the 2020 Act.

Statement	Where the requirement sits	To whom it applies	What it requires
Sifting	Paragraph 8 Schedule 5	Ministers of the Crown exercising section 31 to make a Negative SI	Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/Sifting Committees

Part 2

Statements required under the European Union (Withdrawal) 2018 Act or the European Union (Future Relationship) Act 2020

1. Sifting statement(s)

- 1.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation), George Freeman MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view, the Trade Marks and International Trade Marks (Amendment) (EU Exit) Regulations 2021 should be subject to annulment in pursuance of a resolution of either House of Parliament (i.e. the negative procedure)”.

- 1.2 This is the case because the instrument does not meet the criteria for the affirmative procedure to apply as set out in the Withdrawal Act. The instrument corrects an unintended deficiency in the system for challenging trade marks and trade mark applications. It is a minor technical change which affects very few businesses.

2. Appropriateness statement

- 2.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation), George Freeman MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Trade Marks and International Trade Marks (Amendment) (EU Exit) Regulations 2021 does no more than is appropriate”.

- 2.2 This is the case because the new route to counterchallenge provided by this instrument is only available in very specific circumstances. The instrument is therefore expected to be relevant to between 10 and 15 trade marks/applications.

3. Good reasons

- 3.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation), George Freeman MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view there are good reasons for the provisions in this instrument, and I have concluded they are a reasonable course of action”.

- 3.2 These are: the instrument corrects an unintended deficiency in the system for challenging trade marks and trade mark applications. The reason for taking this course of action is to prevent the potential unfair loss of UK trade marks or trade mark applications.

4. Equalities

- 4.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation), George Freeman MP, has made the following statement:

“The draft instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts”.

4.2 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation), George Freeman MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In relation to the draft instrument, I, George Freeman, have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010.”

5. Explanations

5.1 The explanations statement has been made in section 7 of the main body of this explanatory memorandum.