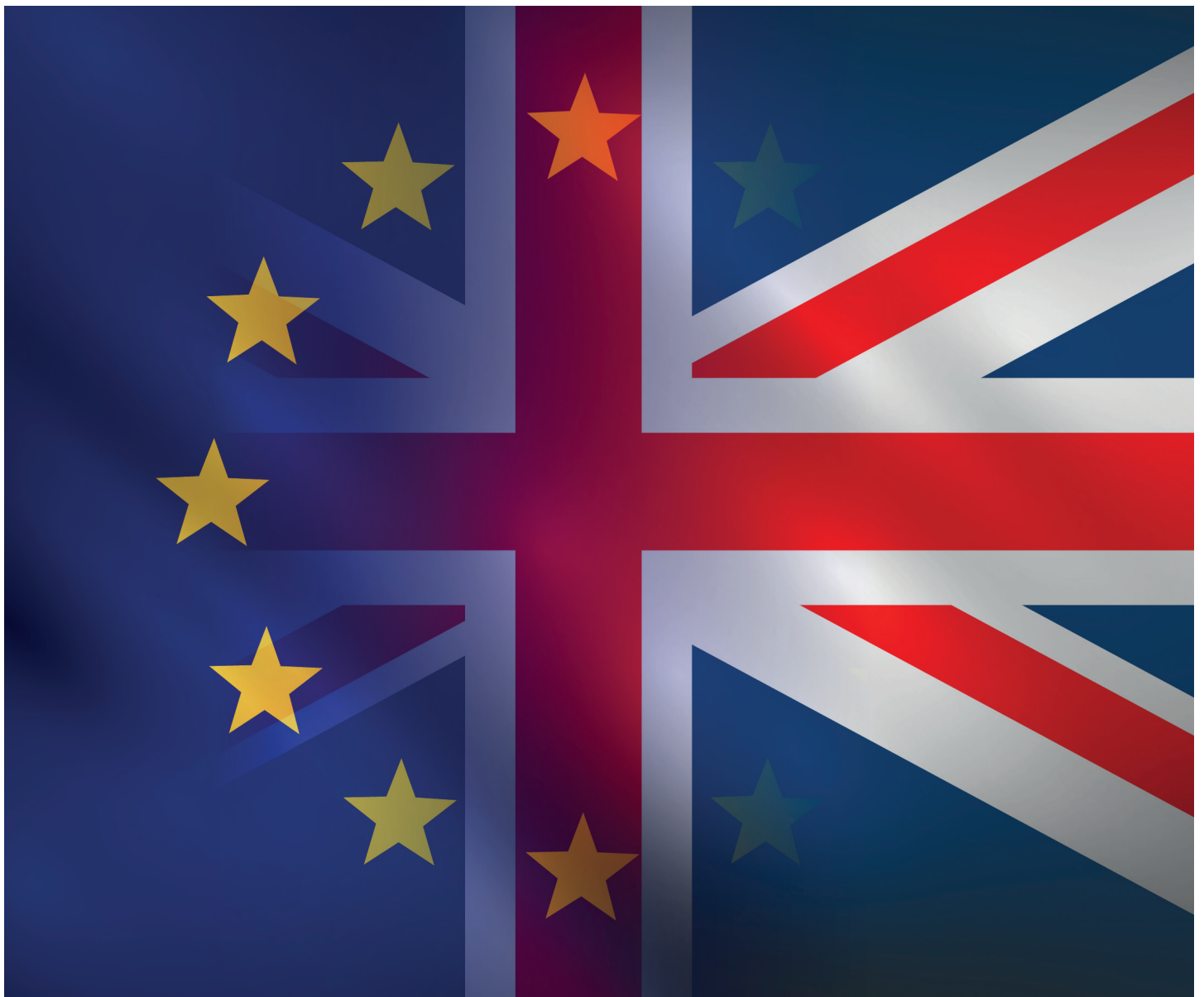


Trade marks, designs, business and Brexit

A case for clarity, collaboration
& concerted action





Foreword

Welcome to our business case on the future of European Union Trade Marks (EUTMs) and Registered Community Designs (RCDs) post-Brexit.

This business case seeks to set out the impact Brexit could have on UK business, the economy and the UK legal profession in relation to intellectual property (IP) rights. A key issue which must be addressed at the earliest opportunity is the ability for UK Chartered Trade Mark Attorneys (CTMAs) to continue to represent clients before the European Union Intellectual Property Office (EUIPO).

Trade mark intensive industries contribute £650 billion to the UK's gross domestic product (GDP) every year. It is the protection of these valuable intellectual property rights by CTMAs that allows for the exploitation of trade mark and design rights by UK business internationally.

This demonstrates why it is not only important to CTMAs, but to all businesses and organisations who own and utilise trade marks and designs, that agreeable and timely solutions are found on the issues of rights of representation before the EUIPO and what happens to existing EU registered rights.

Since 1996 there has been an EU-wide trade mark right and since 2003 a registered design right, covering all member states. This has made protecting trade marks and designs across a wide and important economic area simpler and far more cost-effective for businesses in the UK and globally. There are now 1.4 million trade marks and nearly 1 million designs on the EU's registers – around one in five of the owners of these rights is represented by a UK professional.

We are proud to present this business case to decision makers in the UK Government and across Europe. It is important for the role of IP rights and the role CTMAs play to be considered at every step of the Brexit negotiation process. The risk and impact outlined in this document highlight the importance of why certainty is required at the earliest possible opportunity.

Throughout this publication we present new independent research which demonstrates the importance of EUTMs and RCDs across all UK business sectors as well as their importance for the UK IP legal profession.

Our key message to the Government is an urgent need for clarity, as we are already seeing an impact on our profession and business. The potential loss of rights of representation for CTMAs before the EUIPO has huge and measureable risks for businesses in the UK. These rights are also valuable to facilitate international commercial and legal relationships with major economies including USA and China.

Since the European Union (EU) Referendum result was announced in June 2016 we have taken a lead on developing options and solutions for the continued protection of registered EU IP rights in the UK and the rights of our members to represent their clients and organisations before the EUIPO. We have published a number of documents and put forward solutions which have helped shape the debate.

Our engagement to date with Government departments, including the UK Intellectual Property Office (UKIPO), the Department of International Trade and the Ministry of Justice, on these issues has been constructive and positive. We have also had productive dialogue with the European Commission and our sister organisations across Europe.

In July 2017 we set out our formal position on post-Brexit registered trade marks and designs, and the rights of representation to bring this thinking together.

You can read all of our Brexit publications at www.citma.org.uk/membership/brexit.

We hope this publication raises awareness of the issues, highlights the potential impact and demonstrates the need for urgent action. We look forward to continuing to engage with the UK Government and our colleagues internationally.

Kate O'Rourke MBE
President





About CITMA

Founded in 1934, chartered in 2016, the Chartered Institute of Trade Mark Attorneys (CITMA) is a professional membership organisation with the power to shape law and practice – nationally and internationally.

We represent the interests of over 1,500 trade mark and design professionals, and fight to bring recognition to the work they do.

Our community of members includes fully qualified trade mark attorneys, those in training and support roles, and barristers and solicitors with a trade mark or design interest working around the world.

CITMA has legal responsibility for regulating the profession, which we delegate to the Intellectual Property Regulation Board (IPReg).

We are committed to working with the UK Government and the UKIPO to ensure the very best possible outcome to Brexit for our members and the businesses who rely upon them.





The case for **action**

Britain's businesses, their brands and their ideas are respected across the world. CTMAs provide vital legal services which enable businesses across all sectors to operate with their IP protected and enforced.

Losing the right to represent their clients before the EUIPO due to Brexit threatens to undermine this.

Without a framework enabling CTMAs to continue to represent clients in the EU, there would be serious ramifications for UK Plc and the legal industry. These include:

- Increased costs to UK businesses
- Damage to trans-national business relationships
- A shrinkage in the legal profession.

What is representation at the EUIPO and what does it mean?

Currently, as the UK is in the EU and European Economic Area (EEA), UK CTMAs have rights of representation before the EUIPO.¹ This means:

- UK CTMAs can defend and protect businesses' registered trade mark and design interests throughout the EU
- UK CTMAs can act as a representative for all non-EU countries to register their trade marks and designs in the EU, as well as protect their already registered rights.

If, during the Brexit negotiations, the UK decided to leave the EEA, there is no guarantee that these rights would continue to apply. The consequences could be severe in terms both of the effects on the businesses of legal representatives and of the resulting costs to UK business as explained in this document.

¹ Under current EU legislation, EUTMs cover the EU only. However, professional representatives based within the EEA can represent EUTMs and RCDs before the EUIPO.



The **issues**

Costs to UK business

IP is an issue that cuts across all sectors. Trade mark-intensive industries contribute an estimated 38.4% of UK GDP and 21.5% of UK employment per year.

Those who, now and in the future, will look to file both EU and UK trade marks and designs, stand to face higher costs. This is both from having to 'dual file' - once at the EUIPO and once at the UKIPO, and also from increased costs of doing business, using two legal firms in two different countries.

There will also be significant logistical costs for UK businesses to transfer their trade mark portfolios to other firms able to represent them before the EUIPO. Finding new law firms to represent a business will be a time-consuming and expensive task for its management, particularly if the timing of Brexit interrupts any ongoing legal proceedings. There are also costs incurred by a business to pay for the old attorney to brief the new attorney.

These costs will be borne more heavily by smaller businesses, many of which may only carry out a minimal proportion of their business in the EU. Many such businesses may simply not be able to justify the costs involved and could decide not to maintain their trade marks and designs at the EUIPO.

Just as important are the business costs of having to build a completely new relationship with a new law firm. Business relationships, cultural alignment and levels of trust between firms and their clients is the product of many years, perhaps decades, of working very closely together. Starting from scratch would be a significant strain on the productivity and effectiveness of any business.

Damage to trans-national business relationships

As this business case will make clear, Brexit endangers some of the UK's largest and most strategically important trading relationships.

Due to the leading reputation of the UK's law firms and historical corporate and cultural ties, companies and organisations in the USA and the economic powerhouses of Asia see the UK as their gateway to the EU marketplace. But this reliance is seriously imperilled by a Brexit which threatens the UK's unique position as a special partner to non-EU countries looking to trade in the EU.

A shrinkage in the legal profession

High levels of uncertainty over what the future looks like for EUTMs and RCDs at the EUIPO is already putting the UK at a commercial disadvantage. CITMA's members are reporting that their clients are currently being courted by EU competitors seeking to take advantage now of a scenario where UK based attorneys cannot represent their clients.

If a suitable post-Brexit framework is not put in place, business will flow out of the UK and into the law firms based elsewhere in the EU and the EEA.

Uncertainty already taking effect

Uncertainty is already having an impact on the legal profession, as firms take a responsible approach to safeguarding their future should the worst-case scenario arise. Some are merging, some are opening, or expanding, offices in EU countries, while others are supporting members to qualify in Ireland or seek dual nationality.

The net long term effect of these trends will be a shrinkage of the trade mark profession in the UK, with fewer firms, fewer attorneys being employed and trained and, for firms with a global presence, more money being invested in their EU operations, to the detriment of the UK.

Businesses are already dual filing trade marks and designs in the UK and EU to protect themselves against all eventualities.

New, independent, economic analysis, set out in the pages that follow, shows without question the seriousness of the challenge faced by CTMAs and the potential commercial implications for them. However, all can be overcome through close - and timely - cooperation between the Government, the CTMA profession and the EU.



New research

New independent research² finds that:



UK trade mark attorneys account for nearly one-quarter

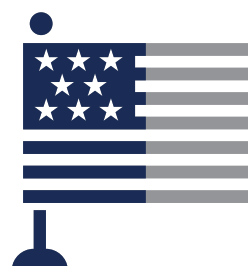
23.7%

of all European Union Trade Marks (EUTMs)

This makes UK attorneys the largest representative of EUTMs - responsible for registering a higher proportion of EUTMs than representatives based in Germany (23.3%), and than representatives based in Spain (13.8%) and Italy (9.5%) combined.

Trade mark attorneys based in the UK are by far the most important for protecting and enforcing the rights of EUTM and RCD owners based outside the European Union.

UK attorneys account for over 40% of all EUTMs held by entities based outside the EU.



UK trade mark attorneys represent over half

51.2%

of all EUTMs held by entities based in the USA. The USA is the largest single non-EU country for EUTM ownership

UK trade mark attorneys also account for 42.6% of EU Registered Community Designs (RCDs) from the USA - the largest non-EU holder of RCDs.

² Based on data covering the whole life of the EUTM regime, from 1996 to data published in July 2017. Analysis carried out by economists at WMEF - <http://westmidlandseconomicforum.co.uk>

The associated financial impact of UK Chartered Trade Mark Attorneys losing their right to represent clients at the EUIPO is likely to be between



**£789 million
& £1.7 billion³
per year**

Trade mark work often, particularly in large firms, will lead to the acquisition of other legal services work, including licensing, advertising standards and litigation, which can be worth many times the value of the original filing and registration fee income.

The direct financial impact of UK Chartered Trade Mark Attorneys losing their right to represent clients at the EUIPO may be as much as £17 million per year.⁴

And is likely to be at least £8.5 million per year.

Associated EUTM and RCD work undertaken by Chartered Trade Mark Attorneys accounts for as much as 8% of all UK legal services work, worth over £2bn GVA.

In 2015 the Law Society estimated that legal services generated £25.7bn GVA.

³ Based on a confidential survey of Chartered Trade Mark Attorneys which shows that referral business stemming indirectly from a successful EUTM registration can multiply the fee income generated by 100 times or more; and that average fee income in relation to defending or prosecuting trade mark infringements can cost up to £100,000.

⁴ Based on a confidential survey of Chartered Trade Mark Attorneys which shows that average costs for filing an EUTM at the EUIPO are between £250 and £500, with many charging similar costs upon successful registration.



Three messages to **government**

1

Rights of representation

The optimal position for CTMAs and the businesses reliant upon their services is that the UK remains a member of the EEA. This would ensure no loss of rights of representation at the EUIPO, as only attorneys based in EEA member states can appear before the EUIPO.

We call on the Government to extend the UK's membership of the EEA for as long as possible, with a view to making EEA membership permanent following the end of that transition period.

2

But if the UK falls outside the EEA

Through a bi-lateral arrangement, CTMAs must be able to continue to represent their existing and future clients at the EUIPO.

The Government should provide certainty to business and the CTMA profession that rights of representation will be maintained.

3

Continued protection for registered rights

The UK Government must ensure that all existing EU registered trade marks and designs continue to have the same scope of protection in the UK on the date of Brexit.

The UK must retain strong trade mark and design systems post-Brexit, and the Government must confirm that there will be a smooth transition for the protection of trade mark and design rights granted in the EU, at minimum cost and with the maximum of legal certainty for those rights.



Risk and impact: **the evidence**

In this section, we look at the data that underpins our findings on the risk and impact of Brexit to the IP industry.

Risk and impact on UK businesses

Trade marks are utilised by virtually all parts of an economy, including services. They are a means by which reputations for quality and reliability can be secured for a product or service.

According to Francis Gurry, World Intellectual Property Organization (WIPO) Director General, speaking in 2013, global corporates are calculated to spend in the region of half a trillion US dollars on branding, exceeding expenditure on research and development and design. A number of countries see in the region of 25% of total corporate investment go into intangible assets such as trade marks and designs.

The British economy is one of the most intensive users of trade marks, with an average of 4.1 trade marks filed per billion GDP generated.

In order for CTMAs to continue to register and defend EUTMs on behalf of either UK or multi-national businesses, they would have to be domiciled in the EEA. This would mean that businesses would either have to relocate, retrain or even rehire their trade mark teams. Each of these options would incur significant costs. This would inform their corporate planning and pose difficult questions about the extent to which they should continue to employ, expand and invest in the UK.



Where previously one cost covered 28 countries, applicants will now have to pay once for 27 countries and again for the UK. ”

Franks & Co Ltd

Registered rights

Another risk to business is the issue of registered rights. At this moment, it is uncertain as to what the position of current registered EUTMs and RCDs will be after the UK has left the EU.

As a best-case scenario, when the UK leaves the EU, all that is registered at the EUIPO will be transferred over to the UKIPO.

In a worst-case scenario, all current EUTMs held by businesses across the world will have to be re-registered in the UK. This will be at a significant cost to each individual business, and also pose a potential threat to all IP in the UK – with businesses’ trade mark rights left unprotected for a period of time.

Potentially all current RCDs will not be protected in the UK with no mechanism for owners to re-register their design as a UK right as it has already been published.

Without a clear position from the Government, it is difficult to prepare properly for Brexit.

Risk and impact on international trade and relations

For most of the last decade, the UK has been the second highest source of EUTMs in the EU, behind only Germany. While, in 2016 the UK fell to third behind Italy, for the years 2007-2016 there were on average nearly 10,000 new EUTMs registered to UK owners every year.

The UK is also the second most significant representative for RCDs, acting for 14.8% of all that are registered.

This helps to highlight not only the importance to UK businesses of holding EUTMs and RCDs, but also the reliance of those businesses on UK based attorneys.

30% of all EUTM applications and 28% of RCD applications originate from entities based outside of the EU. This underlines the importance to international organisations of the utility of frictionless protection of their IP throughout the EU.



The work of Wood IP is made up of 50% EUIPO representation. Our biggest challenge is losing overseas work from US firms, as UK firms will simply no longer be used for EU work.

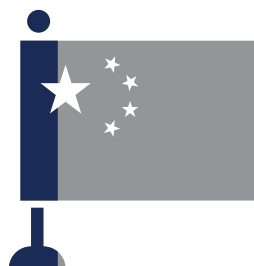
Aaron Wood, Wood IP

This is a major pull factor that is unlikely to significantly diminish post-Brexit, thus clarifying what UK based attorneys stand to gain from a post-Brexit arrangement which extends rights of representation at the EUIPO.

CTMAs represent many non-EU companies and individuals, including those from China, Japan and South Korea. However, it is important to highlight the relationship between the UK and the USA to show the significance of what could be lost. This is because of the 30% non-EU originating-EUTM applications, 11% emanate from the USA - equivalent to the number of EUTMs originating from Spain (7%) and the Netherlands (4%) combined. CTMAs also represent 42.6% of RCDs from the USA, which is the largest non-EU RCD holder.

Critically for Chartered Trade Mark Attorneys, 51.2% of all EUTMs originating from the United States are handled by UK practitioners.

In volume terms, the UK-USA relationship is larger than if the UK legal profession were to handle all EUTM applications for all Austrian and Swiss organisations; or for all organisations in the Netherlands.



The relationship between the USA and UK based attorneys is equivalent to China's entire EUTM application volume:

5.6%

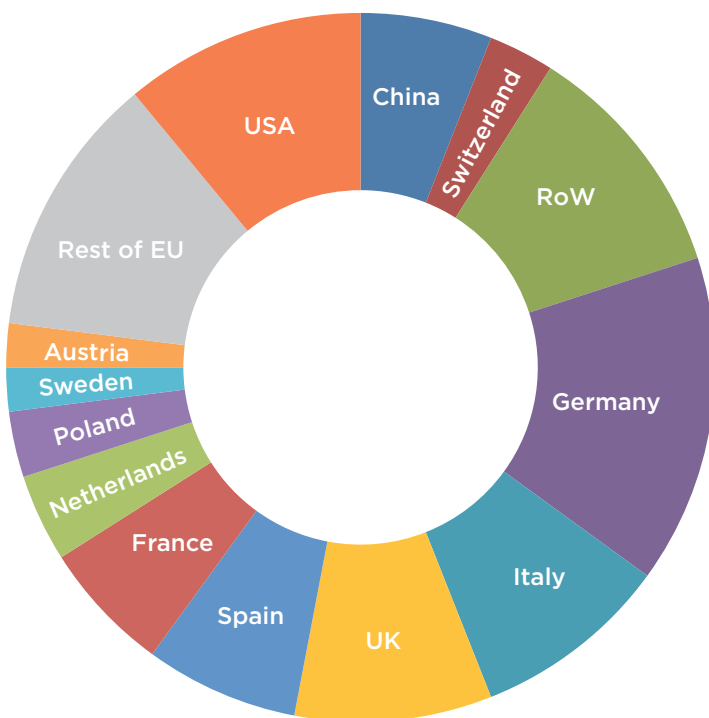
of all EUTM applications

This is highly significant. So much of the value of UK trade mark professionals to USA organisations is principally down to their position as a legal point of access into the EU. Yet it is these non-EU rights owners who are even more likely to move their business elsewhere.

The loss - or even a major diminution - of the UK-USA relationship would be severely detrimental to CTMAs and represent a clear and present risk to the UK legal profession.

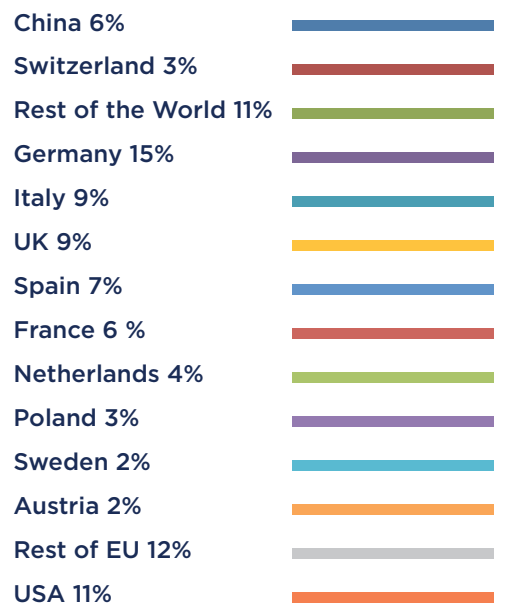
Factoring in, too, the potential to lose significant volumes of business from other non-EU organisations based in China, Japan and South Korea indicates the full implications of CTMAs losing their right to represent clients at the EUIPO.

That potential impact is even further amplified when it is considered that many USA and other non-EU corporations may, in addition to EUTM filing and representation work, also use the same UK based law firm for other legal services. Thus the risk is not only the loss of trade mark and design work, but also other services relying on access to the EU jurisdictions and, potentially, general and associated legal services too.



EUTM applications

Source: Eurostat & WMEF 2016





The biggest challenge is no longer being part of the EU trade mark system. That system has been the main route into protection of trade marks in Europe for all companies.

Companies based outside the EU have a choice as to which attorneys they use to represent them in the EU. Historically a lot of USA and Chinese firms have used UK law firms. Firstly, because of the commonality of the English language and secondly, because of the advanced IP system in the UK. If UK attorneys are not able to represent USA and Chinese trade marks before the EUIPO this will have a significant impact on the profession in the UK.

Julius Stobbs, Principal of Stobbs IP

Risk and impact on the legal profession and Chartered Trade Mark Attorneys

Law firms engaged in registering EUTMs and RCDs at the EUIPO - whether they be specialist patent and trade mark attorney firms or generalist firms offering a range of legal services - secure direct income from clients in the form of fees.

When defending a client's IP, costs to defend or oppose EUTM applications are in the region of £2,000, but can exceed £20,000 if there is no early settlement and the case is taken to court.

Furthermore, if it is necessary to prosecute or defend infringements of EUTMs or RCDs, legal costs for cases which may last several years can run to over £100,000.

Filing costs also represent a critical source of income for CTMAs. For every EUTM and RCD that is filed, a fee is secured by the law firm. If that filing is successful, a fee may also be secured for the registration of the EUTM or RCD.

For simplicity, we can focus on the registration of EUTMs to highlight the potential cost to UK law firms. While, in a competitive legal marketplace, fees charged by firms vary for numerous reasons, including location, competition and cost of overheads, a survey⁵ of CITMA's members established that UK firms tend to charge between £250 and £500 to file a EUTM application. Many firms charge a similar amount upon successful registration of an EUTM.

Based on EUTM filing data for UK representatives, we can estimate that, even at the lower end of the fee scale, successful filings (filing plus registration) bring in approximately £8.49 million in an average year.

Taking a middle point in the scale, this equals £12.74 million in fee income.

Taking the upper point on the scale, successful EUTM filings equate to £16.98 million in direct fees.

Based on these figures, we can be confident that the CTMA profession would take a significant reduction in fee income if practitioners are not able to file or register EUTMs, or prosecute or defend EUTMs at the EUIPO.

Rights of representation therefore has direct or associated income benefits to CTMAs.

There is a 'multiplier effect' too, particularly in large, multi-practice area firms.

The same survey of CITMA members found that, while trade mark and design services may be the initial or primary reason for an organisation employing a CTMA, in time that same client may buy a range of services from the same firm, such as licensing, advertising standards, litigation, regulatory advice, commercial transactions and assignments.

Estimates based on the members' survey suggest that this multiplier effect can boost the value of the initial fee income by 100 times.



If we can no longer call ourselves EU trade mark attorneys and if we can no longer file EU trade marks and RCDs it could be disastrous for the profession. We receive a lot of work from US and Japanese companies and most of that work relates to EU trade mark filing and prosecution. Big US firms are already being approached by our European competitors.”

Tania Clark, Withers & Rogers

Estimated income for UK representatives

	EUTMs represented	Direct income (£)	Associated income (£)
EU 28	7,895	7,895,000	789,500,000
Non-EU	9,085	9,085,000	908,500,000
World	16,980	16,980,000	1,698,000,000

The above calculations strongly indicate a sizeable post-Brexit impact if even a proportion of current fee earning work leaves UK based attorneys in preference to competitors based in the remaining EU27.

These calculations are national figures, but also accurately reflect the concerns of individual practitioners, who have serious and active concerns about the implications for their commercial sustainability post Brexit.

Looking specifically at the significant UK-USA relationship, CITMA members report that a significant number of their clients in the USA could abandon their UK based attorneys altogether if rights of representation at the EUIPO are lost.



Key conclusions

1

The cost to UK businesses could be hugely significant, as they look to make sure their products and services are still protected through registration in the EU. The Government needs to confirm the continuation of registered protection.

2

CTMAs losing the right to represent clients at the EUIPO would have a significant negative effect on the industry, as well as on the wider business community as a whole, resulting in a shrinkage of the profession and increased costs to UK Plc.

3

CTMAs lead the world in representing non-EU organisations at the EUIPO, particularly from the USA. These vital commercial relationships are seriously endangered by ongoing uncertainty and potential future loss of rights of representation.

4

The businesses within the CTMA profession not only stand to lose a significant amount of income from filing fees, but also from associated income linked to their work with EUTMs and RCDs.

5

The UK Government must act to make sure that CTMAs retain their current EUIPO rights of representation post-Brexit.

6

The UK Government must provide certainty on its commitment to the UK's trade mark and wider legal and IP sectors to mitigate the loss of business to EU-based competitors before Brexit takes place.



Acknowledgments and **contact details**

CITMA extends our thanks to West Midlands Economic Forum for providing the economic analysis, and to our members for sharing their experiences and concerns.

For more information on this business case, our Brexit position paper, or the Chartered Institute of Trade Mark Attorneys, please contact Richard Hayward, Head of PR & Communications.

richard@citma.org.uk

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