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BREXIT & INTELLECTUAL PROPERTY



On 29 March 2017, the UK's Article 50 Notice was delivered to the European Council in Brussels, triggering the formal process for the UK's exit from the EU. The negotiations on the terms of Brexit then began on 19 June 2017.

Immediately following delivery of the Article 50 Notice, the UK Government's Department for Exiting the European Union issued a White Paper on the Great Repeal Bill (entitled "Legislating for the UK's Withdrawal from the European Union"). The Paper focused on the legal challenges that will result from the UK's exit from the EU. The Government's aim is one of stability, to ensure that "the same rules and laws will apply on the day after exit as the day before".

The Great Repeal Bill has now been introduced, with the more prosaic title of the European Union (Withdrawal) Bill. This Bill (the "Withdrawal Bill") will repeal the European Communities Act 1972, giving effect in UK law to the UK's exit from the EU, while at the same time ensuring that the body of EU law (known as the "acquis") as it exists at the time of Brexit is broadly preserved in domestic UK law.

Pre-Brexit EU law would therefore continue to apply unless and until the UK Parliament (or, where appropriate, the devolved legislatures) decide to make any amendments.

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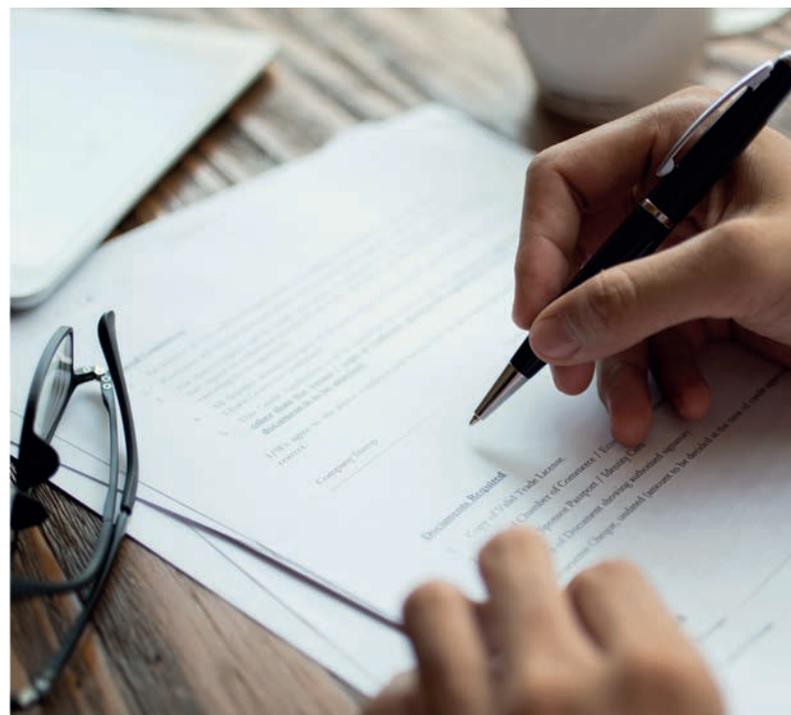
What might Brexit mean for Intellectual Property Rights?

This approach has a number of advantages in the Intellectual Property Rights (IPRs) context, as it should provide at least some certainty in relation to continuity of these rights (as already enshrined in UK legislation) for UK resident businesses, as well as businesses outside of the UK with IPRs to protect here.

Nonetheless, there are some forms of IPRs that will no longer be available in the UK without specific post-Brexit provision, in particular pan-EU registered trade marks and designs, as well as Protected Designations of Origins (PDOs) and related rights. IPRs are, of course, particularly important for technology-reliant sectors, including life sciences/pharmaceuticals, IT, oil & gas and renewables.

These sectors are especially interested in patent protection. Brexit may well rule out, or at least time limit, the ability of businesses in tech-reliant sectors to rely on the new pan-EU patent enforcement system (the Unitary Patent Court system) (UPC) to enforce EU patent rights in the UK.

We have set out below some of the key considerations for UK businesses which currently hold, or will in future apply for or generate, IPRs that they wish to protect and exploit in the UK and elsewhere.



The UK IP regime

The UK Government's proposals for Brexit do not include remaining part of the Single Market, but no specific information has been forthcoming on the plans for how IPRs will be dealt with in the negotiations with the EU. This is not surprising, but it is clear that behind the scenes much work will be needed to prepare for the transition. In particular, the UK Intellectual Property Office (UKIPO) has been engaging with stakeholders on what the UK IPRs regime should look like post-Brexit. This offers a degree of confidence that the outcome reached will meet the needs of the UK and its resident IP owners.

EU legislation has driven much of the UK's IP law in recent years. Traditionally IPRs arise on a country by country basis and give rise to national rights. Thus the UK has its own UK Intellectual Property Office, which deals with UK trade mark, design and patent registrations. There is also stand-alone national UK legislation on unregistered designs, as well as highly developed common law principles in relation to passing off, which protect unregistered trade marks and goodwill, trade secrets and confidential information. UK copyright law is regulated by statute, having also not (so far) been harmonised at EU level.

The IPRs that are perhaps most harmonised within the EU are registered trade marks. In the UK these are regulated by the UK Trade Marks Act 1994 (as amended), which is based on EU Directives. This UK legislation will remain in place post-Brexit, as will the law on UK-registered patents and designs, copyright and relevant common law rights.

The EU IP regime

Alongside the UK National IP system sits one of pan-EU IP rights. This is administered by the EU Intellectual Property Office (EUIPO), and deals with EU Trade Marks (EUTMs) and EU Registered Designs (EURDs). There is also an EU system relating to unregistered designs.

The existing European patent system is a product of the European Patent Convention (EPC) rather than the EU so will be unaffected by Brexit. The EPC system is not truly pan-European, however, as it effectively grants a bundle of national patent rights in the participating European states, which then require to be enforced on a country-by-country basis.

Where Brexit may have the most impact, so far as patents are concerned, is in relation to the new UPC system. This was to be brought into place in most EU Member States, including the UK, in December 2017.

It will be the first ever truly pan-EU patent system, and has been at least 40 years in the making. What will happen to the UPC and whether the UK will still have some involvement post-Brexit are some of the key uncertainties in the world of IP.

Will the UK become part of the UPC, and if so will it remain part of it post-Brexit? EUTMs and EURDs are created by EU Regulations, which take direct effect in the UK. While the Withdrawal Bill could unilaterally ensure that they continue to be enforceable within the UK, the ability of UK IP holders to enforce these rights elsewhere in the EU will have to be covered in the Brexit negotiations.



Potential Impact on IP Owners



Trade marks

National UK trade marks will be unaffected by Brexit. Owners of these types of IPRs will not have to do anything to ensure continued protection in the UK. However, post-Brexit the UK will no longer be part of the pan-EU trade mark system introduced by the EUTM Regulation, unless there is a negotiated agreement to that effect.

Currently, an EUTM affords the rights holder trade mark protection in all Member States, based on a single registration made to the EUIPO. Following Brexit, the default position under the Withdrawal Bill should be that the UK courts will continue to recognise EUTMs, at least those registered before Brexit, but that may be disapplied if no UK-EU agreement can be reached on reciprocal recognition.

In that event, EUTMs may no longer be protected in the UK. This could mean that a business with an EUTM may also have to register its trade mark as a UK one. Transitional arrangements could nevertheless include a process for automatically converting all existing EUTMs into a UK national trade mark registration, sitting alongside the original EUTM and sharing its filing and priority dates. However, such an arrangement cannot be taken for granted, and key questions would include whether any fee would be payable and how pending EUTM applications would be treated.

If a business wishes to ensure continued UK protection for its EUTM post-Brexit, it may be important to have evidence of use of the mark in the UK. If it has only ever been used in (for example) France or Germany, and there are plans to expand into the UK, it may be worth accelerating those plans to use the mark in the UK as soon as possible.

There have been some discussions about a **“grace period” for use in the UK and/or the EU**, to mitigate the risk that rights will be lost because of historical non-use in one territory or the other.

This will put rights holders in the best possible position to re-register/convert EUTMs into UK trade marks and avoid any five year non-use invalidity challenges. Equally, if a business has only been using an EUTM in the UK, it should consider using it elsewhere in the EU pre-Brexit in order to ensure continued validity in the EU. Another possible safeguard would be to refile the EUTM now (or nearer to Brexit, to obtain more time to launch in the EU).

There have been some discussions about a “grace period” for use in the UK and/or the EU, to mitigate the risk that rights will be lost because of historical non-use in one territory or the other. While this would be helpful it is far from guaranteed, so appropriate action should be considered to pre-empt any non-use challenges.

Lastly, there is strong anecdotal evidence that many businesses (in the UK and abroad) making new trade mark applications are simultaneously filing with the UKIPO and the EUIPO as a hedging strategy, in case there is a gap in protection post-Brexit. The most recent statistics from the UKIPO support this trend, showing a significant increase in UK national filings since the Brexit vote. This may not be necessary, but it may be worth doing to be certain of continued protection for core strategic brands.



International trade mark

Brexit will not affect International (Madrid) Trade Mark registrations based on an EUTM. However, once the UK leaves the EU, if the rights holder wishes to rely on an EUTM as the basis for an International Trade Mark registration it will have to demonstrate that it has a “real and effective” commercial establishment in one of the remaining EU Member States (to which the EUTM will still apply). A “real and effective” establishment does not have to be a principal place of business but should be more than a mere warehouse, with some industrial or commercial activity taking place in the EU.

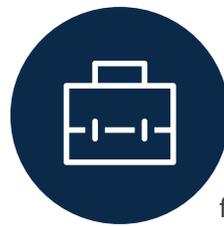
Design rights



Unregistered designs

There are currently two forms of unregistered design right of which a designer can take advantage – a UK Unregistered Design Right (UUDR) and an Unregistered Community Design Right (UCDR). Both of these arise automatically on creation of a design subject to the qualifying provisions. Any design created in the UK pre-Brexit may qualify for both of these rights. Following Brexit it is unlikely that UK designs will benefit from the UCDR unless and until the designs are put on the market for sale within an EU Member State.

Broadly, UUDR unregistered designs afford 10-15 years of protection, in contrast with three years of protection given to UCDRs. However, the longer-term UK protection obviously has a narrower geographical protection in applying only in the UK. In addition, while it protects overall configuration of the design it does not (unlike a UCDR) protect surface decoration. Pre-Brexit UUDRs benefit from the wider protection given to UCDR unregistered designs (i.e. including surface decoration) but only for three years. Following Brexit, designers will have to consider whether UUDRs will afford sufficient protection.

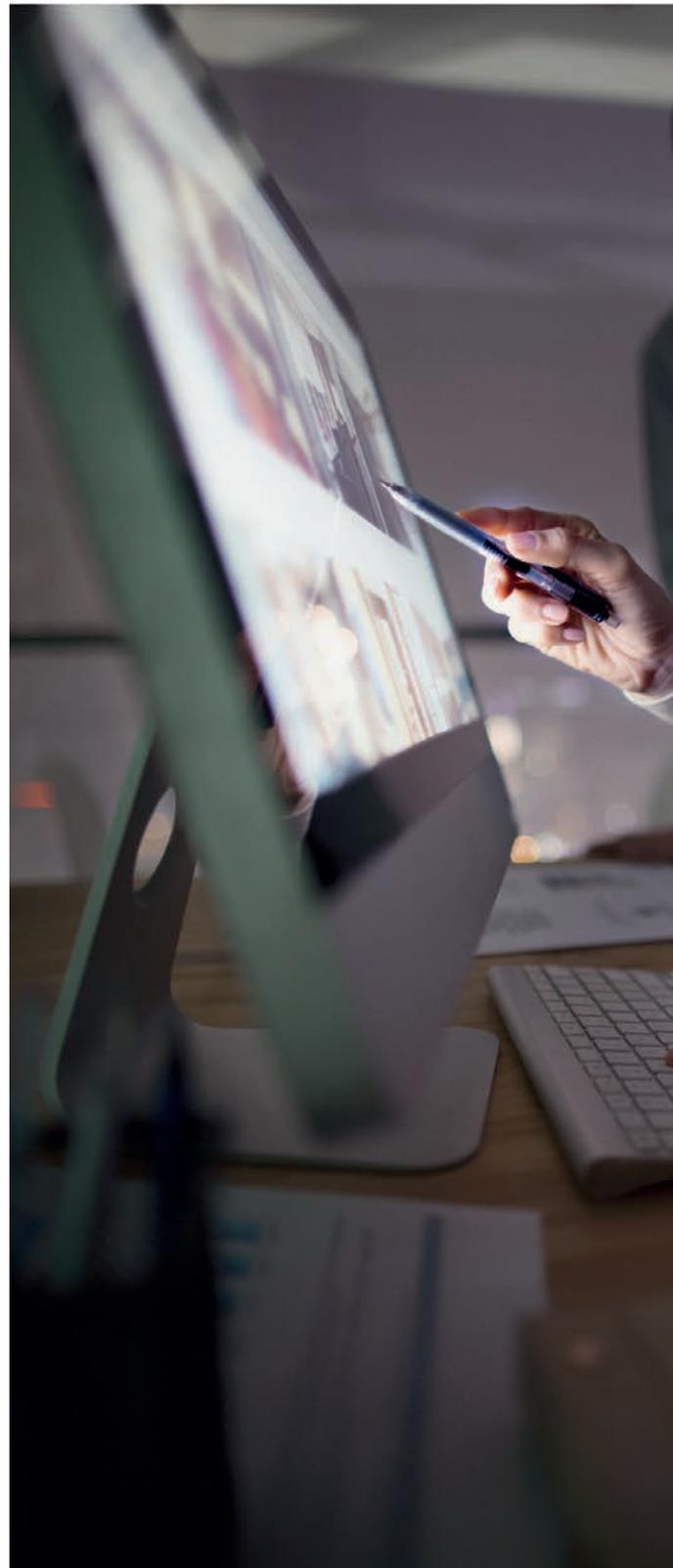


Registered designs

There are currently two ways in which to obtain registered design protection in the UK. An application can be made for a UK Registered Design (UKRD) or for a European Community Registered Design (ECRD). UKRDs will be unaffected on leaving the EU. ECRDs will be in the same position as EUTMs post-Brexit, with the Withdrawal Bill likely to mean that pre-existing ECRDs continue to be recognised by the UK courts.

However, as with EUTMs, it may be that ECRDs will need to be re-registered as, or converted to, UKRDs in the event that a UK-EU agreement cannot be reached on reciprocal recognition.

We can again anticipate some transitional protection for existing ECRDs, such as automatic conversion of their UK elements into UKRDs to ensure continued protection in the UK.



Patents

The UK will remain a member of the European Patent Convention

A European Patent (EP) is a bundle of national patent rights administered by the European Patent Office (EPO) and accessed via a central application process. An EP is enforced nationally through the local courts in each of the states concerned. The UK is a contracting party to the European Patent Convention (EPC), and its status is not tied to the UK's membership of the European Union. This means EPs in the UK will be unaffected by Brexit and so will remain protected.

Supplementary Patent Certificates (SPCs)

SPCs are national rights granted in the UK but under two EU Regulations. SPCs can be taken advantage of in certain industries to extend the life of a patent beyond the usual 20 years. They are most often used in the pharmaceutical industry to extend the life of patents, as much of the time following the initial grant can be spent in testing and clinical trials, limiting the time the patent holder can take economic advantage of its monopoly right.

The Withdrawal Bill should adopt the relevant Regulations into UK law post-Brexit. As these are important rights the UK Government is likely to want to retain the system but may need to amend it to free it from any dependence on timelines based on EU product authorisation dates, and possibly also amend it to improve the protection it offers.

The Unitary Patent (UP) and Unified Patent Court (UPC)

The UP and the UPC were expected to come into force in December 2017. The Brexit vote initially cast doubt on the UK's participation in the new system, but the UK Government has recently advised that it intends to ratify the UPC and to participate in it. Ratifying legislation was delayed by the UK General Election, but it seems likely that (at least initially) the UK will be part of the UPC. However, the post-Brexit position remains in doubt, as participation in the UPC is currently only open to EU Member States. In addition, the UPC is ultimately subject to the jurisdiction of the Court of Justice of the European Union (CJEU).

Accordingly, if the UK is to continue to be covered by the UPC post-Brexit there will need to be some negotiation to deal with these two requirements to the satisfaction of both the EU and the UK Government.

The UP is a single patent that can be enforced in almost all EU Member States (Spain and Croatia are not currently participating). Enforcement was planned to be via Central Divisions of the UPC in London, Munich and Paris, or in relevant regional/local division courts based in EU Member States. In contrast to a traditional European Patent which a rights holder has to enforce and protect in individual European countries, the UP can be enforced and/or its validity challenged on a pan-EU basis (or at least covering the participating Member States).

Continued UK participation in the UP and UPC is not impossible, especially since London has been earmarked as a location for one of the Central Divisions. The absence from the UP of one of the world's major commercial jurisdictions, with a strong history of thorough and robust enforcement of patents, could be seen as a blow to its credibility.

Owners of existing and pending European patents will need to consider whether to opt some or all of these out of the UPC before the UPC goes live (possibly later this year). This is because, absent an opt-out, European patents and applications will be automatically included in the UPC system. Given the current uncertainty about the UK's continued participation, and subject to other relevant considerations, patent owners may wish to opt out rather than face what could be a complex unwinding of the UK from that system. However, even if the UP and UPC go ahead without the UK, patent owners who operate in the EU may still think it worthwhile having a UP (though they should be conscious that, as a single EU-wide point of attack for patent validity, obtaining a UP could make a validity challenge more attractive to a competitor, as it would open up the market EU-wide if successful).



Copyright, database and related rights

Much of the law relating to copyright in UK law is derived from the Copyrights, Designs and Patents Act 1988 (CDPA). Although the CDPA has been heavily influenced by EU Directives, those obligations have largely been incorporated into primary legislation and will therefore remain in place post-Brexit. There should therefore be minimal changes to copyright law in the UK. However, there may in future be greater divergence between UK copyright law and that in the remaining EU Member States. In particular, the UK may well choose not to be part of the EU's current plans to harmonise copyright law on an EU-wide basis.

- This means UK products such as Scotch whisky, Orkney lamb, Stornoway black pudding and Cornish pasties could **theoretically lose out on the GI protections** they currently enjoy within the UK

Geographic Indicators

There are currently three EU schemes that protect the names and quality of agricultural products and foodstuffs: protected designation of origin (PDO), protected geographical indication (PGI) and traditional speciality guaranteed (TSG) (together GIs). There is currently no UK equivalent GI law protecting these products in the UK, as EU membership means there is no need for it.

This means UK products such as Scotch whisky, Orkney lamb, Stornoway black pudding and Cornish pasties could theoretically lose out on the GI protections they currently enjoy within the UK (although Scotch whisky does have strong additional protection under UK legislation specific to that industry). However, the Withdrawal Bill should ensure that the EU rules on GIs continue to apply within the UK, though some technical modifications may be required.

The current EU regime, in general terms, prevents producers outside a specific geographic location or lacking the local ingredients from producing, marketing and distributing products using a protected name or indicator.

To ensure continued protection in the UK, a new UK national register of GIs may need to be in place (and include all pre-Brexit registrations listed in the EU register) prior to Brexit. A UK register may in any event be required to ensure continued protection of UK GIs in other countries (including the EU), as that tends to be based on each country recognising each other's registered GIs on a reciprocal basis.

It will be important to take steps to avoid any reduction in GI rights, as it could have a negative impact on Scottish and other UK businesses.



Parallel imports and exhaustion

The principle of EU exhaustion has arguably had the most impact on registered trade marks, though it also applies to other forms of IP. Registered trade mark owners are entitled to object to goods (and services) being offered for sale in the European Economic Area if they (or someone acting with their consent) have not yet placed them on the market in the EEA. However, once a trade mark owner sells (or permits a third party to sell) goods bearing their trade mark somewhere within the EEA, it cannot stop further sales of those particular goods anywhere else within the EEA. Their rights are deemed to be exhausted.

Brexit could have a significant impact on companies operating as parallel importers of goods (i.e. goods in which the IP rights have been exhausted because they have already been sold / permitted to be sold in the EEA). If the UK does not become a member of the EEA – and the UK Government’s current position makes such an outcome unlikely – putting goods onto the market in another EEA country will no longer be considered to exhaust any trade mark rights in those goods within the UK (and vice versa). Consequently, a UK rights holder would be entitled to use its trade marks to prevent the sale in the UK of genuine branded goods that had been put onto the market in the EEA.

Enforcement

Enforcement of IPRs before the UK Courts

Post-Brexit it is likely that the courts in the UK (including Scottish courts) will no longer be able to impose pan-EU orders for EU-wide IPRs such as EUTMs or UCDRs.

The potential separation of EU and UK IPRs would mean that these would need to be litigated separately in the EU and the UK where businesses seek to enforce their rights across Europe.

Jurisdictional issues

Once the UK leaves the EU it will (unless some other arrangement is agreed) no longer be subject to the jurisdiction rules in the Brussels Regulations. It may well be that the UK would accede to the Hague Convention or become an independent signatory of the Lugano Convention (like Switzerland), which adopts similar rules to the Brussels Regulations. This would assist in maintaining the status quo on reciprocity and recognition of UK judgements in IP cases in the rest of Europe.



However, businesses may want to consider arbitration as a dispute resolution option in any new contracts, as arbitral awards are more easily enforceable on an international basis under the New York convention.

Decisions of the European Courts

CJEU decisions will remain binding up to the point that the UK leaves the EU. Thereafter the lower UK courts will remain bound by pre-Brexit decisions (with only the UK Supreme Court able to depart from CJEU precedents) but not by post-Brexit decisions. It is likely that the UK courts will treat the decisions of the CJEU Courts as persuasive, in much the same way as they treat decisions of the Australian, Canadian or US courts. However, insofar as the CJEU has the final say on the interpretation of EU IP legislation, answering questions referred to it by national courts, there is likely to be some future divergence between the interpretation of UK and EU IP law even if there are no changes to the underlying legislation.

‘Brexit proof’ your agreements:

Reviewing all agreements relating to IPRs will help ensure that obligations and responsibilities are clear to businesses, their customers and suppliers. Some key areas to consider are:



the territorial scope of agreements – a reference to, for example, EU/EEA will no longer necessarily include the UK;



whether settlement terms cover the correct territory going forward;



enforcement of rights by territory – consider choice of law and jurisdiction;



whether to include termination provisions in any new contracts, contingent on which Brexit model is adopted;



the scope of IPRs covered by any licences granted;



consider provisions for ADR such as arbitration.

Key contacts



Gill Grassie
PARTNER
+44 (0)131 656 3710
gill.grassie@brodies.com



Robert Buchan
PARTNER
+44 (0)131 656 0078
robert.buchan@brodies.com

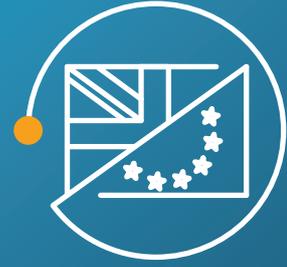


Christine O'Neill
PARTNER
+44 (0)131 656 0286
christine.oneill@brodies.com



Charles Livingstone
PARTNER
+44 (0)131 656 0273
charles.livingstone@brodies.com





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