

WITHDRAWAL OF THE UK FROM THE EU (“BREXIT”): IMPLICATIONS FOR IP RIGHTS



OVERVIEW

On 23 June 2016, the United Kingdom (UK) held a referendum on whether to remain a part of the European Union (EU). The result of that referendum was a 52%-48% view that the UK should end its membership of the EU (a view supporting British exit or “Brexit”).

Legislation authorising the Prime Minister to begin the process of withdrawal from the EU was enacted 16 March 2017¹. The UK Government began the formal process of withdrawal from the EU on 29 March 2017 by notifying the European Council pursuant to Article 50(2) of the Treaty on European Union. Article 50 provides for a period of up to two years for the UK and EU to negotiate and conclude a withdrawal agreement that also takes into account the future relationship between the UK and the EU. Absent agreement or extension, requiring unanimity, the UK’s membership of the EU would therefore cease March 2019.

Until withdrawal has taken effect the UK remains a full member of the EU. In particular, existing EU IP rights continue unaffected, even during the Article 50 negotiation period.

The nature of the future legal relationship between the UK and the EU is not yet known. The UK Government has indicated that the UK does not intend to remain a member of the European Economic Area (EEA) – the so-called “Single Market” – or the EU Customs Union following withdrawal from the EU². In this policy statement (“White Paper”), the UK Government has indicated that it intends to seek a “phased process of implementation” to move from EU membership to a new relationship with the EU. In practice, this is likely to mean a transitional period following the UK’s withdrawal during which at least some aspects of the current arrangements continue. The UK Government plans to enact the European Union (Withdrawal) Bill during 2017, which would repeal the European Communities Act 1972 on “Exit Day” and restate in UK law all enactments previously in force under EU law³. The extensive case law of the Court of Justice of the EU (CJEU) as of the date of exit would be given the same binding status in UK courts as UK Supreme Court decisions⁴. The aim is clearly to smooth the transition by ensuring that all EU law remains in force until specifically amended or repealed.

The effects of the UK’s withdrawal from the EU will be different for different IP rights. Below we consider the practical effects on: 1) patents, 2) supplementary protection certificates (SPCs), 3) trade marks, 4) designs, 5) plant variety rights (PVRs), 6) protected geographical indications (PGIs), 7) copyright and

¹ European Union (Notification of Withdrawal) Act 2017

² White Paper: The United Kingdom’s exit from and new partnership with the European Union, 2 February 2017 (Chapter 8)

³ European Union (Withdrawal) Bill, sections 1-4

⁴ European Union (Withdrawal) Bill, sections 4 & 5

database rights, and 8) trade secrets.

We would like to reassure our clients, colleagues and friends that European intellectual property services provided by Mewburn Ellis will continue uninterrupted. We recently opened our first European mainland office in Munich, Germany. The opening of our Munich office represents the expansion of our IP services following a period of significant growth for us in the UK. While European patent work will not be affected by the UK's exit from the European Union, the effects of Brexit on trade mark and design services provided by UK firms is less certain. Opening an office in mainland Europe has ensured that we are able to continue providing comprehensive EU-wide trade mark and design services for our clients post-Brexit. From Munich, we offer the full range of patent, trade mark and design services, including drafting, prosecution, oppositions and appeals, dispute resolution, IP strategy consulting and portfolio management.

1. PATENTS

European patents unaffected

Patents can be obtained in the UK through the national route or the European route via the European Patent Office (EPO). Both are unaffected by the UK leaving the EU. Moreover, there is no effect on the Patent Cooperation Treaty (PCT) system. International patent applications under the PCT will still be able to designate the UK via the national and EPO routes. The UK will remain a member state of the European Patent Organisation and the European Patent Convention (EPC) will continue to apply to the UK after Brexit. The EPO is not an EU institution and currently has ten member states that are not part of the EU.

European patents granted by the EPO will still be able to take effect in the UK, and be enforced through UK courts, as now. It is possible that the rules governing exhaustion by first sale of goods in the EEA with the patent proprietor's consent could change once the UK has left the EU.

Representation before the EPO unaffected

Representation of clients by UK-based European patent attorneys at the EPO will not be affected by the UK leaving the EU. At Mewburn Ellis, we have worked with the EPO since it was founded in 1977 and have been directly involved in developing and applying European patent law and practice. Our large group of European Patent Attorneys continue to build on this experience, working with our clients to protect their innovations using European patent applications and international patent applications under the PCT.

Unitary Patent and Unified Patent Court

The European patent with unitary effect, commonly known as the Unitary Patent (UP), and the related Unified Patent Court (UPC) are not yet in operation. At the time of writing, the

practical preparations for the implementation of the UPC and UP are continuing.

The UK is one of the three mandatory ratification states – France and Germany being the others – of the UPC agreement⁵. The UK Government is continuing the process of ratification. The final pieces of secondary legislation (concerning privileges and immunities), which are necessary for the UK's ratification of the UPC Agreement are likely to receive parliamentary approval in 2017. The timetable for the UP and UPC coming into force has been delayed by a challenge at the German Constitutional Court⁶. According to the UPC website, the expected start date has been pushed beyond December 2017 and – assuming that the German Constitutional Court challenge fails – is now thought likely to be summer 2018 or later.

It is, however, unclear at this stage whether the UK will remain within the UPC system post-Brexit.

One possibility is that the UK could withdraw from the UPC at the same time as withdrawing from the EU. Presumably the London branch of the central division of the Court of First Instance would be relocated to the territory of an EU member state – the required change to the UPC could potentially be carried out by reference to the eventual UK-EU "Brexit Treaty"⁷. As with EUTMs discussed below, it is assumed that any UPs that cover the UK would be recognised or converted into UK national patents under transitional provisions enacted when the UK withdraws from the EU. Under this possibility, Brexit would reduce the size of the market covered by the UP. However, even without the UK's participation, the UP and UPC are welcome developments that would lower the cost of multi-jurisdiction patent litigation in Europe, and permit such litigation to be conducted in the English language.

Another possibility is that the UK and remaining EU member states could make adjustments to the UPC Agreement to allow the UK to remain within the UP and UPC system. There are some practical difficulties with this possibility (e.g. concerning the role of the CJEU and primacy of EU law), but these may be surmountable if there is the political will to achieve this end result.

Representation before the UPC

Representation of clients before the UPC is restricted to lawyers authorised to practise before a court of a UPC-contracting member state and European patent attorneys who hold an appropriate litigation qualification⁸. This would include UK-based European patent attorneys even after the UK leaves the EU. At Mewburn Ellis we look forward to full involvement in the UPC once it becomes operational.

Brexit would have no effect on the ability of UK-based companies to obtain UPs, nor would it prevent UK-based European patent attorneys representing clients to obtain such

⁵ Article 89(1) UPC Agreement

⁶ BVerfG complaint No. 2 BvR 739/17

⁷ Potentially using Article 87(2) UPC Agreement to amend Article 7(2)

⁸ Article 48 UPC Agreement

patents. UPs will derive from European patents examined and granted by the EPO as now.

ACTION POINTS: PATENTS

No immediate action is needed in preparation for Brexit. The existing European patent system will be essentially unaffected by the UK leaving the EU. The much-anticipated UPC may open in 2018. Decisions to continue with national validations of European patents, to “opt out” of the jurisdiction of the UPC during the transitional period, or to go all-in with the new UP should consider the post-Brexit alternative possibilities.

2. SUPPLEMENTARY PROTECTION CERTIFICATES (SPCS)

An SPC has the effect of extending the term of a patent relating to protection of a particular medicinal or plant protection product usually by a period of not more than five years. Although SPCs are granted nationally (e.g. in the UK by the UK IPO), the legal basis for SPCs comes from EU regulation⁹. Following Brexit, it is assumed that existing SPCs will remain in force pursuant to the saving provisions of the European Union (Withdrawal) Bill discussed above.

It is possible that the system for the granting of new SPCs may be changed post-Brexit. The European Union (Withdrawal) Bill, if enacted, would provide powers for the Government to amend or correct retained EU law where, for example, that law refers to an EU agency, such as the European Medicines Agency (EMA). In particular, it is not known whether marketing authorisation by the UK’s Medicines and Healthcare products Regulatory Agency (MHRA) independently of the EMA would become a requirement for the granting of an SPC. Moreover, it is possible that UK case law on SPCs may over time diverge from that of the CJEU because future decisions of the European court would cease to be binding on UK courts.

ACTION POINTS: SPCS

No immediate action is needed. Nevertheless, it will be important to monitor developments in this area as the Brexit date approaches.

3. TRADE MARKS

Trade marks can currently be registered in the UK by the national route, which provides protection in the UK only, or by filing a European Union Trade Mark (EUTM)¹⁰, a unitary right that provides protection in all Member States of the EU, or by designating the UK or EU IPO via the Madrid Protocol international trade mark system.

EUTM protection in the UK post-Brexit

Once the UK has left the EU, it is expected that new EUTMs will not apply to the UK. Given their considerable commercial importance, it is highly likely that the UK will enact transitional provisions for the recognition of the UK portion of existing EUTMs or for their conversion to UK registrations. The saving provisions of the European Union (Withdrawal) Bill, discussed above, would retain EU trade mark law in the UK, but would presumably require significant modification, e.g. with respect to the role of the EUIPO. Whether the post-Brexit recognition of existing EUTMs in the UK will be automatic or require positive steps, including fee payment, by the EUTM owner is not yet clear.

Steps will also have to be taken in respect of seniority claims from UK national registrations within existing EUTMs. It is expected that any process of conversion or recognition will also acknowledge valid seniority claims, and will re-establish these as UK national registrations in some form.

It is not known whether the owner of an EUTM would need to show that the mark is in use in the UK (or that there is a *bona fide* intention to use in the UK) as is required for UK registration¹¹. Conversely it should be noted that EUTMs that are currently only used in the UK may in due course become vulnerable to cancellation for non-use in the EU¹².

Both the UK and EU are parties to the Madrid Protocol for international trade mark registration. It is therefore expected that the Madrid system will continue to be available for trade mark registration in the EU and the UK, post-Brexit.

Enforcement

Since the scope of an EUTM, post-Brexit, would not include the UK, enforcement action brought in an EU court, and any resulting injunction, would not be effective in the UK. Where infringement is occurring in the EU and the UK, separate enforcement actions would be required. Moreover, UK-based companies accused of infringement in the EU would no longer be sued in their home jurisdiction, but in the court of an EU state.

Post-Brexit, new decisions of the CJEU, including new referrals from courts of EU member states on questions of law, would almost certainly cease to apply to the UK. Therefore, although UK and EU trade mark law is currently harmonised, one could envisage a gradual divergence over time.

Exhaustion of rights

Currently EU law applies the principle of exhaustion of rights to the first sale in the EEA that takes place with the trade mark owner’s consent¹³. It is not known whether, post-Brexit, the

⁹ Council Regulation EC 469/2009

¹⁰ Previously known as a Community Trade Mark (CTM)

¹¹ Section 32(3) UK Trade Marks Act 1994

¹² Article 51 Council Regulation EC 207/2009

¹³ Article 13 Council Regulation EC 207/2009

UK would apply exhaustion in the UK only, the EEA + UK, or internationally (i.e. anywhere in the world). International exhaustion would make it more difficult for trade mark owners to prevent parallel import and re-sale in the UK of genuine branded goods legitimately sold elsewhere in the world. UK-only exhaustion, on the other hand, would allow UK trade mark owners to prevent parallel imports from the EU for re-sale in the UK.

Representation

Companies and persons from outside the EEA are required to be represented before the EUIPO¹⁴. Post-Brexit, this would require UK companies to be represented unless new arrangements are made as part of a UK-EU withdrawal agreement.

Representatives before the EUIPO (i.e. European trade mark attorneys) are required to satisfy a triple requirement of EEA nationality, place of qualification and place of business¹⁵. At this stage it is not known whether representation requirements before the EUIPO will be adjusted to retain UK-based representatives post-Brexit. *In any event, Mewburn Ellis will continue to provide our full range of services before the EUIPO from a new office in Munich, Germany.*

UK TMs unaffected

We do not expect any immediate change to the regime for registering and enforcing national trade marks in the UK as a result of Brexit. That said, it is possible that UK trade mark law will, over time, diverge from that of the EU. Retained EU law relating to trade marks could be amended post-Brexit, and UK courts would no longer be bound to interpret UK trade mark law in accordance with future rulings of the CJEU.

ACTION POINTS: TRADE MARKS

For now, we consider the best course of action to be continuation of current practices. However, for important marks, companies may wish to consider filing national UK applications for additional reassurance. We expect a clearer picture of any recognition or conversion system for EUTMs in the UK to emerge well before the UK leaves the EU.

4. DESIGNS

Designs are protected with registered and unregistered design rights at both national (UK) level and EU level.

UK registered designs

While UK registered designs will not be directly affected by the UK leaving the EU, certain changes to the existing UK legislation

seem likely. One such change concerns the novelty and the safeguard clause for disclosures that “could not reasonably have become known...in the normal course of business to persons carrying on business in the EEA and specialising in the sector concerned”¹⁶. This safeguard clause would likely be amended at least to include the UK in the event that the UK leaves both the EU and the EEA. It is also possible that it would be amended to refer only to the UK.

Unregistered design rights (UDRs)

UK UDRs protect the design of the whole or part of an article, subject to certain exceptions such as surface decoration. UK UDR automatically comes into being upon the making of an article to a particular design or by the creation of a “design document” by a “qualified person” who is a national or resident of the EU or of certain non-EU countries that provide reciprocal protection to UK designers¹⁷. Post-Brexit, the UK may decide to remove EU nationals and residents from the scope of UK UDR on the basis that the EU does not provide reciprocal protection – the EU equivalent, Unregistered Community Design (UCD) differs from UK UDR in a number of important respects.

Registered Community Designs (RCDs)

The RCD is an EU unitary right. Therefore, as with EUTMs, it is expected that existing and new RCDs will not apply to the UK post-Brexit. Given their commercial importance, it is highly likely that the UK will enact transitional provisions to recognise the UK portion of RCDs. This may be automatic or require positive steps by the RCD owner.

A number of questions arise over the application of the Hague Agreement for international design protection. Currently, the EU is a contracting party, but the UK is not. The UK Government has announced its intention to join the Hague Agreement with accession expected to occur by 31 March 2018¹⁸. The validity in the UK, post-Brexit, of international designs that designate the EU would be unclear even once the UK has become a contracting party to the Hague Agreement, since the UK will be joining as a new state in its own right. As with RCDs, it is to be expected that the UK would enact transitional provisions to recognise in the UK international designs that designate the EU.

Post-Brexit, RCD enforcement action brought in an EU court, and any resulting injunction, would not be effective in the UK. Where infringement is occurring in the EU and the UK, separate enforcement actions would be required. Moreover, UK-based companies accused of infringement in the EU would not be sued in their home jurisdiction, but in the court of an EU state.

As with EUTMs, it is expected that the future influence of CJEU case law on UK design law would be reduced, potentially leading to gradual divergence.

¹⁴ Article 92(2) Council Regulation EC 207/2009

¹⁵ Article 93(2) Council Regulation EC 207/2009

¹⁶ Section 1B(6)(a) Registered Designs Act 1949

¹⁷ Section 217 Copyright, Designs and Patents Act 1988

¹⁸ Written statement of 30 March 2017 by Jo Johnson MP, Minister for Intellectual Property

¹⁹ Article 21 Council Regulation EC 6/2002

Currently EU law applies the principle of exhaustion to the first sale *in the EEA* that takes place with the RCD owner's consent¹⁹. Given that the UK plans to leave both the EU and the EEA, first-sale in the UK would not exhaust the RCD, which would allow the RCD owner to prevent parallel imports from the UK into the EEA. Whether re-sale in the UK of goods first sold elsewhere would be affected will depend on the exhaustion regime adopted by the UK post-Brexit (i.e. international, EEA + UK, or UK-only).

Representation before the EUIPO

Companies and persons from outside the EU are required to be represented before the EUIPO²⁰. Post-Brexit, this would require UK companies to be represented.

Professional representatives before the EUIPO in design matters are required to satisfy a triple requirement of EU nationality, place of qualification and place of business²¹ (c.f. trade mark representative rules where EEA connection is sufficient). However, European trade mark attorneys authorised to act before the EUIPO are also entitled to represent clients in design matters²². *In any event, Mewburn Ellis will continue to provide our full range of services before the EUIPO from a new office in Munich, Germany.*

Unregistered Community Designs (UCDs)

A UCD gives its owner the right to prevent unauthorised copying of the design throughout the European Union. The UCD comes into existence automatically when the design is first made available to the public within the European Community (now the EU).

UCDs would no longer cover the UK post-Brexit. Given their relatively short duration of three years from when the design is first made available in the EU²³, it is not clear that transitional provisions to recognise existing UCDs in the UK would necessarily be enacted, or how they would work. Going forward, the loss of UCD protection in the UK may impact certain sectors, such as the fashion industry. As noted above, UK UDRs do not provide like-for-like protection to compensate for loss of UCDs (e.g. UK UDR's exclusion of surface decoration). UK-based designers may wish to re-evaluate their design filing strategy to make increased use of UK design registration.

ACTION POINTS: DESIGNS

While no immediate changes are expected, companies that make use of registered and/or unregistered EU design rights, may wish to consider UK registration for added reassurance in the run up to Brexit.

²⁰ Article 77(2) Council Regulation EC 6/2002

²¹ Article 78(4) Council Regulation EC 6/2002

²² Article 78(1)(b) Council Regulation EC 6/2002

²³ Article 11(1) Council Regulation EC 6/2002

5. PLANT VARIETY RIGHTS

New plant varieties that are distinct, uniform and stable may be protected at the EU level by the Community plant variety right, a unitary right covering all member states of the EU²⁴, or at the national level in the UK by plant breeders' rights (PBR)²⁵.

Brexit is not expected to have any effect on UK PBRs. Once the UK leaves the EU, however, the Community plant variety right will no longer cover the UK. As with other unitary EU rights discussed above, it is expected that transitional provisions will be enacted to recognise existing Community plant variety rights in UK law or to convert them into UK PBRs, possibly requiring action by the rights holder and/or payment of a fee.

Applicants for Community plant variety rights who do not have a residence or place of business in the EU must appoint a "procedural representative" who must be based in the EU²⁶. After the UK leaves the EU, plant breeders based outside the EU will need to appoint an EU-based representative. At Mewburn Ellis, we plan to continue our services in this area via our new office based in Munich.

6. PROTECTED GEOGRAPHICAL INDICATIONS (PGIs)

Specific legal protection is available under EU regulation²⁷ for agricultural products and foodstuffs from particular regions or having a specific character in the form of protected designations of origin (PDOs), PGIs, and traditional specialities guaranteed (TSGs). Well-known examples include Prosciutto di Parma, Welsh lamb and Feta.

These are unitary EU rights established under EU regulation. As with other EU unitary rights discussed above, it is likely that transitional provisions would be enacted to recognise existing PDOs, PGIs and TSGs in the UK or for their conversion into national rights. It is probable, but not certain, that the UK would enact a domestic PGI system post-Brexit. While it is unclear to what extent any such UK system would resemble the current EU system, it is to be hoped that there would be sufficient similarity to allow for mutual recognition of the protected names in the EU and UK²⁸.

7. COPYRIGHT & DATABASE RIGHTS

Copyright in the UK is primarily based on the Copyright, Designs and Patents Act 1988. There is no EU-unitary copyright. But there are various EU directives and regulations including the InfoSoc

²⁴ Article 2 Council Regulation EC 2100/94

²⁵ Section 1 Plant Varieties Act 1997

²⁶ Article 82 Council Regulation EC 2100/94

²⁷ Regulation (EU) No 1151/2012

²⁸ Recital 24 of EU Regulation 1151/2012 states that the protection afforded should be equally available to designations of origin and geographical indications of third countries that meet the corresponding criteria and that are protected in their country of origin.

Directive, the Software Directive, the Orphan Works Directive, the Resale Right and so on whose aim is to harmonise copyright law throughout the EU. Some of these EU laws are implemented in the UK through the CDPA, others by separate statutory instruments.

Copyright harmonisation in the EU is far from complete, with still significant differences between Member States in their copyright law and their application of the harmonised aspects of copyright law. That said, EU directives reflect Member States' international obligations, including those of the UK, under, inter alia, the Berne Convention, the Rome Convention and the World Trade Organisation TRIPS²⁹ Agreement. As such, we anticipate that post-Brexit that the UK will keep EU directives already implemented in the UK, or implement transitional provisions, which are consistent with the EU copyright framework. Outside the EU and its Single Market, the UK will probably still remain fairly closely harmonised to the EU copyright framework as a result of its international treaty obligations, though some inevitable judicial divergence is likely to arise over time.

Database rights in the UK arise specifically from the EU Database Directive³⁰. In fact, the "sui generis" database right is a uniquely EU IP right only available within the EEA and (theoretically) those countries providing reciprocal protection. Outside the EEA, presumably, the UK will need to implement its own national "sui generis" right granting reciprocity to the EEA if it wants to benefit from the wider EEA rights. But as with SPCs and PGIs, complex issues such as the jurisprudence of the CJEU in national law will need to be dealt with.

²⁹ Trade-Related Aspects of Intellectual Property Rights

³⁰ Directive 96/9/EC

8. TRADE SECRETS

The common law in England regarding confidential information provides national trade secret rights. There is a wide range of detailed case law in this area. It is not an area of IP law that has been harmonised in the EU – i.e. there is not EU law on the subject. But that is changing. The EU Council recently approved the Commission's proposal on a Trade Secrets Directive. It lays down harmonised measures against the unlawful acquisition, use and disclosure of trade secrets. Once published in the Official Journal of the EU, Member States will have a maximum of two years to implement the Directive into national law.

The Trade Secret Directive has not proved to be very popular in many Member States, the UK included. In the UK it is generally felt that the common law provides the necessary rights and redress for enforcement of breach of confidence, and that it is sufficient to meet the UK's obligations under TRIPs. Before Brexit, therefore, it is unlikely that the UK will implement the Directive even though it remains a Member State until the Article 50 negotiation period expires. Likewise post-Brexit the UK is unlikely to implement a national version of the Directive.

IN SUMMARY

We expect a number of the areas of uncertainty discussed above to become clearer in the coming months, and plan to provide updates accordingly. In the meantime, for more information please get in touch with your regular Mewburn Ellis contact.

CONTACT US

For more information on Mewburn Ellis LLP and other intellectual property matters, please visit our website at www.mewburn.com.

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