

Article 50 has been triggered and the UK will, most likely, leave the EU on 29 March 2019. Now that the countdown has begun, the focus has returned to assessing what Brexit will mean for businesses based, or trading, in the UK.

This briefing considers the impact Brexit will have on IP portfolios that include EU-wide rights. The UK government has yet to provide any guidance for IP owners, or IP professionals, and so some of the content of this briefing is, unavoidably, an educated best guess. In addition, much depends on the outcome of the EU/UK exit negotiations.

## How Could This Affect Me?

Current EU-wide IP rights, such as the EU trade mark (EUTM) and the registered Community design (RCD), will continue to apply in the UK until the UK exits the EU. Following exit, it is likely that:

- EU rights will continue to cover the remaining 27 EU member states but cease to be valid in the UK.
- A mechanism will be created whereby owners of EUTMs can secure ongoing protection for their marks in the UK. Most likely the UKIPO, automatically or on request, will grant a UK trade mark which will replace the EUTM in the UK. The same is likely to happen for RCDs.
- IP infringements will have to be separately litigated in the UK and EU and pan-European injunctions will no longer cover the UK.
- The existing European patent system will be unaffected but the new Unitary Patent, once (and perhaps if) it comes into force, is an EU animal and so is unlikely to cover the UK. The future of the Unified Patent Court will depend on the outcome of the exit negotiations.

## The Exit Scenarios

Immediately after the referendum, a number of possible exit scenarios for the UK were mooted. These included the Norway model (the UK would become a member of the EEA and EFTA with access to the single market) and, at the other end of the spectrum, the WTO model (which would see the UK break from the EU to rely solely on WTO trade rules). It has since become apparent that a “hard Brexit” is a real possibility – indeed Prime Minister Theresa May has repeatedly indicated that she would be prepared to leave the EU without a deal rather than agree to a “bad deal” for the UK.

Generally, the closer the post-Brexit relationship between the UK and EU, the lesser the impact on IP rights will be. However, some consequences for IP will follow regardless of the nature of the future relationship between the UK and EU.

## Patents

The UK's participation in the existing European patent system will be unaffected by Brexit. The system is governed by the European Patent Convention and is independent of the EU. Indeed, non-EU members, including Norway, Switzerland and Turkey, are signatories to the Convention and participate in the system. Following Brexit, UK and non-UK patentees would, as they can now, be able to make a central application to the European Patent Office (EPO) designating the UK and, via that route, obtain national UK patent rights.

However, most EU states are close to implementing a new near EU-wide patent, known as the “Unitary Patent”. This new Unitary Patent will be obtained through the EPO in a manner identical to that used for existing EPC patent applications: a single application will be filed at the EPO, designating all EU states. Within a month after grant by the EPO, the patent owner will have the option to file a request for unitary effect. This will lead to the patent then becoming a single Unitary Patent in all the EU member states that have signed up to the new patent system and have ratified the relevant agreements as of the date the request is filed.

In addition, a new patent court system, known as the Unified Patent Court (UPC), is due to be introduced. This court will initially have jurisdiction over validity and infringement actions involving Unitary Patents and Classical European patents that have not been opted out, but will eventually have exclusive jurisdiction over both types of patent. The new court will have multiple branches throughout Europe, each of which will be able to grant an injunction across participating EU member states against a patent infringer as a result of a single set of legal proceedings in a single court. The new court will also have powers to centrally revoke a Unitary Patent across all the countries in which it has effect. The court will be divided into central, local and regional divisions and the UK is due to host a Central Division and a least one local division, both based in London.

At the time of writing, the plan is for the Unitary Patent and the UPC to get up and running on 1 December 2017.

Brexit will affect the implementation of the Unitary Patent and the UPC. The Unitary Patent regime is an EU initiative. It is born out of EU legislation and participation is currently contingent upon being a member of the EU. Following Brexit, the UK will no longer be eligible to participate absent further EU legislative measures.

This may make the system less attractive as patent owners wanting the benefits of a Unitary Patent will have to protect their patents both in the UK and as a Unitary Patent.

The UPC can only open its doors if the UPC Agreement, which creates the court, is ratified by 13 participating states, which must include France, Germany and the UK. France has already ratified but Germany and the UK have not. In November 2016, the UK indicated that it would ratify the UPC Agreement, an announcement which took many by surprise. The timetable for ratification by the UK has been delayed by the General Election and is now likely to take place during late summer or early autumn 2017, meaning the UPC would become operational at the beginning of March 2018. Germany is, most likely, watching and waiting to see what the UK does before ratifying on its own account, but the ratification process could also be delayed by the General Election happening there.

The UPC is generally acknowledged to be an international court, making EU membership irrelevant to involvement. However, questions remain over how the involvement of the Court of Justice of the European Union (CJEU) in the interpretation of EU law in the UPC system can be reconciled with Theresa May's commitment that future CJEU rulings would no longer bind the UK.

The UK Minister for IP, Jo Johnson, has indicated that the UK's involvement in the Unitary Patent and UPC will, ultimately, form part of the Brexit negotiations.

## EU Trade Marks

The EU trade mark regime is established by EU legislation and EUTMs give protection in every member state of the EU. Following Brexit, it is likely that EUTMs will continue to cover the remaining 27 EU member states but cease to be valid in the UK. EUTM owners wanting continued trade mark protection in the UK will have to obtain a national UK trade mark in addition to their EUTM. It is unclear exactly what will happen here but most likely the UKIPO, automatically or on request, will grant a UK trade mark which will replace the EUTM in the UK whilst retaining priority. It is unknown if this procedure would involve payment of fees. What is certain is that the UKIPO will face an unprecedented increase in workload. This could mean delays for EUTM owners in obtaining their successor UK rights.

Post-Brexit, new EUTM applications will not cover the UK. An applicant will have to apply for a separate UK national trade mark. That will mean that an applicant will incur increased trade mark protection and maintenance costs as a result of having to make two separate applications to achieve the same geographical coverage as a EUTM currently offers.

Brexit will also have other consequences for EUTMs.

Pan-European injunctions based on EUTM rights will no longer cover the UK. In respect of new applications for injunctions post-Brexit, the EUTM owner will need to bring two sets of proceedings where an infringement is occurring in one or more EU member state and in the UK. One set of proceedings will be needed before a EUTM court for a pan-European injunction to prohibit the infringement in the EU member state(s). Another set of proceedings will be needed before the UK courts in respect of the UK infringement. This will result in increased litigation costs.

In the absence of transitional rules to the contrary, the UK will fall outside the scope of existing pan-European injunctions. A EUTM owner will need to bring proceedings before the UK courts seeking a fresh injunction to prohibit a UK infringement that was previously covered by the Europe-wide injunction (or seek an extension of the pan-European injunction to cover the UK). This will, again, result in increased cost and may have an adverse effect on the enforcement of rights out of EUTMs in the UK during the interim period between Brexit and the coming into force of the fresh UK injunction, or of the conversion of an existing UK injunction.

It remains to be seen what will happen where a UK trade mark is being used as the basis for opposition or cancellation proceedings before the EUIPO, or where a EUTM is the basis for litigation in the UK, when Brexit happens.

The EUTM Regulation provides that a EUTM can be revoked where there has been no genuine use of the mark in the EU for a continuous five-year period and there are no proper reasons for non-use. Transitional arrangements will be needed to ensure that use solely in the UK pre-Brexit will count as use in the EU post-Brexit, although post-Brexit use in the UK is unlikely to count.

## Designs

Registered Community designs (RCDs) are akin to EUTMs. Many of the issues raised above in relation to EUTMs will apply also to RCDs. In particular, post-Brexit, new and existing RCDs will not cover the UK. A similar mechanism to secure continued design protection in the UK as that created for EUTMs will be needed for RCDs.

Post-Brexit, unregistered Community designs will only give protection for the remaining 27 EU member states, and not for the UK. Designers in the UK are set to lose a strong and inexpensive IP right to defend their designs against copying.

## Copyright

Copyright law has been partly harmonised at European level – for example, the term of protection, the acts amounting to infringement, performers' rights and the qualifying criteria for protection. Important issues such as the liability of internet service providers for copyright infringements are also provided by EU legal rules.

The extent to which these rules may be unpacked post-Brexit is unclear, and would create considerable uncertainty for rights owners in Europe. However, because EU Directives on copyright have been implemented into UK law and will, therefore, remain valid after Brexit, the impact on copyright will not be as immediate as is the case for EUTMs and RCDs.

## Exhaustion of Rights

The principle of exhaustion of rights provides that where goods have been placed on the market in the EEA by the proprietor of a trade mark or registered design, or with his consent, the proprietor cannot rely on those rights to prevent further dealings with his goods (unless there are legitimate reasons to do so). Exhaustion of rights exists to promote free trade in the EEA. It is enshrined in the EU legislation on EUTMs and RCDs. A hard Brexit would oust exhaustion rules.

This means that trade mark or design rights in force in EU member states could be used to prevent goods first sold in the UK from being imported into, and resold in, the EU. Similarly, trade mark or design rights in the UK could be used to prevent goods first sold in the EU from being imported into, and resold in, the UK. Parallel trade in and out of the UK could decline. This could result in distinct UK and EU markets and price differentials.

## Customs Seizure

EU legislation empowers IP owners to partner with customs authorities in EU member states to seize, detain and ultimately destroy imported goods that infringe their rights. This is a particularly important tool for trade mark owners in the fight against counterfeits.

A hard Brexit would allow the UK to set its own border controls. This, in conjunction with no exhaustion of rights, could mean that businesses will find it easier to prevent counterfeits from entering the UK, although at the same time it also increases the costs in maintaining two separate border measure applications for the UK and the EU.

## Trade Secrets

The EU Directive on the protection of trade secrets came into force on 5 July 2016. The Directive harmonises trade secrets law across the EU. It defines what constitutes a protectable trade secret and provides for a common set of remedies where a trade secret has been misappropriated. EU member states have until July 2018 to implement the Directive into national law. The UK will still be a member of the EU on that date and so is obliged to implement the directive into national law. Whether that will happen, and, if it does, whether that national law will be jettisoned post-Brexit, remains to be seen.

## Law

Vast amounts of EU law form part of English (UK) law, whether via directly applicable EU Regulations or from EU Directives that have been implemented into English law via domestic legislation. In recognition of that, the UK government has announced that the Great Repeal Act will come into force on the day that the UK exits the EU. The Act will freeze-frame the law as at that day. The government will then begin the process of reviewing and amending the law. This is likely to take a significant amount of time.

A large part of UK legislation on IP rights comes from EU Directives. However, as reviewing the law is likely to take a long time, the impact of Brexit on IP law may not be felt immediately. There is likely to be a gradual divergence of UK and EU law as legislation is reviewed and replaced over time and as UK judges interpret this without the influence of CJEU precedent. This divergence may create uncertainty for IP holders and could make it more difficult and costly for IP owners to manage UK-EU cross-border transactions and to plan and implement IP enforcement strategies.

International obligations under treaties in the area of IP law, such as the Berne Convention, The Paris Convention, the Madrid System, etc., will not be directly affected by Brexit.

## Comment

The countdown to Brexit has begun. IP owners must now make it a priority to put in place a strategy for managing the impact of Brexit on their Europe-wide IP protection. They should consider:

- Reviewing their core IP agreements (licences, franchises and coexistence agreements) where the EU, or the countries in which the licensor has valid IP rights, is the defined territory.
- Regulating the uncertainty created by Brexit in new IP agreements. Should Brexit events give rise to a right to require amendments to an agreement, or for the agreement to be terminated?
- Supplementing existing IP portfolios with UK rights for core brands or products (or waiting to see what mechanism is put in place for the division of an EUTM and RCD into a UK right).
- Filing EUTM and UK trade mark applications separately, either simultaneously or referring to Convention priority in the second application. The same applies for design rights.
- Beginning to use EUTMs as widely as the business will allow and, ideally, in a EU member state other than the UK.
- Tackling ongoing infringements now while there is greater certainty about the enforceability of IP rights and of the applicable law.

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