

IP rights post-Brexit

March 2018

A year since Article 50 was triggered and with just over a year until exit day, clarity on IP issues is emerging for the first time:

- The EU and UK reached agreement on some IP Brexit issues on 19 March, notably:
 - maintenance of the status quo until the end of the transitional period, i.e. December 2020
 - continuity of protection of existing EU trade marks and designs and plant variety rights
- Requirement for a new application and fees for UK protection replacing EU rights remains under discussion
- No agreement reached yet on Supplementary Protection Certificates or geographical indications

In this briefing

- Key IP Brexit issues
 - Areas now agreed on
 - Outstanding issues
 - CJEU post-Brexit
 - UPC and Unitary Patent
 - Practical steps for businesses
- The Government's high level position on some IP issues emerged from the Prime Minister's Mansion House speech on 2 March.

The IP position is summarised in the table overleaf.

SLAUGHTER AND MAY

DRAFT WITHDRAWAL AGREEMENT: SUMMARY OF IP PROVISIONS

	EU	UK (as at 19 March 2018)
Transition Period	30 March 2019 - 31 December 2020	Agreed
EU Trade Marks Registered Community Design Community Plant Variety	Receive equivalent right under UK law	Agreed
	No re-examination	Agreed
	No application or administrative procedure i.e. automatic grant	Ongoing discussion
	First renewal date simultaneous with parent right renewal	Agreed
	No fees	Ongoing discussion
	9 month (6 for CPVs) right of priority from end of transition period to file equivalent UK application	Agreed
Trade Marks	Same filing and priority dates	Agreed
	Same rights of seniority	Agreed
	Not liable to revocation for lack of genuine use in the UK	Agreed
	Protection for EUTMs with a reputation: rely on EU reputation for corresponding UK mark	Agreed
Unregistered Community Design	UK to provide automatic right equivalent to UCD for rights existing at end of transition period (but not for new rights)	Agreed
Geographical Indications	Receive equivalent right under (new) UK law for GIs existing at end of transition period	Ongoing discussion. UK position unclear but these rights are more popular outside the UK
Supplementary Protection Certificates	Preserve applications for SPCs pending in the UK at end of transition period	Ongoing discussion. UK has suggested associate membership of the EMEA
Databases	Protection for databases existing at end of transition period	Agreed
Exhaustion of rights	IPRs exhausted in EU and UK before end of transition period remain exhausted in both territories	Agreed
Jurisdiction of the CJEU	The EU proposes the UK accept CJEU jurisdiction during the transition period	Ongoing discussion. The UK has proposed a new tribunal for EU/UK disputes post-Brexit. Proposed mechanism and start date is unclear
UPC and Unitary Patent	Not discussed - not part of the withdrawal agreement	UK is ready to ratify

Status of EU/UK Negotiations

The position of the EU is set out in its draft withdrawal agreement (“**the 19 March Agreement**”). This revised draft has been highlighted by the EU and UK to indicate those aspects agreed between the UK and the EU. The rest remains under discussion.

The EU’s chief Brexit negotiator, Michael Barnier said the joint legal text marked a “decisive step” with the two sides reaching agreement on “large parts” of the UK’s withdrawal. This agreement on the issues so far however, is not legally binding and vulnerable to political derailment further down the line. It is expected that the full agreement will need to be concluded by Autumn 2018 to permit ratification by 30 March 2019. Nonetheless, the key IP issues addressed to date are largely practical rather than controversial (except where there is a lack of reciprocity for UK rights owners).

The UK has not provided the same level of detail about its own position on IP, though to some extent that now emerges from the agreed text at Part Three Separation Provisions, Title IV of the 19 March Agreement.

Some high level indication of the Government’s position on the open IP issues also comes from:

- the Prime Minister’s Mansion House speech on 2 March and
- the Government’s Technical Note of 6 March.

David Davis, the UK Brexit secretary, urged businesses to slow Brexit plans following the transition agreement. He said businesses should not delay investment planning or “rush through contingency plans based on guesses about the future deal.”

Transition Period

Under the 19 March Agreement, it has been agreed that there will be a transition period from 30 March 2019 until 31 December 2020 during which the status quo will be maintained.

In other words, EU rights including EU Trade Marks and designs, Geographical Indications and SPCs will continue to have effect in the UK during this period and no loss of rights will occur following exit day on 29 March 2019. Applications for these rights can also continue to be made during this period. Where filed during the transition period and still pending at the end, these applications will benefit from a further 9 month priority period to September 2021 during which an equivalent UK application can be filed.

This lessens the impact of the “cliff edge” which businesses had feared. It gives more time for rights owners to make long term filing strategies and for the UK to make the transition to the new arrangements once the further details are agreed. However, if what is ultimately agreed involves complex changes to be made by the IPO and significant re-filing by rights owners, it may be challenging to effect these within a 21 month transition period. Indeed, there is concern amongst businesses that the agreed transition period is not long enough to make required changes in other areas, such as supply chain arrangements so contingency planning remains necessary. See our [briefing](#) here for further detail.

Post-transition: continuity of protection for existing EU rights

EU trade marks and designs

The UK has accepted that there will be continuity of protection in the UK for owners of EU rights which have been registered and granted before the end of the transition period.

The UK has also agreed to give effect to EU administrative actions (e.g. revocation) still live at the end of the transition period.

Registration procedures: administrative arrangements and costs

Less reassuring for rights owners is the lack of agreement on costs and registration procedures. The Commission has proposed that the administrative burden in these transitional arrangements be kept to a minimum. In particular it has proposed that there should be no re-

examination of trade marks and that no costs should be borne by rights owners, the implication being that the UK would bear this financial burden.

The UK has agreed that there should be no re-examination but discussion is ongoing on the issue of fees.

This will be a key concern for trade mark owners who have already paid for an EUTM which covers the UK and particularly those with large portfolios.

The Commission has also proposed automatic registration of EUTMs as UK registrations but this is not agreed. The UK Intellectual Property Office may wish to avoid a huge influx of registrations onto the UK Register by putting the onus on rights owners to request continuity of protection. While this might reduce the overall number of new registrations, it would produce more work for the IPO in the short term. It may be that automatic registration would give the IPO greater flexibility to manage the process in the time available under the transition period.

Various further details still remain to be addressed which include how disputes will be dealt with. It is also noteworthy that in a number of areas, the UK has agreed to grant equivalent rights in the UK while there is as yet no agreement on the reciprocal treatment of UK rights in the EU.

Geographical indications and designations of origin

No agreement has yet been reached on EU protected geographical indications and protected designations (“GIs”). These are EU-derived rights which do not have equivalent UK protection.

The Commission’s position is that the UK must enact domestic legislation to provide comparable rights. There has been no official Government position on this issue. The Government’s Technical Note of 6 March (the “**Technical Note**”) states that “In the future, where the UK does not have existing domestic legislation to protect certain types of rights, it will establish new schemes”. However, this could refer only to SPCs, which like GIs, derive from EU Regulation.

GIs are an important form of protection and marketing tool for many continental European businesses. However, the idea of domestic UK GI legislation is a controversial one. The UK has far fewer GI protected products than some other member states, with 70 currently registered compared to 295 in Italy and 246 in France. Accordingly, any new domestic UK legislation would primarily be protecting products from outside the UK. Furthermore, EU funding for promotion of GI products plays a significant role in their appeal to consumers, but the UK government has remained unclear on what its future funding commitment will be. All this brings the suitability of a domestic regime into question, given the increased costs involved in maintaining GI protection for products.

Protections for medicines and pharma regulation

The key Brexit concern for the pharma sector is avoiding disruption to the existing regulatory regime.

From an IP perspective, the issue of what form of protection will apply post-Brexit for Supplementary Protection Certificates (SPCs) is pressing. SPCs provide a valuable extension of protection beyond the patent term for medical and plant products. As this right derives from an EU Regulation, SPC holders face a potential loss of rights if arrangements are not agreed.

Agreement on this issue has yet to be reached between the EU and UK. The EU’s position is that applications for SPCs which are submitted before the end of the transition period should be allowed to proceed to grant, and on grant the SPC should provide equivalent protection to the current regime. The Government’s Technical Note refers to an intention to put in place legislation where a domestic regime does not exist. Some would like to see an improved and less complex regime but the time pressure of the Brexit process makes that a challenging goal.

In her Mansion House speech, the Prime Minister indicated that the UK Government will explore associate membership of the European Medicines Agency (EMA) which is moving from Canary Wharf to

Amsterdam by the end of March 2019. The Prime Minister accepted that this would mean abiding by the rules of these agencies and making an appropriate financial contribution, but recognised that this is the only way to meet the objective of medicinal products only undergoing one series of approvals in one country. In addition, being a member (albeit an associate member) would, she argued, ensure that the UK could continue to be part of the decision making process in setting and enforcing relevant rules.

Initial reaction to the proposal was muted from the EU side, indicating that the UK's seeking involvement in decisions of the EU Commission (via agencies such as the EMA) where single market principles operate but without accepting these rules in the way that the EEA countries do would be seen as cherry picking.

Other EU regulations apply in this area - notably in relation to regulatory data protection and orphan drug exclusivity and there are questions as to how the regulatory landscape will operate after the transition period. Companies operating in the sector are keen to preserve the harmonisation that is currently in place to avoid the increased burden of dealing with separate regimes.

CJEU jurisdiction

The future role of the CJEU post-Brexit is an important issue for IP, which is harmonised to a significant extent. UK IP law has for many years been shaped by the CJEU's preliminary rulings on questions of interpretation.

However, the Prime Minister's comments on the CJEU and influence of EU law are difficult to reconcile. If the UK agrees to continue to participate in an EU agency it is envisaged that the UK would have to "respect the remit of the ECJ". This chimes with one of the Prime Minister's so-called "hard facts", namely that "even after we have left the jurisdiction of the ECJ, EU law and the decisions of the ECJ will continue to affect us". She also stated that as part of our future partnership, if Parliament passes an identical law to an EU law, then it makes sense for UK courts to look at the appropriate ECJ judgments so that both interpret those laws consistently.

Dated March 2018

There is nothing new in this, and indeed it follows the pragmatic approach which UK patent judges have taken over a number of years when interpreting patent legislation with an eye on the purpose of a harmonised approach avoiding different outcomes across Europe.

However, the Prime Minister seems to have suggested (in her Mansion House speech) a new tribunal will be needed to deal with EU/UK issues:

The Ultimate Arbiter

"...the EU treaties and hence EU law will no longer apply in the UK. The agreement we reach must therefore respect the sovereignty of both the UK and the EU's legal orders. That means the jurisdiction of the ECJ in the UK must end. It also means that the ultimate arbiter of disputes about our future partnership cannot be the court of either party."

This approach is consistent with the position under other international agreements where neither party's court will resolve disputes. Mechanisms that have been used and might be considered include arbitration and joint committees. As yet there has been no proposed mechanism for UK/EU arbitration.

During the transition period the Commission proposes that the UK would continue to be subject to decisions of the CJEU. This is controversial politically within the UK and, notably, the 19 March Agreement indicates that no agreement has been reached on this issue yet.

Patents: the UPC and Unitary Patent

European Patents are not affected by Brexit as they are not granted under EU legislation. Europe awaits the launch of a new system which is due to introduce a new pan European patent, the Unitary patent (capable of being centrally granted and attacked) and a new Unitary Patent Court system making centralised enforcement possible. The project has however been delayed by Brexit. See

our UPC briefing [here](#) for more information on the proposed system.

The project as a whole currently depends on ratification by the UK and Germany. The Government is now in a position formally to ratify the UPC Agreement following passing of the final piece of legislation at the end of 2017.

A constitutional challenge to the UPC Agreement in Germany has caused the project to stall. The German Constitutional Court has now listed the case in its cases for 2018, though no hearing date has been set.

The position in Germany, combined with a lack of clarity over the UK's involvement following its departure from the EU, is causing uncertainty for patent owners over when and even if the new system will come into operation.

The issue does appear to be on the agenda in the Brexit negotiations and industry is still pushing hard for the UK to be part of the system and to remain a part of it once the UK leaves the EU.

If the German challenge were to resolve when the case is heard this year, ratification and implementation can then take place, possibly very quickly. There would then, at best, only be a very short period in which the UK would be a member before it left the EU.

The system could come into effect quite quickly, potentially in mid-2019. Patent owners will need to be in a position to identify which of their European patents they wish to opt-out of the new regime as the sunrise period for registering opt-outs is likely to come into effect within months of the ratification process completing. See our UPC briefing [here](#) for more information on the opt-out.

Trade issues: parallel imports and exhaustion

The nature of the UK's trading relationship with the EU is now at the fore.

The outcome of these negotiations will be important for IP rights particularly regarding the exhaustion of rights and parallel trade.

UK trade mark, copyright and design legislation contain provisions enshrining the European exhaustion of rights doctrine. This provides that

once an IP holder has placed their protected goods on a market within the EU (or has consented to someone doing so), they will no longer have the right to control distribution of these goods within the EU. This reduces the IP holder's ability to prevent parallel imports, which is where a third party imports these products back into the IP holder's sales territory. On leaving the EEA, these

UK provisions would be repealed or amended with the result that IP-protected goods put on the market in the remaining EEA states would exhaust an IP-owner's rights with respect to intra-EEA trade only.

Whether it will become possible for UK IP rights to be used in order to prevent parallel imports from the EEA into the UK will depend on the exhaustion model adopted for each form of IP. The UK Government will need to decide what form of exhaustion to adopt, e.g. national, hybrid or some form of international exhaustion. This will be an important issue for clients in a number of sectors, including pharmaceuticals, where parallel trade can have a significant impact in terms of price differences between markets.

A position on customs issues will also need to be agreed - in particular, what will happen to the current arrangements in place where EU Member States' customs authorities have the power to detain products which are suspected of or found to infringe specified IP rights.

What can rights owners do?

Filing strategy: trade marks and designs

Many of the details of the way existing EU rights will transition to UK rights have yet to be addressed so it will be important to monitor developments in the ongoing discussions and the proposed UK legislation.

(i) *Now: file additional national rights?*

Some trade mark rights owners, particularly those with brands of strategic importance, have been mitigating risk of agreement not being reached on this issue by filing for additional UK rights. The UKIPO has reportedly already received a significant increase in applications for national registrations, especially from abroad, with some applicants

applying for both EU and UK registrations. Similar considerations also apply to Community Registered Designs. However, now that both the EU and the UK Government have agreed that unitary EU rights should continue in the UK, filing for extra registrations may be less attractive.

(ii) Now until September 2021: file EUTMs?

Rights owners may seek to take advantage of the UK protection that will be offered for new EUTMs granted before the end of the transition period. Filing early in the period will increase the chance of securing EUTM registrations and automatic UK registration at the end of the transition period. Of course if it is agreed that a fee and separate application are required, this will be less attractive, but it would at least offer the benefits of the same filing and priority dates and rights of seniority. Owners of applications which have not yet been granted by the end of the end of the transition period will have a 9 month right of priority from the end of the transition period to file equivalent UK application.

(iii) Post September 2021: file separate applications

Post-September 2021, trade mark owners wishing protection in the whole of Europe including the UK will need to apply for a EUTM for EU27 (i.e. the remaining member states after Brexit) and a separate national registration for the UK.

Genuine use in EU27

Currently, an EU trade mark must have been put to genuine use for a continuous period of five years to avoid risk of revocation. It is generally considered that use in one EU Member State may be sufficient (although UK case law on this is not clear).

In the 19 March Agreement the UK and Commission have agreed that successor UK rights will not be liable to revocation on the ground that the corresponding EUTM has not been put to genuine use in the UK before the end of the transition period.

It is not yet known whether similar provision for EUTMs which have relied upon use in the UK is also envisaged.

Pending agreement on this issue, trade mark owners may want to assess whether sufficient use is being made of their EU trade marks in Member States other than the UK and whether further action is appropriate.

Monitor representation requirements

Currently, for anything other than filing an application, representatives must be appointed to represent EU trade mark owners and applicants before the EUIPO who are not domiciled or do not have their principal place of business/effective establishment in the EU. A trade mark attorney must be a legal practitioner qualified in one of the Member States of the European Economic Area (EEA) with its place of business within the EEA. If no agreement is reached with the EU on this issue, UK trade mark attorneys will lose their rights of representation before the EUIPO. Rights holders should therefore monitor and discuss their arrangements for their EU trade marks and designs (patents are not affected) with their current advisors and be ready to make changes if required.

Community Unregistered Designs (CUDR)

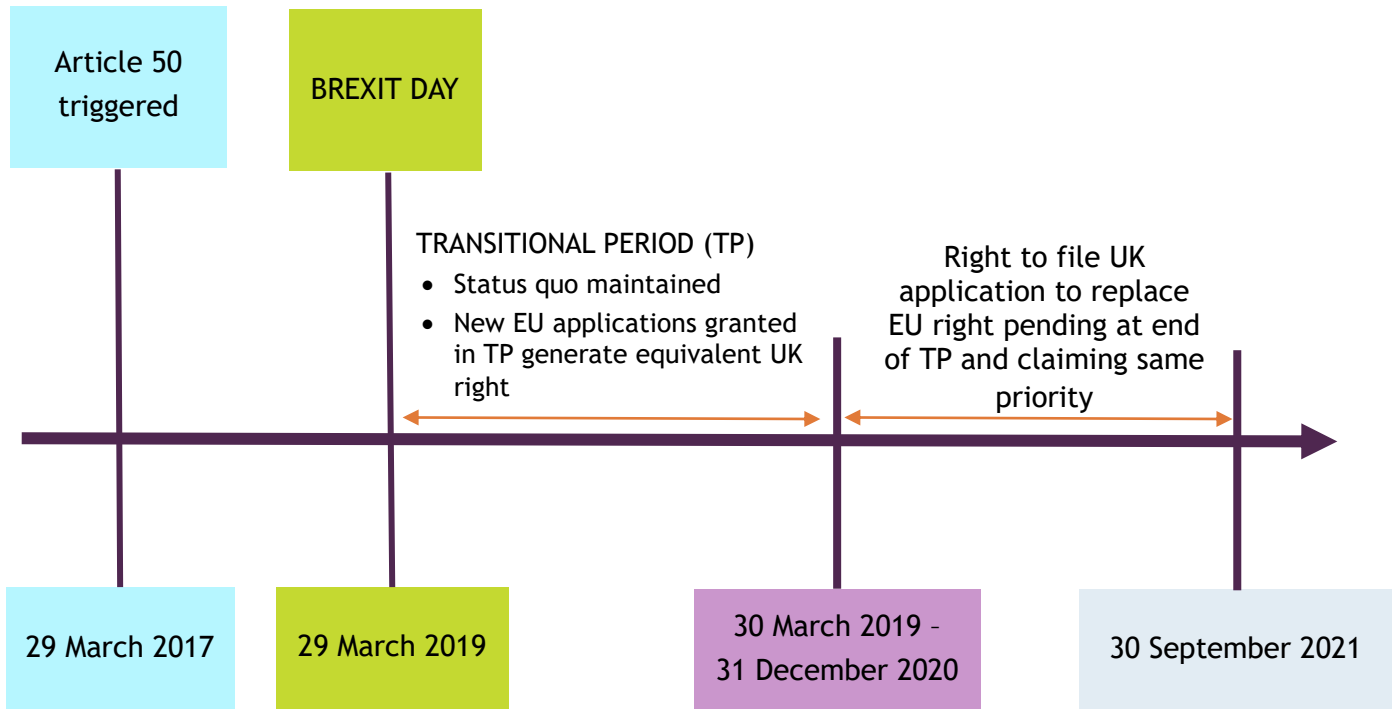
There are material differences between the UK and EU unregistered design right regimes. CUDRs, which provide a 3 year period of protection, are popular in fast moving industries, such as fashion. The UK has agreed with the EU position that the UK will provide equivalent protection but to date only in respect of CUDRs which arose before the end of the transition period.

Review Licences

It is sensible to review existing agreements to consider changes (e.g. to defined terms, the territory to which the licence applies and the actual rights licensed) and make sure that these issues are addressed going forward.

SLAUGHTER AND MAY

IP BREXIT TIMELINE



Susie Middlemiss
T +44 (0)20 7090 4038
E susie.middlemiss@slaughterandmay.com



Laura Balfour
T +44 (0)20 7090 4018
E laura.balfour@slaughterandmay.com

© Slaughter and May 2018

This material is for general information only and is not intended to provide legal advice. For further information, please speak to your usual Slaughter and May contact.