

## Deal or No deal: IP

1 November 2018

Brexit will have a significant impact on intellectual property rights. EU law provides the legal framework for important pan-European rights which are of considerable value to IP owners, in particular, EU trade marks, design rights and database rights. A major concern for IP owners has therefore been the potential loss of these valuable pan-European rights in the UK after Brexit.

After months of uncertainty, the future treatment of these rights - in both a deal and no deal scenario - has become much clearer.

The Government is seeking to provide continuity of protection in the UK whether or not there is a deal, by granting equivalent rights in the UK. Without a deal, some rights will be lost. With a deal, UK rights will be granted to replace EU trade marks and design rights which extended to the UK. In contrast, if there is no deal, rights owners will have to take positive steps to secure these rights (rather than the automatic mechanism discussed under the Withdrawal Agreement) and, at least in the case of pending applications, will have to pay a further set of fees. It is not clear that in all instances the EU will give reciprocal recognition of UK rights. Uncertainty remains over some key issues, principally exhaustion of rights, which affect parallel trade.

Deal or no deal, it will be more complex for IP owners to manage and enforce IP across the EU and UK after Brexit. Rights owners will lose the ability to get relief for infringement across Europe and the UK together.

The key issues are discussed below and the position in relation to individual IP rights is summarised in the following table.

### IP if there is a deal

It was agreed between the EU and UK (pending agreement on all issues in a deal) in March 2018 (Withdrawal Agreement) that the UK will grant trade mark, design right and database right protection for those rights existing at the end of the transition period (31 December 2020) which will be equivalent to UK protection of the EU rights being lost. IP owners would therefore keep their EU registrations (which post-Brexit would not cover the UK) and obtain an equivalent right just for the UK. Significantly, the UK has recently confirmed that these new rights will arise automatically and free of charge (UK Intellectual Property Office (UKIPO) Guidance).

Supplementary Protection Certificates (SPCs) provide an important form of IP protection for inventions in the life sciences sector, to effectively extend patent protection to compensate for the period of protection lost in the regulatory process. The Government has confirmed in UKIPO Guidance that the adoption of the EU Withdrawal Act 2018 will allow the UK to maintain the current SPC legal framework in the UK post-Brexit. It is not clear whether this is intended to extend beyond the EU/UK position agreed in June (Withdrawal Agreement) that the current SPC arrangements will apply for the transitional period.

There has also been progress on Geographical Indications (GIs) (which confer a right to identify a product with a specific region such as Greek feta cheese). The UK confirmed that it will establish its own GI scheme which will be open to UK and non-UK applicants. The EU has expressed concern (in the EU Commission Position Paper of 6 September 2017) that the UK needs to protect EU designations. However, no agreement has

been reached so it is currently unclear whether UK rights owners would retain their EU rights. More details have been forthcoming on the system of GIs in a no deal scenario, discussed further below. However, in the context of a negotiated settlement, the protection given to EU designations in the UK is likely to be used as a bargaining chip given the importance of these rights for EU producers.

Currently there is important cooperation between the EU and the UK over matters such as the seizure of infringing goods. No agreement has been reached on these issues.

## IP if there is no deal

A series of five “no deal” notices issued in late September 2018 deal with a range of IP issues.

### *EU trade marks and designs*

UK rights are to be provided equivalent to those registered EU trade marks and design rights being lost and there will be “minimal administrative burden” for rights owners in achieving this. Presumably this means some input will be required from the right’s owner - although no further details are provided. Any input, however small, will not be welcome by rights owners, especially for those with large portfolios.

In relation to pending EU applications for trade marks and registered designs, applicants have a nine-month period from exit day on 29 March 2019 (i.e. until 29 December 2019) to file and pay for an equivalent UK right.

In effect, this means that an applicant will be paying two sets of fees for the one application (once upon application to the EUIPO and one to re-file at the UKIPO), although this will have the benefit of preserving the earlier filing date, and any claims to priority and UK seniority, recorded on the corresponding EU application. Of course, going forward, those seeking registered trade mark and design protection across Europe and the UK will have to pay two sets of fees.

Applicants of pending registrations must take action promptly to identify which rights within their portfolio will need to be re-filed.

### *Unregistered community designs*

A new “Supplementary unregistered design right” will be introduced to give protection in the UK equivalent to unregistered community design rights for designs first disclosed in the UK after exit day.

### *Geographical indications*

In a no deal scenario, the UK will no longer be required to recognise EU GI status. However, EU producers may apply for a new UK GI, although this will not be automatic. Further, UK GI right holders will lose their EU right and the onus will fall on them to apply to regain EU GI status by showing that the GI is protected in the UK, including by way of a new UK logo.

### *Copyright and database rights*

For UK copyright works, protection will be unchanged. However, a number of cross-border mechanisms will cease to apply from exit day. Notably, there will be no obligation for EEA states to provide database rights to UK nationals, so unless anything is agreed with the EU, database rights may be unenforceable in the EEA. UK owners are advised by the Government to consider relying on other forms of protection, such as restrictive licensing agreements or copyright, where applicable, for their databases. This may not be possible in all cases.

## Exhaustion of Rights

Currently, EU law prevents an IP owner from stopping the sale of products which have been put on the market in one EEA country from being resold in another EEA country where they might command a higher price (EEA Exhaustion). However, this system of regional exhaustion only applies if a product is put on the market in that region - the EEA - so an IP owner has the right to block parallel imports from outside the EEA. In a negotiated settlement, the EU and UK have agreed that this system of exhaustion will continue for the transitional period, but arrangements after that are closely linked to the politically charged issue of EU/UK trade arrangements.

If there is no deal, the Government has stated that it will seek in the short-term to preserve the status quo by effectively adopting EEA Exhaustion. IP protected goods placed on the EEA market with the consent of the right owner after the UK has left the EU would then continue to be exhausted in the UK, with the result that parallel trade in these goods from the EEA into the UK can continue unaffected. However, without EU agreement, IP owners cannot be sure that the EU will give reciprocal protection and recognise EEA Exhaustion for UK goods, so the Government has indicated that it will be for businesses to investigate whether they need consent to export IP protected goods that have been legitimately put on the market in the UK to the EEA. This lack of certainty is unsatisfactory, particularly for IP owners in sectors with significant EU trade such as pharmaceuticals and luxury goods.

The Government will consult on the long term solution but, if an unbalanced EU/UK regime applies in the meantime, UK businesses will be at a disadvantage compared to EU businesses. Any move towards a system of international exhaustion (where rights are exhausted no matter where they are put on the market and consequently the IP owner has no power to prevent parallel imports) would be deeply unpopular with IP owners as this could allow traders to exploit price differentials: goods sold in the developing world at low prices could be re-sold in the UK.

### Patents

The Government has confirmed that the current regime for SPCs will be maintained in the UK after exit day, operating independently from the EU. Similarly, the EU Withdrawal Act 2018 will adopt the existing EU requirements; laws and procedures will apply in respect of biotechnology patents, compulsory licensing arrangements and research exemptions for pharmaceutical products. However, over time, UK law will start to diverge from the original EU legislation.

### UPC

European Patents are not affected by Brexit as they are not granted under EU legislation. However, Europe awaits the launch of a new

European system of patent protection and enforcement which has been delayed by Brexit and legal challenges. The project will 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.

In July 2018 the Government for the first time confirmed that it intends to remain part of the UPC and the Unitary Patent system once it leaves the EU. The other countries set to be members of the system are likely to want the UK to be included, but this will need to be achieved by agreement.

If the UPC comes into force and there is no deal, the Government will investigate whether it is possible for the UK to remain within the system, acknowledging that the UK may need to withdraw from one or both systems. As it looks increasingly unlikely that the UP and UPC will come into effect quickly, it looks difficult for the UK to be part of these systems in a no deal Brexit.

Meanwhile, businesses need to be ready to opt out of existing European patents if and when the UPC comes into effect.

### Concluding Thoughts

Businesses need not apply for additional new UK registrations. However, IP owners must be ready to re-file their pending trade mark and registered design applications at the IPO within 9 months of exit day and absorb additional fees.

Going forward, IP owners will need to maintain both EU and new UK rights to have comparable protection to the rights they hold now. However, deal or no deal, IP owners will lose the ability to enforce EU-wide rights across the EU, including the UK, so will need to bring separate actions to enforce the UK rights. Conversely, a business accused of infringing that considers an IP right invalid will need to attack the EU right centrally and mount a second challenge to the UK right in the UK and defend separate sets of infringement proceedings.

IP RIGHTS: DEAL OR NO DEAL		
IP Right	Deal	No Deal
<p>EU Trade Marks (EUTM)</p> <p>Registered Community Design (RCD)</p> <p>EXISTING REGISTRATIONS</p>	<p>Receive equivalent right under UK law</p> <ul style="list-style-type: none"> <li>• Automatic grant and no fee</li> <li>• First renewal date simultaneous with parent right renewal</li> <li>• TMs: <ul style="list-style-type: none"> <li>- Same filing and priority dates and same rights of seniority</li> <li>- Not liable to revocation for lack of genuine use in the UK</li> <li>- Rely on EU reputation for corresponding UK application</li> </ul> </li> </ul>	<p>Receive equivalent right under UK law</p> <ul style="list-style-type: none"> <li>• Granted with “minimal administrative burden” - no further detail provided</li> <li>• Right owners notified of grant of new UK right</li> <li>• Renewal in the UK</li> <li>• Enforceable in the UK courts and IPO</li> <li>• Assigned and licensed independently from corresponding EUTM</li> <li>• Status of existing EUTM/RCD disputes in UK courts to be determined before exit day</li> </ul>
<p>EU Trade Marks</p> <p>Registered Community Design</p> <p>PENDING APPLICATIONS</p>	<p>9 month right of priority from end of transition period* to file equivalent UK application</p> <ul style="list-style-type: none"> <li>• No detail on application process</li> </ul>	<p>9 month right of priority from exit day to file equivalent UK application</p> <ul style="list-style-type: none"> <li>• Normal application process - fee payable</li> <li>• Onus on applicant to re-file; no notice given</li> <li>• Filing dates, claims to earlier priority and UK seniority maintained</li> </ul>
<p>Madrid and Hague system International Registrations</p>	<p>UK to ensure continued protection in the UK of international registrations designating the EU</p>	<p>UK working to provide continued protection at exit day for existing registrations and pending applications</p>
<p>Unregistered Community Design (UCD)</p>	<p>UK to provide automatic right equivalent to UCD for rights existing at end of transition period</p>	<p>UK to provide continued protection for UCDs existing at exit day</p> <ul style="list-style-type: none"> <li>• No action required by right owner</li> <li>• Filing dates, claims to earlier priority and UK seniority maintained</li> <li>• Status of existing UCD disputes in UK courts to be determined before exit day</li> </ul> <p>Creation of new unregistered design right in the UK for designs first disclosed in the UK after exit day: “Supplementary unregistered design right”</p> <ul style="list-style-type: none"> <li>• To mirror UCD system</li> </ul>
<p>Geographical Indications (GIs)</p>	<p>UK to establish its own GI scheme Open to UK and non-UK applicants</p>	<p>UK to establish independent UK GI scheme</p> <ul style="list-style-type: none"> <li>• To provide all existing UK GIs (86) with new UK GI status automatically</li> <li>• To broadly mirror current EU regime</li> <li>• Subject to consultation - guidance expected early 2019</li> <li>• UK no longer required to recognise EU GI status but EU producers can apply for UK GI status -no automatic grant</li> <li>• New UK logo expected - GI product producers must prepare for this</li> </ul> <p>Unless agreement reached with EU, UK GI right holders will lose their EU right</p> <ul style="list-style-type: none"> <li>• Onus on UK GI product producers to prepare application to regain EU GI status by showing GI protected in the UK</li> <li>• Consider applying for EU Collective Marks or EU Certification Marks</li> </ul>

IP Right	Deal	No Deal
UK patents, applications; EP applications	Largely unaffected by Brexit	Largely unaffected by Brexit
Supplementary Protection Certificates (SPCs)  Biotech inventions  Compulsory licensing  Exceptions from infringement for pharmaceutical product testing	UK will maintain the current SPC legal framework in the UK once it leaves the EU under the EU (Withdrawal) Act 2018 by ensuring that existing laws will, so far as possible, continue to apply.	Current EU law will be retained in UK law under the EU Withdrawal Act 2018 <ul style="list-style-type: none"> <li>• Existing rights and licences in force in the UK to remain in force after exit day</li> <li>• Existing SPC regime will operate independently from the EU</li> <li>• Pending applications for patents and SPCs assessed on same basis</li> <li>• Existing legal proceedings involving SPCs and compulsory licences continue unaffected</li> <li>• Validity challenges on same grounds as present</li> </ul>
Unitary patent and Unified Patent Court	UK intends to remain in UP and UPC systems. UK exploring options to achieve this	UK may have to withdraw from UPC and UP systems: <ul style="list-style-type: none"> <li>• Existing unitary patents will give rise to automatic equivalent UK patent protection</li> <li>• UP/UPC not available for protection and enforcement of inventions in the UK - file national patents/European patents designating UK</li> <li>• UK businesses can still use UPC and UP system to protect inventions in EU27</li> <li>• UK businesses still subject to litigation based on infringing activities in EU27</li> </ul>
UK copyright works	Protection unchanged	Protection unchanged
EU cross-border mechanisms	<p>Certain cross-border mechanisms cease to apply to the UK from exit day - UK to explore arrangements on IP cooperation with the EU - no detail yet</p> <ul style="list-style-type: none"> <li>• Protection for databases existing at end of transition period</li> </ul>	<p>Cease to apply to the UK from exit day - loss of rights</p> <ul style="list-style-type: none"> <li>• No obligation for EEA states to provide database rights to UK nationals.</li> <li>• Portability Regulation will not apply</li> <li>• Simplified clearance system will not apply to UK-based broadcasters</li> <li>• UK-based institutions may not benefit from exception to infringement for publication of orphan works</li> <li>• UK Collective Management Organisations no power to mandate EEA organisations to provide multi-territorial licensing</li> <li>• Cross-border transfer affected between exit day and ratification of Marrakesh Treaty</li> </ul>



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