THE EFFECT OF BREXIT ON IP IN
THE UNITED KINGDOM AND THE EUROPEAN UNION

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1. Background

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, by a narrow majority, was that the UK should leave the EU (“Brexit”).

The referendum itself had no legal effect, being only an advisory referendum. The UK Government originally intended to trigger the formal withdrawal mechanism [Article 50 of the Lisbon Treaty] by using its Royal Prerogative powers. This plan was challenged in the UK Courts, with the High Court ruling this was not possible [[2016] EWHC 2768 (Admin)]. This decision was upheld by the Supreme Court on 24 January 2017 [[2017] UKSC 5]. This decision also held that the UK’s devolved administrations have no right to be formally involved in the process.

The UK Government has published a Bill [European Union (Notification of Withdrawal) Bill (HC Bill 132)] to give it the power to trigger a notification of withdrawal under Article 50 of the Lisbon Treaty, and this is expected to pass through the UK Parliament, to allow a notification in March 2017. Article 50 requires the UK formally to notify the European Council in order to start the withdrawal process. Article 50 provides for a period of up to two years for the UK and EU to conclude a withdrawal agreement. Absent agreement or extension, requiring unanimity amongst the remaining 27 EU states, the UK’s membership of the EU would cease at the end of the two-year period. The complexity of the negotiations makes withdrawal in less than two years unlikely.

The nature of the future legal relationship between the UK and the EU is not yet known. The initial indication of the relationship was given in a speech delivered by the UK Prime Minister, Theresa May, on 17 January 2017 [PM Speech]. The key elements of this relevant to the IP field are:

- Leaving the European Single Market
- Ending influence of ECJ on the laws of the United Kingdom
- Aiming for free trade with the EU
- Concluding trade agreements with other countries
- Aim for the UK to be the best place for science and innovation
- A smooth and orderly Brexit
The UK Government has recently published a White Paper outlining their policy following the outline given in the speech. The UK Government has also previously indicated that withdrawal from the EU would be given legal effect in the UK by a Great Repeal Act, which would have the effect of transposing necessary EU legislation into UK law to provide a smooth transition and business certainty.

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.

2. IP Rights

The effects of the UK’s withdrawal from the EU will be different for different IP rights. In the following sections, the practical effects are considered 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 database rights, and 8) trade secrets.

2.1 Patents

Patents can be obtained in the UK through the national route or the European route via the European Patent Office (EPO). Both will be unaffected by the UK leaving the EU. Moreover, there will be 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.

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 will change once the UK has left the EU.

2.2 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, normally by a period of not more than five years. Although SPCs are granted nationally (e.g. in the UK by the UKIPO), the legal basis for SPCs comes from EU regulation [Regulation EC 469/2009]. Following Brexit, the present legal basis for SPCs would no longer apply in the UK. Given their commercial importance, it is assumed that the UK will implement a legal mechanism to recognise existing SPCs. It is expected that the necessary acts to allow existing SPCs to continue and for the granting of new SPCs will form part of the Great Repeal Act mentioned above.

Assuming that the post-Brexit UK Government enacts substantially EU-like SPC legislation, it is possible that UK case law on SPCs may over time diverge from that of the Court of Justice of the EU (CJEU).

2.3 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), previously known as a Community
Trade Mark (CTM) – 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.

2.3.1 EU Trade Marks

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. Whether this will be automatic or require affirmative steps, including a possible 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 registration [Section 32(3) UK Trade Marks Act 1994]. 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 remaining EU [Article 51 Council Regulation EC 207/2009].

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. Any transitional provisions for Madrid-based EU designations will likely need to be approved by WIPO.

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, the decisions of the CJEU, including 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.

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 consent [Article 13 Council Regulation EC 207/2009]. It is not known whether, post-Brexit, the 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.
2.3.2 UK Trade Marks

No 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. The relevant EU directives would no longer apply to the UK, potentially allowing more post-Brexit legislative freedom, and UK courts would no longer be bound to interpret UK trade mark law in accordance with rulings of the CJEU. There is therefore a risk to harmonisation.

2.4 Designs

Designs can be protected in the UK by registered and unregistered design rights at both national (UK) level and EU level, or by designating the EUIPO via the Hague Agreement international design system.

2.4.1 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 affirmative steps by the RCD owner. It possible the approach taken by the UK Government to EU Trade Marks and Registered Community Designs may differ, as, unlike in the case of trade marks, the registrability requirements for Registered Community Designs and UK Registered Designs are currently almost identical (however, see comment below about possible changes to safeguard clause).

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 influence of CJEU case law on UK design law would be reduced, potentially leading to gradual divergence as well as affording the UK legislative freedom. Again, there is therefore a risk to harmonisation.

Currently EU law applies the principle of exhaustion to the first sale in the EEA that takes place with the RCD owner’s consent [Article 21 Council Regulation EC 6/2002]. If the UK were 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).

2.4.2 International Designs

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 has already planned to join the Hague Agreement [UK Government response to consultation] and accession is likely to occur in 2017. 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. Any transitional provisions for Hague-based EU designations will likely need to be approved by WIPO, as for Madrid trade marks.

2.4.3 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” [Section 1B(6)(a) Registered Designs Act 1949, as amended]. This safeguard clause would likely be amended at least to include a specific reference to 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.

2.4.4 UK Unregistered Design Rights (UK UDRs)

UK UDRs protects 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 designers [Section 217 Copyright, Designs and Patents Act 1988]. 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.

2.4.5 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 EU [Article 11(1) Council Regulation EC 6/2002] 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 need to re-evaluate their design filing strategy to make increased use of UK design registration.

2.5 Plant Variety Rights

New plant varieties that are distinct, uniform and stable may be protected in the UK by the Community plant variety right, a unitary right covering all member states of the EU [Article 2 Council Regulation EC 2100/94], or by UK plant breeders’ rights (PBR) [The Plant Varieties Act 1997]. 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 EU [Article 82 Council Regulation EC 2100/94].

2.6 Protected Geographical Indications (PGIs)

Specific legal protection is available under EU regulation [Regulation (EU) No 1151/2012] 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 and so would not apply to the UK post-Brexit. 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 UK (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). Such reciprocal systems may arise out of any trade deal struck by the UK and the EU as part of the Article 50 negotiations, as has been seen in other Trade Deals, e.g. CETA.

2.7 Copyright and Database Rights

Copyright in the UK is primarily governed by the Copyright, Designs and Patents Act 1988. There is no EU-unitary copyright. But there are various EU directives and regulations including the InfoSoc Directive, the Software Directive, the Orphan Works Directive, the Resale Right Directive 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 significant differences remaining 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 TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement. As such, it is expected 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 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 Directive [Directive 96/9/EC]. 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.

2.8 Trade Secrets

The common law in England regarding confidential information provides national trade secret rights. There is much detailed case law in this area. A Directive [Directive (EU) 2016/943] has recently been passed that harmonises the law in the EU. It lays down harmonised measures against the unlawful acquisition, use and disclosure of trade secrets. The Directive was published in the Official Journal of the EU in June 2016 and Member States have a maximum of two years to implement the Directive into national law.

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. Therefore, it is unlikely that the UK will specifically 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.

3. Representation

3.1 Patents

3.1.1 EPO

Representation of clients by European patent attorneys based in the UK and having UK nationality at the EPO will not be affected by the UK leaving the EU.

3.1.2 UKIPO

Currently there is no requirement for applicants to use the service of a qualified attorney in front of the UKIPO for any type of right. Each application must state an address for service within the EEA [rule 103, Patent Rules 2007]. There have been submissions from some User organisations to the UKIPO that right of representation should be restricted, especially if the rights of attorneys based in the UK and/or with UK nationality are restricted in the EU after Brexit.
3.2 Trade Marks

3.2.1 EUIPO

Companies and persons from outside the EEA are required to be represented before the EUIPO [Article 92(2) Council Regulation EC 207/2009]. Post-Brexit, this would require UK companies to be represented by a professional representative before the EUIPO.

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 business [Article 93(2) Council Regulation EC 207/2009]. Thus, representatives based in the UK would lose their current rights, in the absence of any new agreement.

3.2.2 UKIPO

Currently there is no requirement for applicants to use the service of a qualified attorney in front of the UKIPO for any type of right. Each application must state an address for service within the EEA [rule 11, Trade Mark Rules 2008]. There have been submissions from some User organisations to the UKIPO that right of representation should be restricted, especially if the rights of attorneys based in the UK and/or with UK nationality are restricted in the EU after Brexit.

3.3 Designs

3.3.1 EUIPO

Companies and persons from outside the EU are required to be represented before the EUIPO [Article 77(2) Council Regulation EC 6/2002]. Post-Brexit, this would require UK companies to be represented by a professional representative before the EUIPO.

Professional representatives before the EUIPO in design matters are required to satisfy a triple requirement of EU nationality, place of qualification and place of business [Article 78(4) Council Regulation EC 6/2002] (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 matters [Article 78(1)(b) Council Regulation EC 6/2002]. Representatives based in the UK would lose their current rights, in the absence of any new agreement.

3.3.2 UKIPO

Currently there is no requirement for applicants to use the service of a qualified attorney in front of the UKIPO for any type of right. Each application must state an address for service within the EEA [rule 42, The Registered Design Rules 2006]. There have been submissions from some User organisations to the UKIPO that right of representation should be restricted, especially if the rights of attorneys based in the UK and/or with UK nationality are restricted in the EU after Brexit.
4. Unitary Patent and Unified Patent Court

4.1 The system

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. The UP regulations and UPC agreement are based on the EU enhanced cooperation procedure; the UP and UPC are only open to EU member states [Article 84 UPC Agreement]. Therefore it is likely the UK will not be able to participate in the UP or UPC after leaving the EU.

The practical preparations for the implementation of the UPC and UP are continuing, still with the aim of opening the UPC for business in 2017. More information can be found on the website of the Preparatory Committee (www.unified-patent-court.org).

The UK is one of the three mandatory ratification states – France and Germany being the others – of the UPC agreement [Article 89(1) UPC Agreement]. In November 2016, the UK Government announced it will ratify the agreement (Press Release). The German government is also working towards ratification - the relevant legislation is in front of the Bundestag. France has already ratified, and so have sufficient states for it to come into force once the UK and Germany ratify.

There are essentially three ways forward:

In the first possibility, both the UK and Germany will ratify the UPC agreement to allow the system to come into effect. The UK would then 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 then be relocated to the territory of an EU member state. Under this “join then leave” scenario, the UPC could in theory open for business in 2017. As with EUTMs and RCDs discussed above, it is assumed that any Unitary Patents already in force at that time would be recognised or converted into UK national patents under transitional provisions enacted when the UK withdraws from the EU.

A second possibility is that the UK and/or Germany do not ratify the UPC agreement before the UK leaves the EU. Without any amendment between the remaining agreement members, the agreement cannot then come into force until the UK leaves. Thus, it is likely the UP and UPC could eventually come into effect without the UK, albeit with significant delay.

A third possibility that has been suggested is that the UK and Germany could ratify the UPC agreement to allow the system to come into effect, and then the UK looks to remain within the UPC system, and possibly even the Unitary Patent System. For the UK to remain with the Unitary Patent System, this would likely need to be legislated in the UK-EU “Brexit Treaty”. Various options for how the UK could remain in the UPC system have been proposed, but these currently appear very speculative.

Under the first and second possibilities discussed above, Brexit would reduce the size of the market covered by the UP. However, even without the UK’s participation, some users may welcome the UP and UPC as developments that would lower the cost of multi-jurisdiction patent litigation in Europe and permit litigation to be conducted in the English language.
It remains to be seen whether the UP renewal fees or UPC court fees will be adjusted to take into account the loss of coverage of the UK market. The currently proposed renewal fees for the UP are based on a “true top 4” analysis, which assumes participation by the UK. Companies intending to validate their European patents in four or fewer countries, including the UK, may view the ongoing renewal cost of the UP as unattractive. (Potential translation savings would be minimal if the chosen countries are contracting parties to the London Agreement.)

4.2 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 qualification [Article 48 of the Agreement on a Unified Patent Court]. This would include the majority of UK-based European patent attorneys even after the UK leaves the EU.

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