

BREXIT - WHAT IP ISSUES TO CONSIDER NOW

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Legal Briefings - By **Rachel Montagnon, Joel Smith** and **Sebastian Moore**

We set out our thoughts and predictions upon how protection and enforcement of IP in the UK may be impacted once Brexit arrives. We have also suggested some immediate action points for consideration in the weeks or months to come, prior to Brexit, to ensure that your business is best protected prior to any changes.

- **English law will remain the dominant governing law for commercial contracts (including licence agreements):** English law will largely be unaffected by whether the UK remains part of the EU or not. It will continue to be selected by businesses for certainty as the choice of law for many commercial arrangements.
- **The English Courts will remain a centre of excellence for determining disputes and will remain a popular forum for high value and complex patent disputes, particularly in the pharmaceuticals and telecoms fields:** This is given the quality of the judges and robustness of the process, as well as the innovations the courts have been developing, such as: trial within 12 months as part of the shorter trial scheme and costs are kept in check through budgeting. The UK will remain competitive on all fronts whether inside or outside of the EU. UK court judgments are likely to remain enforceable within the EU (and enforcement outside the EU will not be affected).
- **Existing law is unchanged:** We can expect that, whatever future relationship the UK has with the rest of the EU, the UK will provide for existing law to remain in place, save where there is a requirement for specific legislation to change something. The effect of the Great Repeal Bill, when enacted, will mean that any existing intellectual property (IP) law having effect in the UK will continue to apply as it did at the date of Brexit, although it will be for the UK Government to adapt or amend it subsequently. That means that IP law will continue to contain all of the concepts implemented from EU Directives or applicable from EU Regulations, whether introduced to harmonise the law of Member

States (e.g. copyright under the Information Society Directive) or to introduce novel rights (such as protection of databases through database rights).

- **Pan-European enforcement strategies remain important:** Current or future pan-European patent litigation strategy will still involve multiple courts and supra-national management of disputes, even with the UPC going ahead (see our [ebulletin](#)) since at least 3 EU Member States will not be taking part (Spain, Poland and Croatia) and once the UK leaves the EU it may well be forced out of the UPC system, even if it is currently planning to take part in it while still in the EU. The UPC has advantages (central enforcement) and disadvantages (central revocation) for patentees and their competitors alike. It will be critical to have advisers who are expert in handling multiple cross-border disputes and managing local lawyers in jurisdictions within Europe or beyond. This will equally be true in relation to trade mark litigation which will become multijurisdictional where the UK is involved. Copyright litigation is already a matter to be resolved in each national jurisdiction and so these considerations will continue in relation to this area too.
- **European Patents, the Unitary Patent and the Unified Patent Court:** UK designated European patents will continue to apply in the UK and to be applied for at the EPO. However, once it leaves the EU, the UK will no longer be able to participate in the new UP and is unlikely to be able to continue as part of the UPC system (although see the Counsel's Opinion sought by the IPLA (of which Herbert Smith Freehills is a member) and our commentary on it [here](#)). As mentioned above, it is worth noting that Spain had decided not to take part in the UPC and UP system. Assuming that the UPC does go live in 2017, UK businesses with UPs and EPs will still be able to use the UPC for enforcement in other EU participating countries. However given these concerns and concerns at how the UPC will operate in the early years, some patent proprietors will choose to opt-out their European patents from the UPC system. As a result, business is still likely to pursue litigation in countries across Europe (including the UK) outside of the UPC system. For more information on considerations for opt-out see the [Jurisdiction and "opt-out"](#) page of our [UPC and UPC Hub](#) (www.hsf.com/upc) and our article "[What should influence your decision to opt-out of the UPC?](#)" published in *Managing Intellectual Property Magazine*.

For more on the [impact of the UPC and UP on patent portfolios and licensing](#), see our UPC and UP Hub pages [here](#). We have published an article on the impact of the UP and the UPC on the management of patent applications, patent portfolios in general and licensing in particular in PLC Magazine entitled "[The New Unitary Patent Regime - Prepare and Protect your Portfolio](#)" available as a pdf from this link and also on [Practical Law](#).

- **Supplementary Protection Certificates:** Supplementary Protection Certificates (SPCs) are UK national rights granted by the IPO under rules determined by an EU Regulation. It is anticipated that the Great Repeal Bill once enacted will have the effect that all EU law applying to the UK at the day before Brexit as UK law going forward unless and until this is changed by the government or Parliament. This will mean that

SPCs can continue and can be granted by the IPO post-Brexit, although transitional arrangements are expected.

- **Trade Secrets:** The Trade Secrets Directive adopted recently is due to be implemented into national law across EU Member States by 5 July 2018. Although the proposed changes required are minimal for the UK, the UK may still decide to implement the Directive before 2018, to ensure a strong, harmonised playing field for protecting innovation and investment across Europe. This would ensure certainty and consistency of approach in the way businesses are able to respond to the challenges of safeguarding their critical trade secrets. For more on the impact of this new Directive for anyone with businesses functioning across Europe see our Editorial for the Journal of Intellectual Property Law and Practice "[The Trade Secrets Directive – consistency of approach required, with or without Brexit](#)".
- **Plant breeders' rights:** Whilst the UK system is similar in approach to the EU system, the EU Regulation will cease to apply to the UK. Whatever the effect of the Great Repeal Act, it would be desirable that express provision is made by UK legislation to provide an equivalent plant breeders' right in the UK for the variety, with the same priority date and term as the Community plant variety right.
- **Trade marks:** EU trade marks (EUTM) will no longer cover the UK post-Brexit since their effect is determined by the territory of the EU. In order to maintain the status quo in relation to EU-wide rights such as EUTMs, it is expected that provision will be made to provide an equivalent right in the UK with the same specification, priority date and term as the EU level right previously. This would be a better solution than requiring proprietors to convert their EUTMs into a collection of national rights across the EU. Various options are proposed – to convert all EUTMs into national UK trade marks at the point of Brexit (which may risk cluttering the register and allowing some marks which would not normally have been allowed on the UK register) or to recognise the EU marks in the UK and convert them into UK marks by application from the proprietor at the next point of renewal (if no UK application is required then they would then lapse in effect in the UK). The main concerns of trade mark owners are that new criteria might be applied to an already valid trade mark right in the UK on any conversion and that their marks might be put at risk by the process. Further any hiatus in protection could lead to the intervention of local rights of prior use which might damage the effectiveness of any new UK registration.

Due to the uncertainty about the approach that will be taken, trade mark proprietors should consider in the meantime supplementing their protection by applying for UK national trade marks for their key brands.

- **Geographical Indications:** Post-Brexit, EU GIs will no longer have effect in the UK and UK related GIs will no longer be able to be applied for in the EU. Current rights within the

UK held in relation to non-UK geographical areas will either need to be negotiated to continue until expiry (with no new applications) via a transitional period or will need fresh legislation to provide the equivalent right in the UK. UK GIs will need local protection in the UK (above and beyond passing off) and will require new legislation. Some form of reciprocal recognition will be necessary for UK and EU GIs to function effectively in a European market.

- **Designs:** Provision will need to be made for the recognition of Community Registered Designs in a similar way to that for EU trade marks. Many design owners will have already protected their designs using UK registered design as well and so should have equivalent protection in the UK in any case (since the Community and national registered design systems have been harmonised and offer the same level of protection). However, if a UK registered design has not been applied for and protection is solely via Community level rights then the proprietor will have difficulty registering a UK equivalent right if the product has been on the market for more than 12 months as it would fail the novelty requirements. Thus the doubling up of registrations recommended in the period prior to Brexit for trade marks does not work so easily for registered designs.

Protection via Community unregistered design arises automatically on first marketing in the EU. This may mean that product launches are located in the EU (and not in the UK) post-Brexit, which may have implications for industries that rely on this short term right such as fashion. There will be protection offered by the UK's own unregistered design right, which pre-dates the introduction of the Community unregistered design right, but has slightly different levels of protection: UK unregistered design protects the shape or configuration of a design does not protect surface decoration whereas the Community unregistered design protects aspects of the whole or part of a 3D or 2D design. UK unregistered design also arises automatically but lasts longer than the Community version (15 years vs 3 years). The simplest solution would be for the UK to create an equivalent right in the UK.

- **Data privacy:** The General Data Protection Regulation will come into force on 25 May 2018, just at a time when the UK may cease to be a part of the EU. However, the ICO's view is that the GDPR will remain important for UK businesses operating across the EU and it is possible that many of the changes contemplated will be enacted at a national level, irrespective of the UK's future relationship with the EU.
- **Labelling:** products will still need to comply with CE-marking and other specific regulations, where their intended market is within the EU. We can expect UK regulations to continue to mirror EU-counterparts in order to ensure easy access to other EU markets.
- **Territory:** Licences and other IP agreements using territory references such as EU or EEA will need review to ensure that the UK continues to be covered and future contracts being entered into will need thought as to their intended future coverage.

- **Definition of "intellectual property":** This may need to be revisited to check that it covers all "new" provisions put in place to cover rights previously held on an EU-wide basis.
- **Exhaustion of rights:** The rule that goods placed on the market on one part of the EU cannot be prevented from circulating freely within the EU and hence IP rights cannot be used to prevent the movement of goods across EU internal borders, would fall away in relation to the new UK/EU border and the use of seizure procedures via Customs and Excise may thus come to the forefront, unless such free movement of goods provisions are retained in any future relationship between the UK and rest of the EU. This may have a big impact upon parallel imports from the EU into the UK, particularly in the pharmaceuticals, technology and FMCG sectors where parallel imports are widespread.
- **Technology licences:** The EU technology transfer block exemption legislation has been used as a framework to draft technology licences concerning licensing technology and other IP within the EU. This provides guidance on what restraints may be allowed by competition law and what may not. However, these will remain relevant to any business wishing to operate across Europe on a uniform basis. Equally, businesses will still be subject to EU competition law, whether they have operations within the EU or the effect of the licensing arrangement may impact EU trade.

What to do now:

- Identify and review licences and other IP agreements which are intended to cover the EU, particularly for references to the EU and confirm that these will continue to be appropriate and cover the UK, post-Brexit. For guidance, see our article published in PLC Magazine on preparing your patent portfolio for the advent of the UPC and the UP: [The New Unitary Patent Regime – Prepare and Protect your Portfolio](#).
- Register national UK rights in parallel to your current EU-wide rights (e.g. UK trade marks, UK registered designs and UK plant breeders' rights)
- Continue to file national or European patents designating the UK
- Review the decision ahead whether to opt-out EPs from the UPC system (see our article [What should influence your decision to opt-out of the UPC?](#) published in Managing Intellectual Property Magazine)
- Get up to speed with the new UPC/UP system via our [UPC and UPC Hub \(www.hsf.com/upc\)](#)

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KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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