

## Update on the UPC since the 'Brexit' Vote

### 16 March 2017 by Redd Solicitors

In our report on 28 June 2016 (see below), we indicated that the 'Brexit' vote had cast a rather large cloud over the future of the UPC. However, over the last few months, the prospects of the pan-European patent system, and the UK's participation in it, are looking up.

On 28 November 2016, the then UK Minister of State for Intellectual Property, Baroness Neville Rolfe, somewhat surprisingly announced that the UK Government was proceeding with preparations to ratify the UPC Agreement and would be working with the Preparatory Committee to bring the UPC into operation as soon as possible. Since then, Jo Johnson, who took over responsibility for IP in January of this year has confirmed the Government's plans and explained that the Government considers it important that the UK participates in the UPC, as it has value to UK inventors and businesses and that the UK wants to be there at its creation.

Since these announcements, the Government appears to be moving forward with preparations for the UPC at 'full steam ahead': the UK has signed the Protocol on Privileges and Immunities of the UPC, which is a necessary step for the UPC to operate in London and its judges to carry out their activities, and the process has already begun to implement this into UK law. The current expectation is that the UK should be in a position to ratify the UPC Agreement by the end of April 2017. Once Germany has also ratified the Agreement (which is expected to be around the same time as the UK), and both countries have deposited their instruments of ratification, the Provisional Application Phase can start. The UPC Preparatory Committee is working on the assumption that this phase will start by the end of spring 2017, with the 'sunrise period' starting in September 2017 and the Court becoming operational in December 2017.

So, the UPC is looking increasingly like a reality. However, it is not clear how long it will be a reality for the UK, as what will happen after Brexit takes effect is still unknown. In September 2016, Richard Gordon QC and Tom Pascoe provided an opinion for the IP Federation, CIPA and IPLA in which they expressed the view that it would be legally possible for the UK to remain in the UPC system post-Brexit, but that in order to do so it seems that a new agreement for the UK would be necessary, the UPC Agreement itself would require amendment and the UK would also need to accept the primacy of EU law (which is to be applied by the UPC) and the ultimate authority of the CJEU on matters of Union law, which might cause some political issues. On the other hand, others have suggested that the fact that the UPC Agreement does not contain a clause for denunciation once a state has become a participant in the UPC system (i.e. a clause dealing with withdrawal), might present a 'block' to a UK exit, even once the UK is no longer an EU member state. The UK Government has not publicly engaged with any of these issues so far, but instead has said that the UK's continuing participation will just "*form part of the Brexit negotiations*" and has stressed that "*the decision to proceed with ratification should not be seen as pre-empting the UK's objectives or position in the forthcoming*

*negotiations with the EU".*

In the short term, at least, it therefore appears that progress towards the UPC remains 'on track' and that the UK will participate in the system from the outset. However, the UK's continued participation post-Brexit remains somewhat uncertain and will no doubt be dependent on the approach to the UK forthcoming exit negotiations.

\*\*\*\*\* PREVIOUS POST BELOW \*\*\*\*\*

The Impact of the 'Brexit' Vote on Intellectual Property

**28 June 2016 by Redd Solicitors**

On 23 June 2016, the UK voted to leave the European Union, by a majority vote of 51.9% to 48.1%. There has been a great deal of comment and speculation about the impact that a so-called 'Brexit' will have on business generally and in particular (of relevance to our clients) on intellectual property.

The implications of Brexit, and whether and how it will actually happen, will remain uncertain for some time, while the UK Government and the other EU Member States work out their respective positions following the vote. We will be considering and analysing the impact on IP rights owners and users over the months to come, and will be happy to answer any specific questions that you may have. For now, we have tried to answer some of the most immediate questions that arise, based on the information that we have so far.

**When will the UK leave the EU?**

The UK is still a member of the EU. It is not yet clear when Brexit will take place, but it is unlikely to be before 2018. The UK first has to formally notify the European Council of its intention to leave, which will trigger the start of the formal exit negotiations. These negotiations can last for up to two years, subject to the other Member States all agreeing to an extension. David Cameron is stepping down as Prime Minister and has said that he will leave the decision to start the formal exit process to his successor, who is likely to be in post by the autumn.

There is no precedent for a country leaving the EU, but many commentators believe that it will be a slow process and will take far longer than two years.

**What happens in the meantime, and how will this affect IP rights?**

The UK legislative framework for IP incorporates many EU Regulations and Directives. These EU laws still apply in the UK, and will continue to do so until the UK officially leaves the EU. So, in the immediate term, nothing has changed.

**TRADE MARKS**

**How will EU trade marks (EUTMs) be dealt with post-Brexit?**

Until the UK leaves the EU, EUTMs still have full force and effect across the UK as well as the other – currently 27 – Member States of the EU.

However, once the UK formally leaves the EU, newly filed EUTMs will no longer cover the UK, so it will be necessary to file separate national UK trade marks, unless a special extension arrangement is made as part of the Brexit deal.

It is not clear at this stage exactly what will happen to the "UK part" of any existing EUTMs, but we expect that arrangements will be put in place to ensure the continued protection or extension of existing EUTMs to the UK. The precise mechanism (including the associated costs) for this is unclear, but possibilities include a right to extend the EUTM to cover the UK or to re-designate the 'UK part' of an EUTM as a UK national mark, whilst retaining priority.

### **What about International Registrations (IRs)?**

We expect IRs to be dealt with in a similar way to EUTMs generally, in that IRs designating the EU would be able to turn into IRs designating both the remaining EU and the UK. However, there is a tricky issue when it comes to IRs which relied on EUTMs as their base registration, where the basis for doing so was that the proprietor had a place of business in the UK (then being part of the EU). We will be considering this point further with clients who may be affected.

### **What are the main issues that will arise from 'splitting' off the UK element of EUTMs?**

A number of issues will need to be addressed by the EU and UK legislators when deciding how the UK part of an EUTM will be 'spun off' from the remaining EUTM following Brexit. These include the following, by way of example:

**Revocation for non-use:** The EUTM Regulation provides that an EUTM can be revoked where there has been no genuine use of the mark in the EU for a continuous period of five years and there are no proper reasons for non-use. It is not clear how this genuine use requirement will be applied to an EUTM following Brexit where an EUTM has only ever been used in the UK, or how it will be applied to a UK 'spin-off' from an EUTM, if the EUTM had only ever been used in Member States other than the UK. These are questions to which no one knows the answer, but we suspect that the EUIPO and UK courts will seek to achieve fairness to brand owners, perhaps by allowing use of a mark in the EU during the period when the UK was still a member of the EU to count as use for both the UK spin-off and the remaining part of the EUTM. However, details would need to be worked out.

**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 an EUTM, 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). Once the UK formally leaves the EU, unless the Brexit deal provides that the UK will become an EEA member or some other bilateral arrangement for the free movement of goods, the principle of exhaustion of rights will not apply to goods put on the market in the UK, and so an EUTM proprietor will be able to prevent goods first put on the market in the UK from being resold in the EU, and *vice versa*, unless the UK reverts to its former doctrine of international exhaustion.

**Pan-EU injunctions:** In theory, once the UK leaves the EU, the courts in the UK will only have jurisdiction to grant injunctions and damages awards in relation to infringing activities within the UK; and pan-European injunctions by national EUTM courts elsewhere will no longer cover the UK. Accordingly, following the UK's exit from the EU, an EUTM owner may need to bring two sets of proceedings where an infringement is occurring in one or more EU Member States and in the UK.

It is unclear what will happen in cases where a national EUTM court has already granted an injunction prohibiting infringing activities across the EU. EUTM owners who are affected by this issue should review any relevant court order and consider and obtain advice on its precise terms. The key questions will be whether an injunction granted by a UK court will

still be recognised in the rest of the EU, or whether one granted in another EU member state will be recognised in the UK, and – in either case – whether the uncertainty matters in the particular circumstances of the case.

It is possible that some sort of reciprocal arrangement may be set up whereby something close to the current system of pan-EU relief may be available in respect of equivalent EU and UK trade marks, but the details of this would need to be worked out and it would no doubt depend on the UK deciding to adopt and follow judgments of the Court of Justice of the EU (CJEU).

**Customs:** the Customs Regulation will continue to have effect in the UK until the UK leaves the EU. At that stage, there may need to be some specific UK legislation to replace the Customs Regulation and a phase of converting the 'UK part' of existing pan-EU customs notices to UK national notices. In the meantime, pan-EU notices can continue to be filed for pan-EU rights, or UK national notices may also be filed.

### **Do you need to file UKTM applications going forwards?**

Once the UK formally leaves the EU, applicants who want protection in the UK will need to file national applications, unless a special extension arrangement is made as part of the Brexit deal. However, until then, you can keep on filing EUTMs, as normal. If the UK is a particularly important jurisdiction for you, then we would be happy to discuss with you whether there might be any advantage in filing UK national marks in addition.

## **DESIGNS**

### **Do Community designs still cover the UK?**

As with EUTMs, until the UK leaves the EU, Community designs will still have full force and effect across the UK. But once the UK formally leaves the EU, newly filed registered Community designs will no longer cover the UK, unless a special extension arrangement is made as part of the 'Brexit' deal.

Many of the issues raised above in relation to EUTMs would apply to registered Community designs. For example, we expect that provisions will be introduced to govern what will happen to the "UK part" of any existing registered Community design and, ultimately, we expect that there will be some provision for an existing registered Community design to be converted to the equivalent national UK registered design right, whilst retaining the right to priority. However, the precise mechanism for doing so is currently unclear.

### **Do you need to file UK registered design applications going forwards?**

As with trade marks, once the UK formally leaves the EU, applicants who want registered design protection in the UK will need to file national applications, unless a special extension arrangement is made as part of the Brexit deal. Until then, you can keep applying for Community registered designs, as normal.

However, given differences in the EU and UK design systems, and independent of the issue of a Brexit, it may be beneficial to file for UK registered design protection, distinct from any Community right, in any event.

### **What about unregistered design rights?**

Designs can currently be protected in the UK by unregistered Community design rights, and this position will not change until the UK leaves the EU.

Once the UK formally leaves the EU, transitional provisions will have to be implemented if unregistered Community designs are to be given equivalent protection in the UK for the remainder of their term. However, given that a separate UK unregistered design right system already exists (albeit different in scope), this might reduce the incentive of the legislature to do so.

## **PATENTS**

### **What is the impact on European patents which designate the UK?**

European Patents designating the UK will be unaffected.

The European Patent Organisation (the intergovernmental organisation that was set up in the 1970s on the basis of the European Patent Convention) is not an EU organisation and the UK will continue to be a member, like other non-EU countries such as Norway and Switzerland. Consequently, even after the UK has left the EU, European patents designating the UK will remain in force, and new European patents designating the UK can be applied for.

### **What about the Unitary Patent and the Unified Patent Court?**

The UK was expected shortly to ratify the Agreement on the Unified Patent Court, a key step in the Unitary Patent and the UPC becoming a reality. As things currently stand, the UK cannot participate in the UPC if it is not in the EU, and the Unitary Patent will not cover the UK.

However, in theory, for as long as the UK remains an EU member, it could ratify the UPC and enable the new system to evolve on its current timetable, with the UPC opening its doors some time in 2017 and the UK withdrawing at a later date. The London branch of the Central Division could even open its doors and commence business. However, these options may be politically and/or practically unattractive.

If the UK chooses to step out of the UPC now by making a decision that it will not ratify, the other participants could seek to negotiate an amended agreement so that the system can go ahead without the UK's involvement. This would require a re-allocation of the chamber of the Central Division that was to be hosted by the UK (chemistry and human necessities). Inevitably, there would be a period of delay while the new arrangements are made.

Alternatively, the UPC may now fall at one of the last hurdles and meet a similar fate to previous attempts to create a pan-European forum for patent litigation. The Unitary Patent will be less attractive if it does not cover one of Europe's largest economies; one that is traditionally considered to be a key jurisdiction for patent protection. Patent holders will still need to litigate strategically important patent battles in the UK and "pan-European" relief that does not cover the UK will inevitably be less of a lure into the new system. UK-qualified patent specialists, including our highly experienced and respected judges, will not be able to sit in the UPC – many considered that they would play an important role in shaping the new system. The combination of these (and other) factors may sound the death knell for the UPC in its current form.

If the UPC does fall by the wayside because of Brexit, it may be resuscitated as a system also covering non-EU states. There would inevitably be a significant period of delay to achieve this.

### **How will Supplementary Protection Certificates be affected?**

SPCs are important rights, extending the life of patents in the pharmaceutical industry to compensate for the time taken to jump regulatory hurdles before getting to market. The pharmaceutical industry is a significant and important player in the UK.

Although SPCs are administered by national patent offices, they are European rights governed by an EU Regulation. That Regulation will cease to have effect when the UK leaves the EU and the UK will need to put in place its own national legislation to replace it. This may provide an opportunity for the UK to develop a system without the difficulties that have been encountered with the current EU Regulation, that have led to numerous referrals to the CJEU. It might also enable the UK to forge a new body of national SPC case-law, unencumbered by the decisions of the CJEU.

### **GEOGRAPHICAL INDICATIONS**

Until the UK leaves the EU, the EU's pan-European system of protection for geographical indications (GIs) and protected designations of origin (PDOs) will still have full force and effect across the UK. So UK GIs and PDOs will continue to enjoy pan-EU protection, just as GIs and PDOs of other EU Member States and GIs and PDOs of non-EU countries that are registered with the EU systems will continue to enjoy such protection in the UK.

The relevant Regulations will cease to have effect when the UK leaves the EU and the UK will need to put in place its own national legislation to replace them. The UK did not formally protect geographical indications other than through extended passing off or some specific legislation prior to the EU Regulations coming into force. The UK will need to comply with the relevant provisions of TRIPS with whatever protection it confers. The simplest method might be to adopt a similar system of *sui generis* registered protection equivalent to the EU's pan-European system, in which case many of the issues raised elsewhere in this note above in relation to EUTMs might apply. We expect that the UK Government will consult on such matters before finalising its plans.

### **COPYRIGHT**

Copyright exists on a national basis within the EU and so UK copyright will continue unaffected pursuant to national legislation. However, copyright law is harmonised to some degree across the EU by a number of directives, and so the extent to which the UK courts will continue to follow these directives is unclear, and this may result in some uncertainty for rights owners in the months and years to come. However, ultimately, the UK courts will no doubt continue to look towards the Berne Convention and Universal Copyright Convention for guidance, which should limit any substantial divergence of UK law from that in the rest of the EU.

### **DOMAIN NAMES**

UK-based individuals and companies that own .com, .net, co.uk or .uk domain names should not be affected by Brexit.

However, holders of .eu domain names might well be. This is because .eu domain names can only be registered by individuals who are residents of, or businesses that are established in, the EEA. Therefore, once the UK formally leaves the EU, unless the exit deal agrees that the UK becomes an EEA member, then many UK businesses may not remain qualified to hold a .eu domain name. This will ultimately be an issue for the European Commission to decide upon.

### **OTHER LEGAL ISSUES**

**Will UK law diverge from that in the rest of the EU?**

A significant amount of UK law is derived from EU law, particularly in the sphere of IP. EU Regulations are directly applicable in the UK, and EU Directives are enforceable once they have been implemented into UK law and are interpreted in accordance with guidance from the CJEU. Once the UK formally leaves the EU, where EU legislation has not been implemented directly into UK national law, it will, in theory, no longer be applicable to the UK. However, the extent to which this is the case will depend on what form of exit deal is negotiated and how the UK Government decides to proceed.

UK law is tightly interwoven with EU law, and it would take the UK legislature a significant time to review and amend all legislation relating to the EU. IP is unlikely to be at the top of the legislature's agenda and so, in the short term period after the UK leaves the EU, Brexit may have little impact on UK IP law. Further, and in any event, large swathes of IP law have been harmonised across the EU over the last few decades. As a result, UK national laws in the field of IP are relatively consistent with the laws of all other EU countries and this is likely to remain the case for some time yet. However, in the longer term, UK IP law is likely to diverge from EU law, as UK legislation gets amended and as the UK judges interpret the law without the obligation to follow rulings from the CJEU.

### **What are the implications of Brexit on commercial agreements?**

Until the UK formally leaves the EU, as is the case with EU IP rights discussed above, there will be no *legal* impact on any existing commercial agreements already in place prior to the 23 June referendum. In that sense, it is still "business as usual" for the time being.

However, whilst the final post-Brexit landscape is unlikely to be known for some time, it would be prudent to begin an audit of all important commercial agreements now in order to identify how certain fundamental terms and provisions may be impacted or need to be varied in anticipation of the UK leaving the EU.

Key provisions to look out for in existing agreements, as well as to give thought to in any new contractual relationships going forward, will include:

**Territory** – careful consideration should be given to any definition of "the EU" or "the United Kingdom", including how each of these geographical territories may or may not change further in the future. The impact of these changes on specific provisions, such as licence grants or non-compete provisions, also needs to be considered. References to and the **application of EU legislation and/or regulation** will need to be assessed and possibly reconsidered depending on the nature and subject matter of the agreement, as well as the relevant parties to it. Examples include the impact of EU competition law rules and data protection regulation, as well as sector-specific regulation such as those relating to sales agents or medicinal products. **Choice of law and jurisdiction** – once the UK exits the EU, current rules on jurisdiction over both contractual and non-contractual disputes between EU contracting parties will cease to apply, so the need for clear express contractual agreement will be all the more important.

### **Conclusion**

The UK is currently still a member of the EU and so, in the immediate term, IP rights are unaffected.

The formal process of the UK leaving the EU has not yet started. Further, when it does so, it is likely to take at least two years to negotiate an exit, and possibly significantly longer than that.

The longer term implications of Brexit are at present largely unclear and are likely to

depend heavily on the nature of any exit deal that is negotiated by the UK Government. However, it seems likely that the UK will be excluded from all pan-European IP rights systems. We would expect that appropriate transitional provisions will be included to help IP proprietors adjust to any new regime, and the UK Government generally has a good track record for ensuring that changes in IP legislation do indeed provide for this.

The IP profession will be closely monitoring the progress of the Brexit discussions as they relate to IP rights. Many of our lawyers take an active role in a number of the IP committees which will no doubt get involved in the process, to ensure that any Brexit deal is fair to IP rights holders and is workable going forward.

Despite the large amount of uncertainty that Brexit poses, there are things that companies can be doing now, and before any Brexit is implemented. In particular, it would be prudent to conduct an audit of your entire IP portfolio, to identify at an early stage which of your rights may be affected and discuss with your advisers whether further protection should be sought at this stage. Further, it would be advisable to review all important commercial agreements to identify how any fundamental terms and provisions may be impacted and whether any changes or variations might be required once the UK exits the EU.