

Brexit: what might change

Intellectual Property

Introduction

On 23 June 2016 the UK population voted for the UK's exit from the European Union (EU). The applicable exit procedure and certain possible legal consequences of Brexit for Intellectual Property will be discussed below in the form of a Q&A.

In the short term, we do not identify material changes for the legal practice. The European law and regulations will remain in force until the negotiations between the EU and the UK have been completed and the withdrawal procedure has come to an end. To which extent European law and regulations will also apply following the UK's exit from the EU, will largely depend on the outcome of the negotiations. One of the fundamentals of the EU is the internal market, allowing for the free movement of goods, services, workers and capital (Internal Market). In this context we note that in January 2017, Prime Minister May announced that the UK will opt for a "hard Brexit", meaning that the UK will no longer maintain membership of the Internal Market, nor accede to any associated status. Instead, the UK will seek a free-trade deal with the EU outside the Internal Market.

Brexit – background

Since 2007 (Treaty of Lisbon), the EU Treaty offers a Member State an explicit legal basis to leave the EU (Article 50 TEU). Pursuant to Article 50(2) TEU, the UK can start the exit procedure by giving notice to the European Council. The exit agreement will be concluded on behalf of the EU by the Council¹, acting upon a qualified majority² and after having obtained the consent of the European Parliament. The agreement must set out the arrangements for the UK's exit and take account of the framework for the UK's future relationship with the EU. The UK cannot participate in the relevant discussions or decisions of the European Council or Council.

The EU Treaties cease to apply to the UK from the date of entry into force of the exit agreement or, if there is no such agreement, 2 years after the date of notice under Article 50 TEU, unless the European Council, in agreement with the UK, unanimously decides to extend this period. The exit procedure has never been called for and the way forward is full of uncertainties. Apart from Article 50 TEU, no further provisions or guidelines apply.

1 The Council consists of a representative of each Member State at ministerial level, who may bind the government of the Member State in question and cast its vote (Article 16 TEU).

2 The qualified majority shall be defined as at least 72 % of the members of the Council representing the participating Member States, comprising at least 65 % of the population of these States (Article 238(3)(b) TFEU).

Intellectual property is an important asset of any business. Obtaining and maintaining adequate intellectual property protection at national, European and international level, and being aware of possible conflicts with third parties' intellectual property rights, are key elements of a long term business strategy.

Within the EU, most intellectual property rights have been unified or harmonised to a certain extent, and offer EU-wide protection. In this section, we provide an overview of the main challenges caused by Brexit in the field of intellectual property.

Q&A - Intellectual Property

How will Brexit impact my existing IP portfolio?

There is no immediate risk of loss of existing IP rights in the UK. They remain valid in the UK throughout the two-year transition period during which the Brexit negotiations will take place. After this transition period, and depending on the outcome of the negotiations, the following considerations should be taken into account:

(i) Trademarks

The current European trademark system is a dual system: EU trademarks coexist with the national trademark regimes of the different EU Member States (resulting from an EU Harmonisation Directive).

EU trademarks can be obtained through a single application made to the EU Intellectual Property Office in Alicante. Once registered, an EU trademark provides protection in all EU Member States. Likewise, if the trademark is considered invalid in any one of the EU Member States, such invalidity will extend to the entire territory of the EU. Any third party may oppose an EU trademark application based on an earlier national trademark registered in one of the EU Member States. If successful, the registration of the EU trademark will automatically be refused for the entire EU.

After a formal exit from the EU, existing EU trademark registrations will no longer include protection in the UK. The effects of an EU trademark will thus cease to cover the UK.

Although this will depend on the outcome of negotiations between the UK and the EU, and is thus still uncertain, a transition procedure will most probably be put in place whereby owners of existing EU trademark registrations can opt to convert the 'UK part' of their existing registrations into separate UK national trademarks, maintaining their priority/registration date. Any such conversion will involve a certain administrative burden, and may be subject to the payment of additional registration costs. In order to mitigate this uncertainty, companies with valuable brands may already be considering filing for national UK trademarks today to supplement their IP portfolio.

In addition, businesses should be aware that, as a result of the UK no longer being subject to mandatory implementation of the EU Trademark Harmonisation Directive (if it decides not to join the EEA), current convergence between the EU and UK trademark systems (in terms of substantive requirements, scope of protection, grounds for opposition, invalidity or infringement, etc., and the uniform interpretation thereof by the EU Court of Justice) may decrease in the future. If the UK were to decide to join the EEA, the Trademark Harmonisation Directive will, however, remain applicable to the UK, in which case national divergence is expected to be limited.

(ii) Designs

For (registered or unregistered) designs, the same reasoning applies as for trademarks. EU designs coexist with national design rights in the different EU Member States (also the result of an EU Harmonisation Directive).

After a formal exit from the EU, transitional measures will have to be taken to ensure continuing protection in the UK of existing EU-registered design rights. Some protection will be lost with respect to unregistered design rights, as the current equivalent UK law provides for a more limited level of protection than the equivalent EU law. If the UK were to decide to join the EEA, the Designs Harmonisation Directive will remain applicable to the UK, in which case national divergence is expected to be limited.

(iii) Patents

Patent registrations can be based on various legal instruments. These may be national, EU-wide (Unitary Patent Regulation), regional (European Patent Convention) or international.

As a consequence of Brexit, the expected entry into force of the EU “Unitary Patent” system will most probably have to endure significant delay. This new, long-awaited uniform patent registration system was set to come into effect as soon as 13 EU Member States, including France, the UK, and Germany, had ratified the corresponding “Unified Patent Court” agreement. Today, only three EU Member States have yet to ratify the agreement in order to reach this threshold, one of them being the UK. Brexit could block the entry into force of the EU “Unitary Patent” system for an undefined period while negotiations are taking place. Moreover, now that the UK (traditionally a patent-attractive jurisdiction) is to leave the EU, the “Unitary” system may, of course, become less attractive for companies, especially in terms of cost-effectiveness.

Consequently, the current landscape for patents is not expected to change radically after Brexit. As the UK will remain a member of the European Patent Convention, which is not based on EU membership (Norway, Iceland, Liechtenstein, Switzerland, and Turkey are also members, among others), and also provides for a central application and examination procedure, businesses can continue to follow the “EPC route” (as they do today).

What will, however, change is the opportunity to apply for “Supplementary Protection Certificates” (“SPCs”). SPCs allow for the term of patent rights to be extended for certain medicinal and plant-protection products. As they are “EU creations”, they will no longer be available in the UK after Brexit, unless the UK government adopts equivalent national legislation during the transition period, or decides to join the EEA (in which case the SPC protection regime remains applicable to the UK).

Finally, the chosen seat for the satellite court of the Unified Patent Court for chemical and pharmaceutical patents will also have to be renegotiated. This seat is currently based in London, and will now have to be relocated to another EU Member State.

(iv) Copyright and database rights

The EU has adopted several Directives in the field of copyright law, requiring coherent implementation under EU Member State law and thus ensuring a certain level of convergence as far as substantive protection requirements and the interpretation thereof (by established case law of the EU Court of Justice) are concerned. With respect to databases, these are generally protected at national level by copyright legislation and/or specific sui generis legislation. Both protective regimes are based on EU Harmonisation Directives.

Although the UK is not expected to adopt radically different copyright or database protection laws after Brexit, businesses should note that there will be more room for differing interpretations and over time perhaps an alignment of the UK protection regime with the US copyright system as well, unless the UK decided to join the EEA.

(v) Trade secrets ('knowhow')

In the EU, unlike other jurisdictions such as the US, trade secrets are not protected as such by intellectual property legislation. They are not considered to be 'intellectual property rights' in the strict sense, capable of being 'owned' by a person or entity.

Impact of Brexit

	PGI's & PDO's	Trademarks & Designs	Patents	Copyright & Databases	Trade Secrets
Unified / Harmonised?	Yes	Yes	Ongoing	Partly	Partly
Effect of Brexit	Protection of EU products will be lost in the UK (unless the UK becomes an EEA member for wines & spirits)	Conversion / national filings required + potentially lower protection for unregistered designs	Excluded from "Unitary Patent" + SPC no longer available (unless UK becomes an EEA member)	Minimal	Minimal

In order to meet the growing business demand for adequate and harmonised protection of trade secrets in the European Union, and to ensure an equal degree of protection for trade secrets in the different EU Member States, a Trade Secrets Directive was adopted in May 2016, yet to be implemented in Member States' national legislation by June 2018. The Directive introduces (among other things) a common definition of trade secrets, as well as different means by which victims of the misappropriation of trade secrets may obtain redress.

It has yet to be seen whether the UK will voluntarily implement the Trade Secrets Directive in its national legislation before Brexit takes effect. In any case, the unified protection and redress mechanisms will be lost for the UK after Brexit, unless the UK decides to join the EEA.

(vi) Protected Geographical Indications and Designations of Origin

Since Protected Geographical Indications and Designations of Origin are essentially "EU creations", protection of certain products that come from a specific geographical location or origin will be lost in the UK after Brexit, except for wines and spirits if the UK decides to join the EEA. Protected UK products will in any case retain their protection in the EU since the EU protection regime is open to third countries.

Will Brexit affect parallel trade from/to the UK?

Yes. Unless the UK joins the EEA, 'parallel traders' will no longer be able to invoke the "exhaustion" exception when importing IP-protected goods from the UK to EU/EEA countries, and vice versa.

The "principle of exhaustion" is one of the general exceptions to the rights of IP owners, accepted throughout the EEA: once a product protected by an IP right has been put on the market within the EEA either by the IP owner or with his consent, the IP rights relating to this product can no longer be exercised by the IP owner, as they are "exhausted".

After Brexit, and unless the UK decides to join the EEA, parallel trade between the UK and the EU/EEA Member States will no longer be able to benefit from this exception. This may constitute an opportunity for IP owners to maintain price differences between the EU/EEA and the UK.

Will I still be able to use and enforce my "EU" IP rights in the UK after Brexit?

A transitional/conversion regime will most probably be put in place to ensure continued protection and enforcement possibilities for existing IP rights (see above). Nevertheless, Brexit will most probably have the following important consequences for the exercise/enforcement of IP rights:



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- If the UK does not join the EEA, judgments of the EU Court of Justice in the field of intellectual property will no longer be binding in the UK, leaving room for divergent interpretation and application of similar legislation;
- EU-wide border measures or injunctions will no longer include the UK and separate legal proceedings will have to be launched;
- Risk of revocation of trademark rights for lack of genuine use when only used in the UK and not in other EU Member States;
- Attention to be paid to the application of international jurisdiction and conflict of law rules (see Section on litigation); and
- Licensing, co-existence and other IP-related agreements covering the “EU territory” will have to be amended in order for the UK to continue to be included.

What next?

Once the UK invokes Article 50 TEU, the UK and the EU will negotiate the terms of Brexit. It will be a highly political process and the outcome is as yet unclear. Therefore it is of the utmost importance to monitor the developments and the potential impact on your company's position closely. We will keep you informed about further developments.

Please contact your trusted adviser at Loyens & Loeff or send an e-mail to Brexit@loyensloeff.com if you have any queries.

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