

# What would a Brexit mean for IP rights?

March 2016

*On 23 June 2016, Britain will vote on whether to remain in the European Union ("EU"), the economic and political partnership of 28 European countries. If the majority votes to leave the EU, it will be a vote for a Brexit.*

*How would a Brexit affect the way that businesses are able to protect and enforce their Intellectual Property rights in the UK?*



## Alternative legal models

One of the difficulties in assessing the implications of a Brexit is that we don't know what the alternative legal set-up will be.

One possibility is to adopt the Norwegian model, which would mean the UK joining the European Free Trade Association ("EFTA") and remaining a member of the European Economic Area ("EEA"). The UK would retain all of the EU's laws relating to the internal market, although it wouldn't have any influence over their drafting. It would also remain committed to the

principles of free movement of goods, capital, services and people within the EEA.

Another alternative is to follow Switzerland and negotiate a series of bilateral treaties. These would generally require us to follow EU law in areas giving access to the EU market and, again, the UK would have no say in how these rules are made. The treaties would remain static rather than developing in line with EU policy.

# What would a Brexit mean for IP rights?

## Patents

If the UK were to leave the EU, it would have no impact on one aspect of the UK patent system but would have a substantial impact on another.

## EPC

The European Patent Convention ("EPC") which, among other things, sets up the European Patent Office ("EPO") is not an organ of the EU. Among the EPC participants are a number of countries that are not members of the EU, for example Turkey and Switzerland. It follows that, if the UK were to leave the EU, this would not impact the UK's participation in the EPC. As they can today, following a Brexit, patent applicants will be able to apply for separate national patent rights, or make a central application to the EPO and obtain national patent rights through that route. UK patent attorneys will also continue to be able to represent applicants before the EPO.

## Unitary Patents and the Unified Patents Court

Among most EU members of the EPC, a new patent system which overlays the current system is in the process of being implemented. This will give patentees the option of having the EPO grant a single patent covering most EU member states (a "Unitary Patent") rather than the separate national patent rights of the current system. A Unitary Patent then can be enforced across all EU member states participating in the unitary patent system in one court action; a new court system (the "Unified Patent Court" or "UPC") is being set up for this purpose. This is expected materially to reduce the cost of patent enforcement as it will avoid the need for patentees to bring a multiplicity of national proceedings in Europe as currently is necessary. Should the UK leave the EU, then Unitary Patents will not cover the UK, and the Unified Patent Court will not have jurisdiction over the UK. Owners of UK designated European Patent rights seeking to assert those rights in the UK will therefore have to bring an action in the UK courts, possibly in addition to an action in the Unified Patent Court if they desire to assert an equivalent Unitary Patent in EU member states. A Unified Patent is a weaker right if it doesn't cover the UK and there may be a need to reduce fees to reflect this.

Even if the UK is precluded by Brexit from being a participant in the new UPC, this will not preclude British patentees from applying for and being granted Unitary Patents, and then enforcing that patent in the EU states via the UPC - i.e. a British patentee will be in the same position as e.g. a US patentee.

Finally, an important constituent court of the new UPC will be in London, and indeed premises already have been acquired and fitting-out has commenced. If Britain leaves the EU, and

therefore leaves the UPC system, that court likely will be relocated to a member state of the EU. This will require an amendment to the UPC Agreement and most likely further ratification by participating states, which will delay the implementation of the UPC, currently expected to be operating in early 2017. Italy would also need to ratify the Agreement before it could go ahead, taking the UK's position as one of the three EU Member States with the highest number of European patents.

## Trade Marks and Designs

The scopes of the European Union Trade Mark ("EUTM", formerly Community Trade Mark) and the Registered Community Design ("RCD") are defined by reference to the Member States of the European Union. The EUTM and RCD systems are also created by directly effective Council Regulations. This means that on leaving the European Union, the United Kingdom will no longer form part of the EUTM and RCD systems.

Existing EUTMs and RCDs will cease to have effect in the UK. It is also the case that owners of national UK Trade Marks will no longer be able to challenge conflicting EU Trade Mark applications.

## New Trade Mark and Design Rights

EUTM and RCD filings made following a Brexit would not cover the UK. Separate national applications would be needed to secure protection in the UK. This is likely to lead to additional costs for businesses who will need to make two separate applications to obtain protection in the EU and UK where previously a single application was sufficient. There is likely to be an increased burden on the UK IPO due to the increased number of UK trade mark and design applications. This may create administrative pressures and delays at the UK IPO. However, it is possible that many trade mark applications would proceed via the Madrid Protocol and possibly be based on existing or new EUTMs. UK qualified solicitors and trade mark attorneys will not be able to represent clients before the EU IPO. This is because the authorisation to act before the EU IPO is dependent on qualification in a Member State of the European Economic Area. As a European law firm with offices in France, Germany and Belgium in addition to the UK, Fieldfisher is unlikely to be prejudiced by these changes. However, many domestic IP practices may suffer as a result of the loss of EU IPO work.

## Existing Trade Marks and Design Rights

There are many existing EUTMs and RCDs that currently cover the UK. In the event of a Brexit, these rights will cease to have effect in the UK. It will be for the UK legislature to put in place transitional provisions. A short-term solution may be for the UK to enact legislation that recognises EUTMs and RCDs as enforceable in the UK. A similar arrangement is currently used in some of the Channel Islands, which are not part of the EU. This solution is not suitable in the long-term, however, since the holders of national rights in the UK will be unable to challenge EUTMs and will therefore be prejudiced by such an arrangement. In the longer term it is likely that there will be a grace period during which existing EUTMs may be re-registered as national UK trade marks with no loss of priority. This is similar to the solution adopted in other cases where a country has seceded from a multi-jurisdictional trade mark system. The most recent such example was the separation of the Montenegrin trade mark system from the Serbian-Montenegrin trade mark system, which completed in 2011. Whatever arrangements are made, it is likely that significant administrative costs will be borne by brand owners.

## Genuine Use

If the UK left the EU, another issue that many EUTM owners would need to face relates to genuine use. Genuine use in the UK will not be sufficient to support a EUTM. This would mean that a number of EUTMs that are used primarily in the UK at present could become vulnerable to revocation. The controversial situation that arose in *Sofa Workshop v Sofaworks* [2015] EWHC 1773 would therefore become the norm. Consequently, EUTM owners based in the UK will need to think carefully about whether their existing EUTMs are likely to remain enforceable outside of the UK following an exit from the EU.

## Exhaustion and Customs

The rules on exhaustion of trade mark and design rights currently apply across the EEA. If the UK were to join the EEA in place of the EU, the rules would remain the same. However, if the UK is not part of the EEA, then EUTMs and RCDs, as well as rights in force within EU Member States, could be used to prevent goods placed on the market in the UK from being resold in EU Member States, which is likely to lead to price differentials.

## Copyright and case law

There are no copyright registrations in the UK so issues regarding the conversion of EU registrations do not arise. However, copyright laws are still at least partly harmonised across the EU with a number of Directives (most notably the InfoSoc Directive (2001/29/EC) and a large amount of CJEU case law on key issues, such as the meaning of "communication to the public"). The European Commission has also recently launched its Digital Single Market strategy, which includes a programme of copyright reforms aimed at a more harmonised regime.

If the UK were to adopt the Norwegian model and remain a member of the EEA and EFTA, it would continue to be bound by EU IP legislation so our IP law would continue to be influenced by harmonisation through EU Directives. Decisions of the Court of Justice of the EU ("CJEU") on the interpretation of EU Directives will also continue to hold considerable weight and the EFTA Court would have jurisdiction to give opinions to the UK courts. Unlike the CJEU, however, EFTA Court rulings have no binding effect and are purely advisory.

If the UK were not party to the EEA and EFTA, its judges would no longer be required to interpret its legislation in line with EU Directives and guidance from the CJEU and EFTA courts. In some areas, the UK courts might be content to continue to apply the CJEU guidance and keep UK case law in line with the rest of Europe. However, this would no longer be a requirement and we would likely see a gradual divergence of UK law in other areas. This would also be the case for patents, trade marks and designs where much case law is harmonised through the CJEU. This divergence would also be exacerbated by the UK not being party to the EU's policy changes such as the current DSM reforms and push for a harmonised trade secrets law.

## Court Judgments and Enforcement

A Brexit would also have an impact on the way that IP judgments are recognised and enforced across the EU. In particular, the UK would no longer have EUTM Courts so the UK Courts would no longer be available as a venue for resolving EUTM disputes or obtaining pan-European injunctions. This could well lead to a multiplicity of proceedings and additional costs for litigants seeking to enforce rights across the EU. On the other hand, litigants would no longer have the cost and delay involved in CJEU referrals.

More generally, current EU legislation (such as the re-cast Brussels Regulation (EU) 1215/2012) governs the ability of EU courts to take jurisdiction of disputes and recognise and

enforce judgments from the court of another member state. If the UK left the EU but adopted the Norwegian model, it would be likely to accede in its own right to the Lugano Convention which is very similar to the current EU regime. (It could still do this even it were not a member of the EEA). If the UK were not a party to Lugano, there could be some uncertainty on interpreting jurisdiction clauses, no bar on parallel proceeding and possible contradictory judgments across the EU. In addition, litigants would also need to obtain permission from the court to serve English court proceedings within the EU and there would be no automatic recognition and enforcement of judgment of the courts of EU member states. This, combined with the possible divergence of UK and EU IP laws, could certainly make it more difficult and costly for those involved in cross-border disputes

## Conclusion

In the short term, the most significant impact of a Brexit on IP law and practice would be the uncertainty over what will supersede the current system. It will take at least 2 years to exit the EU and there will be major negotiations over the exit regime, transitional provisions and replacement legislation. In the longer term, much will depend on whether the UK agrees any form of alternative agreement with the EU.

What is clear is that a Brexit will mean changes to the current practice of obtaining pan-European registrations and fully aligning our IP law with our EU neighbours. We will leave it to the electorate on 23 June 2016 to decide whether they believe that provides an overall benefit to the UK.

## Contacts



**David Knight**

Partner - London

**E:** david.knight@fieldfisher.com

**T:** +44 (0)20 7861 4228



**Hastings Guise**

Partner - London

**E:** Hastings.Guise@fieldfisher.com

**T:** +44 (0)20 7861 4235



**Nick Rose**

Partner - London

**E:** Nick.Rose@fieldfisher.com

**T:** +44 (0)20 7861 4226



**Beverley Potts**

Senior Associate (PSL) - London

**E:** Beverley.Potts@fieldfisher.com

**T:** +44 (0)20 7861 4339

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