



The “Brexit” and its Consequences for IP Rights

On Thursday last week (23 June 2016), the UK voted to leave the EU, and thereby decided for what has become known as the “Brexit”. As of today, it is still uncertain what the exact implications of this decision are, including important questions such as when the UK will finally exit the EU, and what the political and legal nature of the future relationship between the UK and the EU will be like. As one of its member states exiting the EU is, obviously, an entirely unprecedented scenario, and as no statutory provisions or case-law point towards reliable answers, it is not sufficiently clear yet what effects the Brexit will have on the overall legal landscape, including the different types of Intellectual Property (IP) rights. The following, preliminary thoughts should therefore help to provide some guidance on navigating your IP rights through these challenging times:

1. No Immediate Consequences for IP Rights

First of all, and importantly, **the Brexit vote, by and in itself, does not lead to any immediate legal consequences for your existing IP rights**, nor for the grant of new IP rights in the near future.

While the vote is considered a political imperative, it is not a formal, legally binding trigger for the UK to exit the EU. Even though the UK government announced to accept the imperative of the vote, recent trends seem to reveal some strong resistance within the UK general public and members of the UK parliament against a continuation of the exit process.

Once (and if) the UK decides to continue the exit process, the Lisbon Treaty requires them to notify the European Council of their intention to withdraw. Prime Minister Cameron intends to do so later this year in October, whereas Council representatives already expressed expectations to receive such notification much sooner (within weeks).

Upon notice, there will be a two years’ term, jointly extendable, to negotiate a Withdrawal Agreement, containing a framework for the future relationship between the UK and the EU. Absent agreement until end of this term or unanimous term extension, all Union Treaties, rights and obligations would cease to apply in the UK. Such “cold exit” is, however, extremely unlikely to happen. As things stand, negotiations are likely to be entered into and wrapped up by 2019 at the latest, in time for the next elections to the European Parliament. However, while an intense political debate on

this issue is ongoing, the exact timing and process for the UK’s exit remains speculation.

Before, and until a completion of the withdrawal process, the UK will continue to be a EU member state, so that, until then, the legal landscape for IP rights will remain largely unaffected. What the legal landscape for IP rights will ultimately look like after the UK’s exit will, to a large extent, also depend on the contents of the Withdrawal Agreement and further, bi-lateral agreements between the UK and individual EU member states. Also, it will be of importance whether the UK decides to join the European Economic Area (EEA), or not.

2. Possible Consequences for Patent Rights / SPCs

The existing (“old”) European system for Patent Rights should only be mildly affected by the UK’s exit, whereas one of the areas to be strongly affected is likely to be the current system for supplementary protection certificate (SPCs). The planned (“new”) European system of unitary patent rights and a Unified Patent Court (UPC), however, is likely to, at least, face significant delays:

(a) EP (Bundle) Patents

The existing/old European system for patent rights is based on a centralized application process through the European Patent Office (EPO), in which the „European patent“ itself, after grant, is divided in and converted to its national parts (the so called „EP Bundle Patent“).

This centralized application process is based on an international treaty between the participating nations. It is neither based on EU law, nor is the EPO an EU institution. In fact, a number of the participating nations, also today, are not EU member states.

Given the benefits of this centralized application process, it is to be expected that the UK will continue to participate in this system, irrespective of the future nature of the UK/EU relationship. Thus, **no substantial consequences are expected for the EP (Bundle) Patents.**

(b) Unitary Patent / UPC

One of the areas which may be affected immediately, however, i.e. even prior to the UK's exit, is the upcoming/new Unitary Patent Court (UPC) system.

As reported in previous B&B Bulletins, the UPC, which is set to allow both for the EPO's grant of one unitary patent for all participating EU member states, and the enforcement of all European patent rights in a new, unified European court system, has long been anticipated and, after multiple delays, was expected to finally arrive in 2017.

The underlying agreements, however, still lack necessary ratification by the UK, as the (formerly) third largest EU member state in terms of patent filing numbers. As the agreements require ratification by "*the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature [took] place*", and as signature occurred in 2013, it seems somewhat unclear whether the UK's ratification can simply be replaced with the fourth largest EU member state in terms of filing numbers (at that time, or today), or whether this will require a formal re-draft of the agreement to allow for this result. While the majority of commentators seem to call for a re-draft, it will also need to be determined who is the EU member state stepping in - with both Italy and The Netherlands seeming similarly eligible for this role (mostly depending on whether withdrawn patents are counted in when determining the filing numbers, or not).

Also, the UPC foresees that London will host a major part of the UPC's infrastructure, namely the part of the so called "central division" responsible, inter alia, for the economically important pharma and life sciences litigation. While the agreements are, possibly by chance, drafted in a way to allow this central division to stay in London even without the UK being a part of the UPC, most commentators suggest that this would not make any sense for neither the UPC system nor the

UK. If the central division needs to be moved away from London, however, another re-draft will be necessary (plus all logistical issues to be resolved).

One possible way to avoid at least some of the aforesaid would be for the UK to still ratify the agreements, prior to its exit. As there is little to be gained from doing so for the UK (as the UK could still not become a part of the UPC system, which is only open towards EU member states), and given the overall political and economical turmoil, however, it is doubtful that the UK will do so.

Thus, considering the aforesaid, and despite all optimism and efforts currently undertaken to "make it work", **it seems likely that there will be, again, at least a significant delay on the UPC's coming into force (i.e. to a date later than 2017).** If a relevant number of participating member states should be unwilling to participate in a UPC without the UK, or if the current political process in the EU should in fact lead back to stronger nationalism, the UPC project might also be endangered as a whole.

Whether it would be possible for the UK to still participate in the UPC as an "outsider", by way of a multi-lateral agreement with all participating EU member states, seems highly uncertain and, given, both the legal nature of the underlying agreements and the current political will ("out is out"), as rather unlikely. If the UPC will therefore, eventually, come into force without the UK, it will obviously be a weaker system in that it will not extend to (what is still expected to remain) one of the major European economies. Thus, while the system might still be attractive for some patent owners, e.g. by virtue of its extension to the eastern European countries, there is also a significant chance that things in the patent world will, for a considerable time, go back to "usual practice", i.e. national (including via the EPO centralized application process) filings and national, "exemplary" enforcement in major European jurisdictions, such as Germany, The Netherlands, or France.

(c) Supplementary Protection Certificates (SPCs)

SPCs are currently available to extend the life of a patent beyond the usual twenty years from the date of filing for certain, limited types of inventions (primarily pharmaceutical inventions). Since it is governed by EU regulations, **the SPC regime in the UK will not automatically apply to allow the grant of SPCs after the UK's exit from the EU.**

Many non-EU member states have national SPC regimes (such as Switzerland), or have adhered to the

EU SPC regime through their EEA membership (such as Norway and Iceland). Considering the importance of SPCs also to the UK economy, it seems likely that the UK will enter into similar arrangements. For SPCs that are in force at the time of the UK's exit, however, transitional provisions will need to be established.

3. Possible Consequences for Trademark Rights

First of all, **UK trademarks and International Registrations designating the United Kingdom will, in principle, continue unaffected.**

Certainly, in future, the laws governing national trademarks may develop independently and to some extent, differently. This will then require trademark owners, together with counsel, to monitor another set of national statutes and common-law peculiarities. We will of course monitor these developments and give further guidance in due course.

In contrast, **there will likely be a significant impact on European Union trademarks (EUTM) and International Registrations designating the European Union.**

With the UK's exit, supranational rights like the EUTM and international treaties like the Madrid Protocol governing International Registrations in the European Union will cease to have effect in the UK. The UK and EU will need to negotiate (and, given the mutual benefits, are likely to do so) that EUTMs continue to have effect in the UK as national trademarks, with the same priority and seniority. Conversion, transformation or continuation of effect are means available and all of them have been seen in the past. UK owners of EUTMs would then remain entitled, but will require an attorney of record or address for service within the Union.

With International Registrations, things will be more complex. Under the Madrid Union regime, it will remain possible to designate the European Union on the basis of a UK trademark. But, it will become impossible for UK companies to have an International Registration on the basis of a EUTM. They do no longer have a commercial establishment in the European Union. This could potentially put at risk trademark portfolios that are home-based in the UK to extend across the European Union. International trademark owners following this approach are well-advised to thoroughly consider this as soon as possible.

As of today, while the date of a possible exit is still uncertain, and while the advise how to best prepare for

the aforesaid situation is still evolving, **a risk adverse strategy could include**

- the re-filing of core trademarks in the UK as an International Registration,
- for new trademarks: the separate filing in UK, and
- the re-locating of the home-base of European portfolios to the continent.

For purpose of monitoring conflicting trademarks, the UK should, already now, be treated as any other European country outside the Union. Similarly, a watch service for trademarks should extend to Europe instead of the European Union.

Oppositions based on UK trademarks at EUIPO will suffer a lethal defect upon the UK's exit of the EU - such trademarks are then no longer suitable prior rights! Similar applies to those based on EUTM in the UK against national trademarks. The material point in time of validity is that of decision-making, not that of filing. The UK and EU will need to resolve this situation in their upcoming negotiations. In the interim, a review of options available to cure this likely defect in opposition proceedings is highly recommendable.

4. Possible Consequences for Design Rights

For Registered Community Designs, the same as for EUTMs will (have to) apply, so they are also likely to be strongly affected. Precautionary re-filings will not be possible outside the grace period of novelty.

Unlike the European Union, the United Kingdom did not become member to The Hague Agreement concerning industrial designs so that designs that currently extend via the EU designation may also face a similarly concerning situation.

For Unregistered Community Designs, the legal basis will be gone but UK laws know unregistered design rights protecting against copying of the design in the United Kingdom. The latter may become a recourse for those who lost the protection of registered designs due to Brexit.

5. Possible Consequences for Other IP Rights

There may be further consequences for other IP rights and the European IP regime, such as:

(a) *Consequences for Copyright and Database Rights*

As copyright law in most EU member states, including the UK, is still strongly influenced by national legisla-

tion, copyright law should not be overly affected. Similarly the EU concept of database rights has been fully incorporated into UK law years ago, and may remain unaltered with only minor changes in its language (primarily to reflect for the new situation of the UK not being called a „EU member state“ anymore). All current and future harmonization efforts on an EU level, however, would not be automatically applicable in the UK, so greater scrutiny will be required as regards the national peculiarities of copyright and database right legislation.

(b) Consequences for Plant Variety Rights

Similar to the SPC regime, Plant Variety Rights in the UK are governed by EU regulations, so these rights would cease to exist after the UK's exit from the EU. Also here, however, it is to be expected that the UK legislators will find an appropriate solution, either on a national or EEA route. As with SPCs, right owners who rely on these rights in the UK will need to pay special attention to transitional provisions and their future filing strategy.

(c) Consequences for Exhaustion / Customs Detention

With likely limitations on the free movement of goods (depending also of whether the UK joins the EEA) the question may occur whether and to what extent the existing regime on exhaustion of rights and border detention will be maintained, or whether there will again be customs detention of IP infringing goods at the "UK/EU border". The strategic implications of these developments need to be assessed at a later stage, when more details become available.

(d) Consequences for Licensing

While the UK's exit from the EU is expected not to fundamentally change general licensing practices, future licensing agreements will need to account for this fact, and will need to include appropriate wording to reflect for both the changed geographical situation and the necessity for obtaining and observing national rights in the UK (as further outlined above). If not drafted in such open manner, it may already now be time to review and, possibly, even re-negotiate your contracts.

6. Concluding Remarks

Obviously, for every type of IP, right holders cannot accept loopholes in protection and cannot simply wait for an undefined period of time. **While not binding yet, the Brexit should - right now - cause IP owners to consider options and seek advice on how to move forward.**

Boehmert & Boehmert is of course closely monitoring all of the aforesaid developments. All of our partners are available for follow-up questions and to discuss any of these or any related issues also in relation to your company's individual IP portfolio.

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