

The Effect of Brexit on UK Intellectual Property Protection and the Unified Patent Court and Practical Steps to Be Taken Now and in the Future

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The UK has voted to leave the European Union. This will not affect the UK's position as one of the most important IP jurisdictions in Europe. However, leaving the European Union will have an impact on substantive IP law in the UK. The extent of the changes to UK IP law will depend on the future relationship that the UK has with the European Union. The forthcoming Unified Patent Court has also been affected and its introduction will now be delayed, with the length of the delay depending on the extent of political will to push it forward quickly. We discuss here the effect of Brexit on UK IP law and the Unified Patent Court, and the practical steps that you should consider taking in light of this momentous decision.



Practical steps that you need to consider taking in light of Brexit to protect your IP position

Agreements

You should ensure that future agreements, including license agreements, coexistence agreements, collaboration agreements and IP security agreements, referring to the “EU” spell out that the UK is included. It would be advisable also to indicate that Scotland is included in the UK, in light of the potential for a second independence referendum following the Brexit vote. EU unitary rights, such as EU trademarks or Community design rights, will no longer apply to the UK after it leaves the EU and it is likely that a “converted” right will be available. Agreements should expressly cover any UK rights which have been “converted”.

Filing strategy

Trademarks

While there is likely to be a converted UK right which will retain the priority of an EU trademark, the process (and conversion fee) are unknown. Going forward, at least when filing new applications, you should file national trademarks in the UK rather than relying on EU trademarks for protection in the UK. Existing national UK trademark registrations should not be surrendered or allowed to lapse in favor of an EU trademark. If an EU trademark application has been filed in the last six months, consideration should be given to applying for a UK registered trademark, claiming priority.

Trademark owners will also need to ensure that their marks are used in the UK or else risk losing their UK registrations. While, at present, under the EU trademark regime, it is possible to retain protection in the UK via an EU trademark by using the mark in a number of Member States other than the UK, under a converted UK right (or national registration) use in the UK will be required. Similarly, insofar as use in the UK has been relied upon to maintain an EU trademark, trademark owners will need to ensure that in the future their EU trademarks are used elsewhere in the EU (in any event use in one Member State is unlikely to be sufficient).

Designs

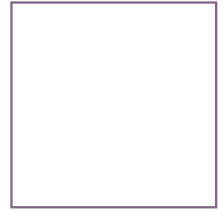
For the same reasons as those discussed above in relation to EU trademarks, in light of the uncertainty, it is advisable for UK registered designs to be applied for in the future, rather than relying on Community registered design rights for protection in the UK.

Patents

The traditional European patent system will not change. The factors relevant to the decision as to whether or not to opt out European patents from the Unified Patent Court (UPC) in the future (see our previous [update](#)) remain much the same, although the advantage of being in the UPC is likely to be somewhat diminished if the UK is not to be part of it. The timeframe for deciding when to opt out has altered significantly in light of the delay in the commencement of the court.

Injunctions

If you have obtained a pan-European injunction for infringement of an EU unitary right, such as an EU trademark or a Community design, it may be necessary to apply to the UK court to ensure that the injunction will continue to apply in the UK (unless legislation is passed which automatically extends such injunctions to the UK). The injunction may have been expressed to prevent infringement of the unitary right, or infringement in the EU. Also, even if the injunction is not expressed in that way, it would have been ordered on the basis that the unitary right was infringed, and it is not certain that this would be a sound basis for maintaining the injunction, without a UK court or legislation confirming it.



BACKGROUND

On June 23, the UK voted in a referendum to leave the European Union by a 51.9% to 48.1% majority. Although the referendum is not legally binding, leading politicians have indicated that they will implement the decision. Article 50 of the Treaty on European Union (part of the Lisbon Treaty) sets out a mechanism for withdrawing from the EU. A Member State gives formal notice of withdrawal and then negotiates an exit agreement with the EU. After two years from the date of the notice (subject to an extension to be unanimously agreed), the Member State is no longer a member of the EU, even if an exit agreement has not yet been reached.

The UK Prime Minister David Cameron, who had campaigned for a “remain” vote, resigned on June 24 as his position had become untenable. Because the campaigners for a “leave” vote had not set out a position for the UK following a vote to leave, the Prime Minister did not invoke Article 50 immediately, as it would not be in the UK’s interest to start the time running on the two-year period in those circumstances. A new Prime Minister, Theresa May, was appointed on July 13 and it may be several months before notice is given under Article 50, while the UK’s negotiating position is being developed.

In light of the lack of certainty as to what arrangement will be sought by the UK, and the uncertainty as to how the exit negotiations will proceed, is not clear what form the final arrangement will take. In particular, it is not clear whether the UK will remain part of the European Economic Area (EEA), pursuant to the EEA Agreement between the EU Member States and Iceland, Norway and Liechtenstein (often referred to as “the Single Market”). While being part of the EEA is important for a large number of sectors in the UK, including the financial and car manufacturing sectors, this will depend on whether it is possible to introduce restrictions on freedom of movement of people in the UK. Freedom of movement of people is considered by the EU to be a crucial aspect of the Single Market, and it may not be politically acceptable to allow the UK to compromise this.

The UK’s leaving the EU will have a significant impact on intellectual property rights, as so much of UK intellectual property law derives from the EU. If the UK is not part of the EEA, then the effect will, over time, be even greater.

THE IMPACT OF BREXIT ON IP RIGHTS: OVERVIEW

The effect of EU law on UK IP rights is all pervasive. First, the Treaty on the Functioning of the European Union (TFEU) provides for the freedom of movement of goods (which leads to the principle of exhaustion of IP rights) and sets out EU competition (antitrust) law (which affects license, settlement and assignment agreements, and the enforcement of IP rights, including in relation to FRAND-encumbered Standard Essential Patents). Second, the EU has passed regulations which have “direct effect” in UK law, without requiring any further implementation by the UK. These include EU trademark rights, Community design rights (registered and unregistered), Community plant variety rights, protected geographical indications and protected designations of origin, and supplementary protection certificates. There are also regulations relating to customs enforcement, choice of jurisdiction and choice of law. Third, the EU has passed directives which the UK is required to implement in national law. Therefore, the UK law governing national trademarks, copyright (and related rights), registered designs, biotechnology inventions and, in the future, trade secrets are also all affected by EU law.

Most immediately affected by the UK’s exit from the EU will be EU unitary rights, such as the EU trademark (previously known as the Community trademark), the Community design rights (registered and unregistered) and the Community plant variety right. These rights apply across all Member States of the EU. They will no longer apply to the UK upon its exit, as their scope is limited to the Member States.¹ Also, various IP rights that have been provided for by means of EU regulations will no longer apply directly (for example, geographical indications and supplementary protection certificates) and legislation will be required to incorporate them into UK law or to replace them with alternatives.

If the UK remains within the EEA, the legislation governing many other IP rights will remain much the same because non-EU EEA states are required to implement a large number of EU IP directives (and also a limited number of regulations). These IP rights include national registered trademarks, copyright and related rights, including database rights, national registered designs, trade secrets, patents for biotechnology inventions

¹ Unless the UK unilaterally extends the scope of unitary rights to the UK, as Jersey has done in relation to EU trademarks. This would not be to extend the scope of the unitary right as such, but a decision to treat the unitary right as having effect in the UK.



and supplementary protection certificates. Nonetheless, the UK courts would not be bound to apply decisions of the Court of Justice of the European Union (CJEU) as to the interpretation of the directives and regulations although, in practice, CJEU decisions would be persuasive. It might be expected that the UK courts would apply the same approach to CJEU decisions as they do to decisions of the European Patent Office (EPO). Such decisions are not binding upon UK courts, but the courts seek to follow them where possible, unless they disagree with them. Moreover, as a member of the EEA, the UK would be subject to the EFTA Court, which fulfils a similar role for non-EU EFTA states as does the CJEU for EU ones, but which must take “due account” of CJEU case law. The EFTA Court issues opinions which are “advisory”, however in practice they are followed by the non-EU states.

If the UK were to exit the EEA altogether, subject to what is agreed with the EU, it would then not be required to maintain any EU law. However, as a practical matter, it would not be able to replace all of the legislation immediately in any event, and it is quite possible that it would retain much of the law indefinitely. There would, however, undoubtedly be amendments to the legislation where it was considered that particular features of the old EU-derived law were not effective, and again, the UK courts would be free not to follow CJEU decisions as to the interpretation of the EU-derived law. So, in time, there would be some divergence.

Below, we consider the various different IP rights and how they will be affected by the UK’s exit from the EU.

PATENTS

The Effect on the Unitary Patent and the Unified Patent Court

Although we understand from a speech given by the UK Minister for Intellectual Property on June 29 that the continuing involvement of the UK in the Unified Patent Court (UPC) and unitary patent will feature in the preparation of the UK’s negotiating position, and various commentators have put forward proposals as to how the UK’s involvement could be made to work from a legal perspective, it is unlikely that, as things stand, the UK would be able to be part of the new system in its current form if it leaves the EU. A previous

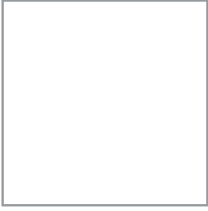
proposal for a pan-European patent court was rejected by the CJEU on the basis that it had involved non-EU states (Opinion 1/09). Assuming that the UK is not involved in the UPC, it is inconceivable that the central division section relating to life sciences and pharmaceuticals that was due to be based in London, will still be located there.

Nonetheless, the UPC and the unitary patent will be able to continue, without the UK. Although the attractiveness of the court and unitary patent may be somewhat diminished, they will nonetheless be attractive, with the UPC still having a jurisdiction over a territory with more than 350 million people. In time, once the inevitable teething difficulties are out of the way, the UPC is likely to be a significant patent litigation forum.

The implementation of the UPC will, however, be delayed. Also, the unitary patent will be held up because it is dependent upon the UPC. As the UPC Agreement currently stands, in order to come into force, it must be ratified by at least 13 Member States, which must include the UK (as one of the three Member States with the most European patents), along with France and Germany. Subject to what happens during the exit negotiations and whether the UK can be involved after all, it seems unlikely that the UK will ratify the UPC Agreement much before its exit (as part of an overall agreement), or indeed it may not ratify it at all before exit. Also, assuming that the life sciences and pharmaceutical section of the central division will no longer be in London, the UPC Agreement will need to be amended. Again, it seems unlikely that the UK would agree to such an amendment much before its exit, if at all. Once the amendment has been made, a further ratification process would be needed. Given that it will be over two years before the UK finally exits, it may be at least two years before the UPC (and therefore the unitary patent) can be taken forward.

Alternatively, if there is political will, the UPC Contracting States may decide to enter into a second UPC agreement, in almost identical terms, which does not require ratification by the UK, and which does not provide for a section of the central division to be in London. That would still take time, as the Contracting States would need to agree where the central division section would be, and it would then need to be ratified. Nonetheless, this may reduce the delay.

The UPC agreement and unitary patent regulation were pushed through extremely quickly, with great political determination.



It seems likely, therefore, that although there will now certainly be delay, there will be political will to progress the UPC as quickly as possible. The EPO has been ready to grant unitary patents for some time and, on June 24, the day of the referendum result, EPO President Battistelli said: *“The Office underlines that the outcome of the referendum has no consequence on the membership of the UK to the European Patent Organisation, nor on the effect of the European Patents in the UK. Concerning the Unitary Patent and the Unified Patent Court, the Office expects that the UK and the participating Member States will find a solution as soon as possible which will allow a full implementation of these so-long awaited achievements.”* In the meantime, the Preparatory Committee of the UPC has indicated in a statement that it will continue to progress the logistical aspects of creating the new court.

The Current Patent System

Brexit will have little effect on the current patent system. EU law has had limited influence on patent law, which is governed by the European Patent Convention (EPC), not an EU instrument. European patents are granted by the EPO, which is not an EU institution. Therefore, European patents will continue to be granted by the EPO, and will continue to be enforced and revoked in UK courts.

There are some specific aspects of patent law that are affected by EU law. These include (i) the supplementary protection certificate (a right granting an extended patent term for medicinal and plant protection products); (ii) the law relating to biotechnology inventions, which is subject to the biotechnology directive; and (iii) the intersection with competition law, which, for example, provides defenses against the enforcement of FRAND-encumbered Standard Essential Patents.

If the UK remains in the EEA, EU law will continue to apply in these areas. One difference would be that the CJEU’s judgments interpreting relevant regulations and directives would no longer be binding (although they would still be persuasive). Therefore, over time, there would likely be some divergence in the case law. One area, in particular, in which it is thought that English patent judges may differ from the CJEU, is in relation to the interpretation of the exclusion of

patentability of inventions involving the use of human embryos for industrial or commercial purposes.

If the UK were to exit the EEA altogether, it would not be required to retain any EU IP law, although it would still be likely to do so for the indefinite future. One area of law which it may choose to change is that relating to supplementary protection certificates. The supplementary protection certificate regulations are notoriously poorly drafted pieces of legislation, and have not been helped by the judgments of the CJEU interpreting them. The UK may decide to provide a completely new regime for extending patent terms for medicinal (and plant protection) products, where delays in obtaining marketing authorizations are involved.

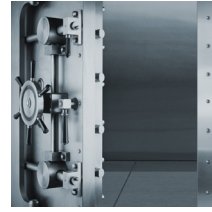
TRADEMARKS

The scope of EU trademarks (formerly known as Community trademarks) is limited to EU Member States. Upon the UK exiting the EU, these unitary rights will no longer cover the UK. There will almost certainly be a process for obtaining a UK right which retains the priority of the EU trademark. However, as with much else, there is no clear idea as to what the process would be, and whether there would be any fee for such a “conversion”.

As regards national UK trademark registrations, if the UK remains in the EEA, the trade marks directive would continue to apply and the UK Trade Marks Act will not change (beyond how it must change in any event to implement the latest directive). Even if the UK were to leave the EEA, there would seem to be no need to amend the UK Trade Marks Act.

Once the UK leaves the EU, it will no longer be bound by CJEU case law. The CJEU’s interpretation of trademark law has not been widely respected and, in this area, it is possible that UK judges will take their own view more often than in other areas. Therefore, in time, some divergence from EU trademark case law can be expected.

The law relating to unregistered trademarks (passing off in England) has never been harmonized by the EU, and therefore this will remain unchanged.



COPYRIGHT AND DESIGNS

A great deal of UK copyright law and that of related rights, including database rights, is derived from various EU directives. If the UK remains in the EEA, those directives will continue to apply, although again CJEU case law will not be binding. Even if the UK were to leave the EEA, it seems likely that the UK would have to retain the legislation in the short term and would retain it for the most part in the long term. In time, it might be expected that differences would emerge, both in the legislation and its interpretation.

Designs in the UK are protected by various different rights – copyright, Community registered designs, Community unregistered design rights, UK registered designs and UK unregistered design rights.

Community registered designs and Community unregistered designs are, like the EU trademark, unitary rights and they extend only to EU Member States. Therefore, once the UK leaves the EU, they will no longer cover the UK. As with the EU trademark, it can be expected that a converted national right will be available to those with Community registered designs, which will retain priority, although there is no certainty as to how this will operate. On the other hand, the Community unregistered design right may not survive at all. It is a short-lived right (with a term of only three years from publication of the design) and the UK has its own, homegrown, unregistered design right.

The UK unregistered design right will be unaffected, as it did not originate from EU legislation, although the qualification for the right by virtue of residence or place of business in the EU, or first marketing of articles made to the design in the EU, might be revisited. The UK registered design right is affected by the designs directive, which requires EU Member States to harmonize their national registered design rights. If the UK remains in the EEA, then the directive will continue to apply (although the UK courts will not be required to follow CJEU decisions). Even if the UK does leave the EEA, it does not seem likely that there would be any significant changes to the UK registered design right, at least in the medium term.

TRADE SECRETS AND CONFIDENTIAL INFORMATION

As matters stand, UK law on breach of confidence has developed out of common law and it is not affected by EU law. However, the trade secrets directive was passed by the EU Council on May 27, 2016 and is required to be implemented by all Member States by July 2018. This sets out minimum standards that Member States are required to adopt in their law of trade secrets and breach of confidence. It is not known whether the UK will implement this before it exits the EU. If it remains in the EEA, it will need to implement it in any event. While this directive would not have a major effect on UK law in the short term even if implemented, it would likely have an effect over time, once the CJEU begins to interpret it. If the directive is not implemented, then there will be no change from the existing common law, although UK judges may nonetheless be influenced by developments elsewhere in the EU.

OTHER RIGHTS AND MEASURES

Certain rights and measures that the UK is required to provide by virtue of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), such as rights protecting geographical indications and customs enforcement measures, have been provided for under UK law only by virtue of EU regulations having direct effect. They have, therefore, never been legislated for directly in the UK. Upon the UK leaving the EU, such regulations will cease to have effect in the UK. The UK will, therefore, be required to legislate to provide such rights and measures so as to comply with its obligations under TRIPS. It is possible that the existing EU regulations may simply be expressly adopted.

Another area where new provisions would be required if the UK were to leave the EEA relates to data exclusivity in the medicinal and plant protection products fields, although the precise form that they would take would depend on the regulatory framework that the UK adopts for such products.



EXHAUSTION OF RIGHTS

Freedom of movement of goods is one of the fundamental principles of the EU, provided for under Article 34 of the TFEU. This principle conflicts with intellectual property rights, which can potentially prevent importation of goods into Member States. Article 36 of the TFEU therefore provides a specific qualified exception for intellectual property rights from the principle of freedom of movement. The CJEU has interpreted this to mean that the principle of freedom of movement does not apply to the “specific subject matter” of IP rights, that is to say, the right to make products and put them into circulation for the first time. Therefore, once a product has been put onto the market in any EU Member State with the consent of the IP right holder, all IP rights in relation to that product are subsequently exhausted in all other EU Member States. If the UK remains in the EEA, that principle will continue to apply because it has been expressly provided for in Protocol 28 of the EEA Agreement.

If the UK does not remain in the EEA, however, then, depending on what is negotiated with the EU, it may become possible to prevent the importation into the UK of goods that have previously been put onto the market in the EEA, that is to say, to prevent parallel importation. Also, being free to adopt its own approach to exhaustion, the UK could, in relation to trademarks, revert to international exhaustion. On the other hand, the CJEU and the EFTA Court have interpreted those IP harmonizing directives and regulations that incorporate a corresponding exhaustion of rights exception as precluding international exhaustion. Thus if the UK does not remain in the EEA, then IP rights could be used to stop exports from the UK into the EEA, absent agreement to the contrary.

FUTURE INTERNATIONAL INTELLECTUAL PROPERTY LITIGATION AND WILMERHALE

The UK has long been one of the most important intellectual property jurisdictions in Europe, along with Germany, and it will continue to be, with major international litigation being conducted in at least those two jurisdictions. With highly respected specialist IP judges and lawyers, a thorough common law procedure allowing for a detailed inquiry (as well as the availability of an alternative streamlined procedure in smaller cases), and jurisdiction over one of the largest markets in Europe, the UK courts attract parties litigating their important international IP disputes and heavily influence other European courts. This will not change because of Brexit, not least because most international IP litigation is patent litigation, which is not greatly affected by EU law. Once the Unified Patent Court is successful and the transitional period has passed, it can be expected that all national courts will become less significant than they are now, although if the UK is not part of the UPC, it is likely to remain an important jurisdiction in its own right.

There will be some immediate changes to UK IP law upon leaving the EU, particularly in relation to unitary rights. It would be advisable for parties to take the practical steps we have set out above. Over the longer term, we would expect some divergence from EU law, particularly if the UK also leaves the EEA.

The forthcoming UPC will now be delayed as a result of the Brexit vote, with the length of the delay dependent on political will. We believe, however, that in the course of time, and after a possibly extended teething period, it will become a significant forum in which patents are litigated. It seems likely that patent disputes will routinely be litigated in both the United States and the UPC in due course.

Trevor Cook and **Anthony Trenton** lead the firm’s IP litigation practice in Europe. We are happy to discuss further details of the effect of Brexit on UK IP law and on the UPC, and strategies for preparing for the UPC, including opt-out strategy, which parties should continue to consider.

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