IP, Brexit and beyond – opportunities and challenges

Report of an IPAN Panel and Workshop on 15th March, 2017
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Report of the IPAN* Panel and Workshop
15th March 2017, in the CIPA Hall London
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Introduction

John P Ogier, Chairman, Intellectual Property Awareness Network (IPAN)

UK exit from the European Union (and probably also from the Common Customs Union of the European Economic Area), is one of the most significant events affecting the UK and its economy for a generation.

In a modern developed country like the UK with an increasingly knowledge based economy, Intellectual Property (IP) and related intangibles form the greater proportion of assets underpinning UK trade and prosperity.

IP, and the rights protecting it in the UK, stand to be adversely impacted by the changed international relationships following Brexit. It is essential that the IP implications are properly factored into the coming negotiations and consequent UK legislative changes.

IPAN has always advocated IP professional and user bodies working together to present a concerted position to Government on important IP matters. We therefore organised a special event on 15th March 2017 to consider the IP implications of Brexit. The aim was to bring together a wide range of specialists from the IP professions and sectors dependent on IP to identify what was needed to protect (and if possible enhance) the UK IP and trading environment post-EU.

Delegates from the leading IP professions, Government, Industry, Financial services and Higher Education, attended the event and contributed to the expert panel and workshop discussions. These drew out the different pressing specific industry and profession sector issues which need to be addressed to disentangle ourselves from 40 years of integration of IP rights within the EU.

About the Report

The Report records the substance of the discussions and the conclusions reached during the IPAN Brexit IP event. The lunchtime panel discussion and Q&A were conducted in open session and are reported as such. The afternoon workshop discussions were conducted under the Chatham House rule to promote open and frank exchange of views and are reported in more general terms. The Report ends with IP related recommendations. Copies of contributed papers and several presentations made at the event and are provided in an Appendix. The Report is being made available to Government and key stakeholder bodies to help reach a successful IP and trade outcome from the complex Brexit negotiations.

Acknowledgements

The IPAN board was pleased to organise the event and thanks all those who attended for their contributions and active participation. We would like to thank the Knowledge Transfer Network for their financial support, including the provision of the excellent lunch for all delegates, and the Council of the Chartered Institute of Patent Attorneys for its continuing support and the provision of the Hall and meeting room facilities. We are also grateful to Penny Maplestone and Steve Smith for their work in producing this report.
Executive summary

Background

UK exit from the European Union is one of the most significant events affecting the UK and its economy for a generation. Intellectual Property (IP) and related intangibles form the greater proportion of assets underpinning UK trade and prosperity and stand to be adversely impacted by the changed international and EU relationships following Brexit.

The Intellectual Property Awareness Network – IPAN – organised a special event on 15th March 2017 bringing together a wide range of specialists from the IP professions and sectors dependent on IP to consider the IP implications of Brexit. The aim was to identify what was needed to protect (and if possible enhance) the UK IP and trading environment post-EU. This report sets out the substance of the Panel and Workshop discussions, the general conclusions reached and recommendations for the Government.

Panel Discussions

The Panel consisted of Rosa Wilkinson – Director, Trade Policy Stakeholder Engagement, Department for International Trade (DIT), Allie Renison - Head of Europe & Trade Policy, Institute of Directors, Nigel Moore – President, European Seed Association, and Gill Smith – Group IP Director, Dyson Technology Ltd.

Opening the discussions, Rosa Wilkinson indicated that the DIT is working to shape a new trading landscape for the UK and is currently focused on gathering as much pertinent information as possible. The Government wants to hear about stakeholder priorities and harness their expertise. This is an essential step and DIT is building a directory of the information.

The other Panel speakers highlighted specific areas of concern for their sectors but all emphasised the need to provide certainty as soon as possible for existing holders of EU derived IP rights. These include EU Trade Marks, Designs, Database Rights, Plant Variety Rights and Supplementary Protection Certificates (for pharmaceutical and crop protection products).

Issues raised included:

- **Financial Services** – continued access rights to the EU are essential for our World Leading financial services industries. For this trading position to remain post-Brexit requires active steps by Government and a clear understanding of the priority and process in negotiations. This will include equivalence of rights and regulation along with passporting certification for services.

- **Digital Single Market** – the Digital Single Market is set to become one of the most valuable markets in the world with trading regulation gateways and IP rights operating under single market regulations. Concerns were expressed about the UK delegation’s commitment to the process and the protection of current UK interests, with UK resources being redirected to Brexit matters and the increasing exclusion of UK interests by EU partners as the BREXIT process progresses.

- **Fintech** - developing technologies in the financial service / digital space need international talent pools and freedom of movement to create the world leading innovations protected by IP which can then be traded globally.

- **Big data and data based Industries** – data based industries in the EU enjoy the protection of Data Base Rights along with Copyrights in trade in data. From 2018 the General Data Protection Regulation (GDPR) will govern data privacy in the E.U. and by implication, participation in Big data industries along with many aspects of digital and data commerce. To continue to trade in this market, the UK will need to develop and reach agreement on equivalence of rights and regulation in the data industries.

- **Food Industry** - plant breeding is the starting point for the UK’s £90 billion food industry and could be profoundly affected by loss of Community Plant Variety Rights. Action is needed to ensure continued protection and potentially to reintroduce UK national rights under international agreements.
• **Biodiversity Convention** – important for the plant breeding and other bioscience industries; the UK is a signatory in its own right to the Nagoya Protocol of the Convention and so is bound by its obligations but, post-Brexit, not necessarily through the current EU Regulation.

• **Protected Geographical Indications** – currently provided by EU regulation, UK location specific industries will lose their current protected status, unless action is taken to provide independent UK rights. The UK can simply adopt the current EU regulation or else create its own regime, conforming with TRIPs PGI requirements for WTO members. In that case, it would need to negotiate an equivalence agreement with the EU if it wants its products to continue to be protected in the EU.

**Panel closing remarks included:**

• It is critical for businesses to avoid a long period of uncertainty and to be able to be properly prepared for day one after Brexit.

• Government could usefully bring more external experts closer into the fold during the negotiation period including IP specialists who have much to contribute. But, many stakeholders are concerned how this external expertise will be coordinated and connected within and across Government departments.

• Industry and other stakeholder groups should come up with workable solutions rather than focusing on problems.

• The two-year timeframe to complete the Brexit negotiations is very short. The negotiations will be complex and may prove difficult; not everything may be agreed in this timeframe. It important to avoid a “cliff edge” of applicable rights, potential trade barriers and continuing uncertainty. Transitional arrangements and “grandfathering rights” particularly for IP should be incorporated into the negotiations.

**Workshop Discussions**

The subsequent Workshop discussions were structured to focus on issues of concern to different stakeholder groups. These included the IP Professions, IP Insurance, Finance and Investment, the Creative and Design Industries, the Wider British Isles family, the economy and law, the Bioscience Industries, Communications and Data industries and from Higher Education.

**IP rights identified as affected, or likely to be lost entirely, and which must be addressed directly as part of the Brexit process, include:**

• Community Trade Marks protecting brands and sources of supply of goods and services.

• Supplementary Protection Certificates (SPCs) for the pharmaceutical and crop protection industries.

• Community Registered and Unregistered Design rights - particularly important for the creative industries sector.

• Copyright and other data rights relating to the Digital Single Market.

• Community data base rights - a reciprocal agreement to protect such existing rights is needed between the UK and EU.

• Community Plant Variety rights - for plant breeding and the wider agriculture / horticulture and food industries.

• Trade secrets protection as harmonised by the EU Directive (EU) 2016/943.

• Geographical indications protecting sources of origin of home and farm products.

**Important points made in the Workshop discussions included:**

• The European Patent Convention and the European Patent Organisation are not EU institutions and so patents will be relatively unaffected by Brexit. European patents designating the UK will continue to provide rights in the UK. The IP professions and industry welcome continued Government support for the Unified Patents Court in the UK.
Justice and ECJ decisions, whilst welcome in some sectors, will make the enforcement of rights more complex.

- The UK will need to review its position on international IP agreements, particularly those administered by the World Intellectual Property Organisation. These include the Hague Agreement for Designs and the Lisbon Agreement for the Protection of Appellations of Origin, as well as international agreements affecting the Biosciences industries.

- The UK will need to develop its relationships more directly with international bodies like WIPO, WTO and UPOV. For direct trade agreements with individual countries, this will also need to include negotiation of IP, royalty and licensing provisions in Free Trade Agreements and Double Tax Agreements.

- Care should be taken to define the ambit of new trade agreements concluded by the Government to extend to the whole “British family” i.e. including the Crown Dependencies of the Isle of Man, Jersey and the Bailiwick of Guernsey as well as Overseas Territories such as Gibraltar. Particular attention is required to ensure equivalence of market access and extension of international IP agreements to provide a single, prosperous trading relationship with the EU post-Brexit.

- The independence of the UK judiciary from the European Court of Justice and ECJ decisions, whilst welcome in some sectors, will make the enforcement of rights more complex. Initially the jurisprudence is likely to be very similar and closely followed but there will be the opportunity to challenge decisions from the different legal systems and they may diverge in “interpretation” of rights over time.

- The Higher Education sector has a vital part to play in our post-Brexit strategy as a leader in education, training and research. The post-Brexit environment will provide new challenges and opportunities for this sector.

**Event Concluding Remarks**

Drawing the Event to a conclusion, the IPAN Chairman, John P Ogier said:

“The UK has a world leading offering in innovation, science, technology, financial services, digital, design and education. Its long term economic prosperity depends on its ability to trade freely with the world as a whole and this includes the future EU post-Brexit. IP rights and the agreements for trading the related intangible assets are mission critical. They are central to the UK negotiation process of successfully exiting the EU legal framework and engaging with other countries and EU members in trade in goods and services.

To date, we do not believe the IP aspects of Brexit have received the detailed attention they deserve. The IPAN Brexit IP event has brought the importance of IP rights and market access rights into sharper focus. The panel and workshop discussions showed there are many IP challenges as well as some opportunities for the UK from Brexit, along with risks and uncertainties. Some clear messages have come through about the need for the Government to take urgent action to secure the position for EU rights holders, in particular, for unregistered design rights, plant variety rights, data base rights and Community trade marks.

The detailed issues identified and how they might be addressed must be properly understood by those involved in the Brexit negotiations. Existing IP rights will otherwise be damaged or lost with consequent adverse impact on UK trade and industry competitiveness. Ultimately, this is central to a successful UK industrial strategy and our national GDP growth. The IPAN event has also shown that IP professional and user bodies are ready and willing to provide active support for Government action both to address the immediate issues of Brexit and help develop the IP environment for the UK’s future global trade.”

The report ends with a series of conclusions and recommendations for Government and stakeholder groups to consider drawn from the discussions and issues identified during the IPAN event. Various presentations and papers contributed by stakeholder groups are provided in the Appendix.
Panel Discussions

Rosa Wilkinson, Director of Trade Policy Stakeholder Engagement at the Department for International Trade (DIT)

The DIT is working to shape a new trading landscape for the UK; the current focus is on gathering as much pertinent information as possible. DIT recognises that the time this required can be frustrating for stakeholders but it is an important phase and means that decisions will be well informed when they are eventually made. The real challenges for the UK Government include:

- Setting a clear baseline for the future trading environment.
  
  *This will include replicating the current EU schedule within WTO for the UK as a sensible starting point though not necessarily the final destination. DIT wishes to avoid business disruption during the Brexit process.*

- Striking a truly excellent trade deal with the EU, recognising that the EU is a major recipient of UK trade in goods, services and intangibles.

  *The Department for Exiting the European Union (DEXEU) would be responsible for the negotiations with the EU with DIT providing significant input.*

- Keeping open existing EU trade agreements with around 60 separate countries, Canada being the most recent.

  *The Government hopes to be able to straightforwardly grandfather these agreements into new UK trade deals.*

- Negotiating trade deals with countries with which the EU does not currently have agreements.

  *This will not be trivial; the EU/Canada deal as a typical example has 15,000 pages in 30 chapters of detail and it will be important to make sure that the content is right and the right stakeholders are engaged to inform that content.*

- Making sure that the trade that we see in the UK is fair, making sure that the benefits are communicated and shared at home and that there are measures in place to defend the UK against unfair trade.

- Making sure that the UK’s excellent IP enforcement framework continues.

In response to a question about how Government would communicate its hierarchy of priorities once these have been established, Rosa said that setting out a clearer plan would have to wait until more was known about the scope of her Department’s role in the negotiations. Even then, some of the Government’s thinking would never be shared where this might prejudice the wider negotiations but some would definitely require stakeholder input and she welcomed the opportunity that the IPAN event provided in stakeholder engagement.
Allie Renison, Head of Europe and Trade Policy at the Institute of Directors (IOD)

Following the Brexit referendum, the IOD undertook a mass consultation of its members to determine the issues for business and industry. The results were published in February in an IoD report “Navigating Brexit: Priorities for business, options for government”. ¹

The report sets out possible options and solutions in detail, but the main questions and uncertainties include:

- What happens if no deal is completed in 2 years? Grandfathering rights is being discussed but what will happen to cross-border disputes including those related to IP, if at the end of the two-year period after triggering Article 50 there is no extension period possible and CJEU jurisdiction has ended?

- Will there be an option for an international agreement to allow the UK still to be a member of the Unified Patent Court, even if this requires some continued reference to CJEU jurisdiction?

- Is there potential for a transitional period for the UK to remain under the jurisdiction of the CJEU? At what point will the scope of the CJEU be reduced or removed and what options will there be for cross-border disputes in its absence?

  *Whilst the White Paper stated that the UK would not be subject to the jurisdiction of the CJEU after Brexit, some believed that there would continue to be some reach of the CJEU at least for a transitional period. The CJEU is not a simple black and white issue, particularly if the UK wishes to remain party to agencies such as the European Food Safety Authority (EFSA) and European Medicines Agency (EMA).*

- The UK’s future competition policy would be important for relations with the EU in the context of IP. European competition policy has been driven by UK interests and competition will be a significant factor in negotiations with the EU.

- The future of EU trade mark registrations in the UK must be resolved.

  *Many UK companies hold EU trade mark registrations and European companies rely on their EU trade marks to be effective in the UK.*

Nigel Moore, President, European Seed Association

Plant breeding is a low value capture industry (total UK royalty income for agricultural crops circa £25-30 million pa) with long (10-12 year) R&D cycles. However, the plant breeding sector is the source of all seed for crop production and therefore a vital starting point for the UK’s £90 billion food industry.

¹ Available from the IoD website
All human food and animal feed ultimately depends on crop production using plant varieties. There is a societal as well as economic need for continual innovation in plant breeding which is essential to address food security, response to climate change and sustainable use of natural resources.

- All plant breeders, including those in ornamentals and vegetables, depend totally on IP and predominantly on the *sui generis* system of Plant Variety Rights (PVR) which is based on the international UPOV Convention (International Union for the Protection of New Varieties of Plants).

- Both the EU and UK are signatories to UPOV and the UK has its own PVR system but the UK is also a relatively small country. Thus, with EU protection currently extending to the UK, UK national rights are rarely used. The EU legislation prohibits dual PVR protection.

- PVR is granted on the basis of a test for Distinctness, Uniformity and Stability (DUS), requiring field tests for a minimum of 2 years. Breeders entering material for DUS testing now are concerned about where that DUS is being undertaken and whether the result will be recognised by both UK and EU agencies if it arrives after the date that the UK leaves the EU.

This is one of many risks for plant breeders from the Brexit process. The loss of mutual recognition of PVR has the potential to be massively disruptive and would affect 99% of crop varieties currently in the UK market. The industry is very international and completely integrated in all respects such that if customs, trade or phytosanitary barriers are introduced the industry will face significantly increased costs and administrative burden within companies.

- The UK R&D investment in plant breeding is > 90% financed by EU headquartered, internationally integrated companies.

The industry is working through its European and national associations in the UK and other major breeding countries (France, Germany and the Netherlands) to analyse the issues that the sector faces from Brexit.

- The future IP landscape for plant breeding needs to look for ways to facilitate the co-existence of PVR and patents.

**Patents are becoming more important in plant breeding as the industry makes use of rapid advances in biotechnology and some of the technological developments are patentable.**

- The immediate priority is to secure continued post-Brexit protection of EU Plant Variety Rights in the UK.

This may be achieved through the eventual Repeal Act but there is no certainty yet of this. Failure to secure this through the Repeal Act or other UK legislation would leave 99% of the current UK market for crop varieties without IP protection and cause huge disruption to the basis of the UK’s £90 billion food industry.
Many of the IP issues facing Dyson following Brexit will also apply generally across a lot of UK business. Retaining existing rights is a top priority for industry which has been happily owning and using community design rights and EU trade marks. Industry needs to know that there will be equivalent rights, enforceable and applicable in the UK post-Brexit and at no additional cost. Brexit will inevitably bring increased cost to businesses if IP protection has to be sought in both EU and UK separately.

- **Continuing IP Rights** - It is essential to know that IP rights that have been paid for and enjoyed over a number of years will continue. The perceived threat of cluttering UK design and trade marks registers by adding their EU counterparts should not be a barrier to providing a clear public record of all applicable UK rights; the EU rights could be imported en bloc and the registers rationalised later.

- **Design Rights** - Brexit brought an opportunity to simplify the way that visual designs are to be protected in the UK. The underlying principle should be to avoid added complexity and if possible to simplify. For technology businesses like Dyson, Gill believed it would be possible to live without community unregistered design rights; a UK unregistered design right albeit of narrower scope than its EU counterpart would suit many UK businesses. She believed that companies should take every opportunity to register their important designs rather than relying on unregistered rights and would be encouraged to do so if the costs of registering could be reduced.

- **Unitary Patent and Unified Patent Court** - Many companies were wary of committing to the Unitary Patent and Unified Patent Court (UPC) system and then finding that the UK was not legally permitted to remain and had to leave. They were uncertain of what would happen to pending applications and lawsuits in the event of a transition out of the UPC and would be unwilling to expose their valuable IP to this level of risk. If the UK were to find a way to stay within the UPC it was quite likely that the legality of the UK’s right to do so would be challenged. A CJEU decision would be required to confirm that there was no legal obstacle to the UK’s participation. It would likely take several years for the legal position to become clear and for rights holders to be assured that the UPC was a secure system. December 2017 is the nominal target start date for the UPC but February or March 2018 is more realistic.

It was Gill’s opinion that having a branch court in London under the UPC system is desirable but not essential. The difference in cost between UPC proceedings on eligible subject matter in London and elsewhere in the EU would not be significant for most businesses. What really mattered was the quality of the judges in the UPC system and that experienced IP judges could work within it. There could be benefit for the UPC system to allow third countries including the UK to be members if this was confirmed as legally possible.

- **Supplementary Protection Certificates (SPCs)** - UK supplementary protection certificates (SPCs), which extend patent rights by up to 5 years for medicinal and plant protection products requiring regulatory marketing approval, need special and immediate attention in the same way as Plant Variety Rights. SPCs, although national rights, have their legal basis in two EU Regulations and can be granted based on either a national marketing authorisation

2 Note: the Design and Creative industries have a different view about the narrower scope – see below
or (for medicinal products) an EU-wide authorisation granted by the European Medicines Agency.

It is worrying that the approach in some areas continues to be that everything will be all right in the end and that rights owners are worrying unnecessarily about all the legislative loopholes and technicalities they can see and which the Government does not currently seem to appreciate or be willing to discuss. Very many stakeholder groups will be holding meetings with Government officials to put over their points. But what is not clear is how these significant inputs will be coordinated and connected within and across Government departments.

Other issues raised in the Panel Q&A discussions

- **Digital Single Market (DSM)** This is the single most important market for digital and data industries regulated by common rules and market access agreements. Current negotiations in Europe are continuing but there were concerns about the UK delegation’s commitment to the process and the protection of current UK interests, with resources being redirected to Brexit matters. There was also a fear of push back in Brussels towards anything that might benefit the UK with negotiations getting harder, concern about how effective the UK is currently in the discussion and how we could continue to have influence after our exit from the EU. Some members of the EU regarded the UK as an important thought leader in Europe and strategic alliances might usefully be formed with them.

  *Rosa Wilkinson agreed to take these concerns and observations back into DIT.*

- **Biodiversity Convention** - The Nagoya Protocol, part of the Convention on Biological Diversity, was another significant issue for the seeds and other industries and could possibly provide opportunities for the UK post-Brexit. The UK was a signatory to the Protocol in its own right and so would be bound by its obligations but would not necessarily have to retain the EU Regulation which implements certain requirements of Nagoya in the EU after Brexit. However, the international and integrated nature of most plant breeding companies meant that in practice this would bring little benefit to this sector as their systems would still have to comply within the EU.

- **Data Protection** – Hopes were expressed that a post-Brexit UK might be able to implement data protection rules in a rather different way from the requirements under the European Data Protection Regulation (GDPR). However, it was pointed out that diverging from specific EU requirements could pose difficulties for organisations involved with big data, informatics, and analytics trade or exchange with an EU company. All EU data industries and those using personal information or data in trade (which is most industries) are going to be required to conform with GDPR in order to trade in the EU market.

- **International IP options** - IP law in the UK has become increasingly influenced by EU law and Regulation. But there are also international IP options that could be considered, for example The Hague System for the International Registration of Industrial Designs. The UK may need

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3Since the event, on 30th March in a written parliamentary statement on IPO performance targets by Jo Johnson, the UK Government has signaled its intention to ratify the Geneva Act of the Hague Agreement for international design registration in March 2018 ready for implementation from 6 April 2018 - [https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2017-03-30/HCWS575/](https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2017-03-30/HCWS575/)
to review and sign up to some of these instruments where it was not already a member in its own right.

Rosa Wilkinson confirmed that this was under review within the IPO and across Whitehall. She encouraged stakeholders to point out to Government where there was a need for specific Convention membership.

- **Geographical Indications** – Promoting and protecting the names of quality agricultural products and foodstuffs through Protected Designation of Origin (PDO), Protected Geographical Indication (PGI), and Traditional Specialities Guaranteed (TSG), is currently provided by EU regulation. The UK will need to either adopt the existing EU regulation by equivalence or create its own regime, not necessarily replicating the EU way of doing things but conforming with TRIPS (Trade Related Intellectual Property Rights) PGI requirements for WTO members.

- **Stakeholder Involvement** – It is clear that stakeholders are keen to contribute to future Government policy development and help shape the UK’s priority list for the negotiations, bringing their practical knowledge and experience “at the coal-face” to bear. There is concern that the Government seems unwilling to share confidences with trusted experts who could help. Greater transparency, more trust and a broader reach from Government would be appreciated.

Responding to this, Rosa Wilkinson emphasised that Government wanted to hear about the priorities of all stakeholders and DIT was building a directory of stakeholders and their expertise. Stakeholders should be proactive and not wait to be asked. She was prepared to act as a conduit into Government and invited input by email to rosa.wilkinson@trade.gsi.gov.uk. The Chairman emphasised that IPAN is active in helping coordinate industry response and promoting improved engagement with Government.

**Alternative Scenarios** - The Panel discussion was predicated on the basis that the UK would leave the EU. Some workshop participants asked whether a contingency scenario should be considered if that did not prove to be the case in the face of popular dissent when the final exit arrangements became clear. Industry participants noted that businesses must devise strategies and plans to deal with different possible outcomes, influencing their investment decisions accordingly. Businesses would invest in markets where they could have good value capture underpinned by strong IP protection. Countries with poor IP protection would generally experience little or no investment.

Rosa Wilkinson indicated that, given the major constraints of the coming EU exiting negotiations, contingency planning for alternative arrangements could not receive any priority.

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4 Written submissions can also be sent to IPAN by email to info@ipaware.org
Closing remarks from the panel discussions

- It is critical for businesses to avoid a long period of uncertainty and to be able to be properly prepared for day one after Brexit.

- Government could usefully bring more external experts closer into the fold during the negotiation period, including IP specialists who have much to contribute. But many stakeholders are concerned how this external expertise will be coordinated and connected within and across Government departments.

- Industry and other stakeholder groups should not be passive bystanders but come up with workable solutions rather than focusing on problems.
Chartered Institute of Trade Mark Attorneys (CITMA): Tania Clark\(^5\) and Rachel Wilkinson-Duffy\(^6\)

**EU Trade Marks** - As it stands, when the United Kingdom leaves the EU, current European Union Trade Marks and Registered Community Designs will cease to have effect in the UK. CITMA has narrowed down the possible options for trade marks from six originally to the following two:

- The Montenegro model, in which EU trade marks would be automatically entered onto the UK register and which would confer equivalent rights in the UK, same scope, registration date etc.
- The Tuvalu model, similar to the Montenegro option but requiring rights holders to opt in and possibly pay a fee, and make a positive statement that they wish to have an equivalent UK right.

For trade marks, the attraction of the Tuvalu model is that the owner would be stating their bona fide intention to use the trade mark in the UK. The model also has the benefit of allowing the holder to file a UK address for service providing an interaction point with the UK IPO.

The option of the UK remaining within the Community Trade Mark system simply by recognising Community marks under UK legislation (as Jersey has done under its laws) was one of the original options but not one that the UK IPO had wanted to explore further. Nevertheless, if industry believes that this is the best option it should say so and press for it to be considered as DIT had said that no options had been ruled out yet.

For any option, where an EU trade mark has a valid UK seniority claim, the holder should have an option to reinstate the UK trade mark on the UK register if it had been allowed to lapse. The model that is adopted needs also to apply to pending EU trade mark applications.

**Trade Mark Attorney Representation** - It is important to ensure that UK attorneys would remain eligible to be recognised as legal practitioners or professional representatives by the European Union IPO (EUIPO). This is explained in detail on the CITMA website\(^7\).

CITMA is exploring the possibility that its members could qualify as Irish trade mark agents and thereby retain rights of representation before the EUIPO but there remained a requirement for EEA residency and it was not certain that this proposal would work. This was an issue that the UK Government could not resolve alone and which would need to be negotiated. CITMA was lobbying for the importance of this issue to be understood and asking the UK Government to work towards mutual recognition between the UK IPO and EUIPO with a reciprocal arrangement on recognition of professional representation.

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\(^5\) Partner, Trade Mark Attorney at Withers & Rogers LLP
\(^6\) Associate, Trade Mark Attorney at Baker & McKenzie LLP
Chartered Institute of Patent Attorneys (CIPA): Nell Lampert

Patent attorneys did not face the same issue over rights of representation as did the trade mark attorneys. The European Patent Convention and European Patent Organisation are not EU institutions. CIPA’s main activity at the current time was one of reassuring its members and stakeholders that for patent attorneys it would be business as usual and that European qualified patent attorneys would not be affected by Brexit since the European patent system was outside the EU. CIPA had been working to dispel myths in Parliament and elsewhere and senior CIPA members had been visiting key markets to reinforce this message, explain the detail and try to promote the UK as an IP hub.

CIPA has published a paper on the impact of Brexit on all aspects of IP, available here. This had been widely circulated and highlighted where there were opportunities to strengthen IP in the UK as well as where there were issues to resolve.

SPCs are a particular urgent concern for the pharmaceutical and crop protection sectors. Pharmaceutical manufacture provides the highest balance of trade surplus of any manufacturing sector in the UK and in 2009 contributed around £7 billion to the UK balance of trade.

Planning for the start of the UPC is another major issue to be considered. CIPA favours UK participation in the UPC system believing it will save business cost and has obtained legal counsel’s opinion that there is no legal obstacle to the UK participating. CIPA was encouraged that the Government has already signalled its intent to press on with ratification.

International Institute of Licensing Practitioners (IILP): Nigel Worth and Mark Hiddleston

The IILP is grappling with the complexities of international licensing agreements in the run up to the UK leaving the EU. Very many agreements will need to be in place at the point of Brexit, not just licences but also distribution, franchising etc. and all will need to be revisited. It may become more difficult to negotiate new agreements favourable to UK entities and the business ramifications could be severe. Companies need to be mindful as agreements come up for renewal that it may be more difficult to retain previous favourable terms. Nevertheless, Brexit provides some opportunity to introduce clarity into an area of complexity predicated on European competition law requirements and to work to a new standard in licensing agreements.

It is important to clarify early on what will happen in the UK in relation to licence agreements which currently extend across the whole of the EU and to have certainty about those rights. Important business licensing related issues are only now being identified but it is not clear how and when the Government is likely to address the issues. For example, if the Tuvalu option were adopted for EU trade marks, where would that leave an exclusive licensee? If the UK chooses to go down the Tuvalu route in which the rights holder has to elect for addition to the UK register, does it leave the exclusive licensee in the UK at the mercy of the rights holder?

8 Head of Media and Public Affairs at The Chartered Institute of Patent Attorneys
10 Chairman of the Institute of International Licensing Practitioners
11 Director and Trade Mark Attorney, Hiddleston Trade Marks
The privileges accruing to the rights owner following registration of a licence are not currently the same for EU and UK registration. It is not clear what would happen to the terms of an EU-registered licence that was subsequently registered in the UK. This is an example of the many detailed questions needing to be answered across all forms of IP rights contributing to the continuing business uncertainty around the impact of Brexit.

**View from IP insurance, finance and investment**

**IP Insurance: Eric Alsegard** and **Ian Wishart**

Insurance is a highly regulated industry and it is not at all clear what the implications of Brexit will be but there will be many issues relating to trade relationships and investment to resolve. The IP insurance industry is considering how best to deal with the uncertainty. Insurance is an area in which Brexit seems to introduce more risk and uncertainty than it does opportunity. Companies considering investment opportunities will need to look much more carefully at risks around IP and how to mitigate them than they have had to within the EU. On the plus side, the UK has the benefit of having a strong insurance industry and being one of the few countries in which you can buy IP insurance.

IP insurance insures against the cost of taking legal action, whether you are pursuing a claim or being sued. It can also fund litigation and provide after the event insurance to protect against third party costs if you lose. IP insurance will never be cheap; there is no legal obligation to have it and there are very many IP risks, all of them different. But having IP insurance can bring other benefits, for example, it can facilitate getting finance.

China and Japan are introducing state-sponsored IP insurance. This will be part funded by their Governments to give support to SMEs. These Governments have decided that protecting SMEs against the risks of litigation is a way to help them grow and deal with international risk in IP. Given the importance of nurturing SMEs as contributors to the developing UK economy, it would be good to see the UK Government taking a similar proactive approach to China and Japan. Currently, there is only a mention of IP insurance existing on the IPO website.

**Finance and Investment - Callum Smyth**

Mr Smyth prefaced his remarks in the context of his organisation, Barclays Bank, which is a significant owner of IP rights with patents, trade marks, databases, trade secrets, copyright and software.

Patents are of low concern as the EPO was not an EU institution and therefore not in scope of any Brexit deal and the work that CIPA was doing to deliver this message was welcome. The situation of the UPC was less clear. Barclays would be disappointed if there were to be no UPC court in the UK; the UK legal system was very good at dealing with common law issues and had very good judges. It would not be possible to separate the location of the court from the judges – good judges would not want to move countries.

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12 Intellectual Property Practice Leader at CFC Underwriting, Ltd.
13 Director at Sybaris Legal & IP
14 Global Head of Intellectual Property at Barclays Bank PLC
On trade marks, the concerns were the possibility of losing rights in the UK, what the future regime would be, how long it would take to decide and put in place and at what cost. There would be a significant cost if everything had to be refiled in the UK. There were many unknowns and currently all Barclays and other companies could do was try to mitigate the risk.

Little case law existed for database rights and this could be a growth area.

The Trade Secrets Directive was due to be transcribed into UK law just before the planned departure from the EU. It was currently uncertain whether this would still happen.

Passporting was a major issue for the financial sector – and there was uncertainty over the future rights of companies in the UK to sell products and services throughout the EEA.

The EU passporting system for banks and financial services companies enables firms that are authorised in any EU or EEA state to trade freely in any other with minimal additional authorisation. These passports are the foundation of the EU single market for financial services. EU legislation provides for ‘third country’ regimes which allow non-EU based firms to offer a limited number of services into the EU if their home country regulatory regime is accepted by the EU as being ‘equivalent’ to EU standards. However, these regimes only apply to a handful of banking services, and are much more limited in scope and in general much less secure than the passporting regime.

Once the UK has left the EU and the EEA, it would become a “third country” and these limited regimes may in principle be available15.

In banking, insurance and financial services, IP and its global management will follow the location and headquarters of our international financial institutions. Passporting rights are a major issue for the financial sector, as there is uncertainty over the future rights of companies in the UK to sell products and services throughout the EEA. Part of the leaving process must include rights of access through passporting into the EU and EEA.

In developing financial sectors like the UK’s leading fintech industries, the talent and movement of people to create and develop IP assets to serve and trade in the global financial services market are considered essential.

**View from Creative and Design industries**

**Alliance for IP: Eddy Leviten**16

It is well recognised that the civil service would be extremely stretched over the next 2 years in having to do a huge amount of legislative work as well as sustain business as usual. Nearly every issue that they have to deal with would have an IP element somewhere. In the creative industries, IP was fundamental and the issues were highly complex with every sector having its own different business model and layers of intricacy. There is a very great deal for the industry to convey and for civil servants to take in. But it is vital that this is achieved since the creative industries are a big part of the UK economy. The Alliance for IP welcomes the message from DIT that it is listening but had serious concerns about how the input was being recorded, analysed and coordinated across different departments.

Specific issues of concern for the Alliance were:

16 Director General at the Alliance for Intellectual Property
• The current negotiations on the Digital Single Market (DSM).  
  
  This is an important topic for the UK with the outcome having the potential to attack the business model for some UK companies. The UK had a lot to lose from a negative outcome but did not appear to have a strong voice in the negotiations.

• Unregistered design rights, where the Alliance hoped that the UK Government would give its urgent attention.

• Recognition that companies will want to continue to bring talented individuals into the UK to live and work, resulting in consequent inward investment.

• Provision of sufficient skilled resource within the DIT and IPO to understand the critical role of IP in trade agreements; bodies such as the Alliance need to be ready to help and fill evidence gaps.

• That IP should not be regarded by trade agreement negotiators as a “tradeable item”.

It is positive having a Minister, Jo Johnson\textsuperscript{17}, in the House of Commons, but his brief is extensive and IP only one element of it; it is essential to continue to press the IP message to keep it firmly on the agenda.

There is a risk that the UK will be pressured into making changes that will weaken the IP position for the UK’s creative industries. One risk area is copyright in relation to online platforms, where a new EU enforcement regime will be coming in 2018. It would be important to emphasise the need for respect and reward for creativity and the significance for protecting UK jobs in the creative sector.

It is vital that IP rights are considered properly in the context of trade agreements and Double Taxation Agreements (DTAs) as well as in their own right.

\textbf{Anti Copying in Design (ACID) - Dids Macdonald OBE}\textsuperscript{18}

The creative industry is one of the top five sectors for growth in the UK. There is currently a UK system in place for unregistered design rights existing in parallel with a system of EU unregistered design rights. Post-Brexit, copyright will be about nuanced changes made to existing protection. But for design, Brexit offers an existential threat because of the possible loss of EU laws. UK designers will be severely disadvantaged if they lose EU unregistered design rights across all EU Member States on which the majority of 3D designers rely. In a survey of ACID members, 96% were concerned about possible loss of access to the EU system and the current uncertainty that this has brought.

There are major differences between the UK and EU unregistered design rights. Although the EU right confers protection for only three years compared with the UK right’s fifteen, there is a big difference in scope. EU design rights, both registered and unregistered, protect the individual character of a design, in particular, as they relate to the shape, texture, contours, lines, colours, ornamentation and materials of the design. UK unregistered design rights protect only the shape and configuration of a design. Entire design sectors such as fashion, lighting and furniture rely on the current scope of EU unregistered design rights to protect their 3D designs.

ACID is pressing Government to introduce a new UK law which mirrors the scope of protection afforded by EU unregistered designs, to put UK designers on a level playing field with their EU counterparts. If the scope of protection provided by the current EU law is not transposed into UK law post-Brexit, design protection for many design sectors will be lost with potentially calamitous economic impact. ACID estimates that 25% of sales and 20% of the workforce in the sector covered

\textsuperscript{17} Whether this will continue in the new Government after the June 8th General Election will have to be seen.

\textsuperscript{18} CEO - Anti Copying in Design, Vice Chair of the Alliance for Intellectual Property
by its membership may be at risk if the companies/designers no longer have access to the EU unregistered design rights system.

ACID’s advice to its members is always to register designs although the Trunki decision\(^\text{19}\) has brought a loss of confidence in the registered designs system where legal action, when needed to be taken, is very expensive. ACID has advocated to Government that there should be no fee for owners seeking UK national design registrations who have so far relied in good faith on the protection provided through their existing EU design registrations. The continuing uncertainty about the post-Brexit position is leading some businesses to double up on UK and EU registrations with extra cost. Unfair competition is a further consideration with the UK law of passing off being relatively inaccessible to small companies because of cost and extensive proof requirements. ACID’s priority is to ensure that designers in the UK do not lose the benefit of their EU unregistered design rights post-Brexit.

**Wider British Isles Family, the Economy and Law**

**Wider British Isles Family: Rick Denton**\(^\text{20}\)

One positive change has been a change of language in the way that the Government talks about other jurisdictions. The Isle of Man, Channel Islands and Gibraltar are now being talked of as part of the British Isles family. It was important that these jurisdictions should not be fragmented with regard to rights and the extension of international treaties and should be fully considered and integrated in everything that the UK decides and does.

Within the “British family” of the Scottish Parliament, the Assemblies of Wales and Northern Ireland, the Crown Dependencies and the Overseas Territory of Gibraltar, full market access is important. This particularly applies to the UK extension of IP Treaties and agreements to the Crown Dependencies, as they do not have the international capacity to enter into many of these agreements.

**The economy and law**

**IP Federation – Carol Arnold**\(^\text{21}\)

The Federation represents IP intensive companies in the United Kingdom which are extensively involved with IP in Europe and internationally. The Federation has several policy position papers on IP and Brexit available on its website\(^\text{22}\). The major issues are:

- Achieving certainty for UK users of the IP rights system is paramount.
- All accrued and pending IP rights in the UK must be preserved post-Brexit – this is a top priority.
- Federation members recognise the benefits for industry that can come from the Unitary Patent and the Unified Patent Court (UPC) and urge the UK and other Contracting States to work together urgently to enable the UK to stay in the system after Brexit, and to give consideration to transitional arrangements in case the UK or any other Contracting State is unable or unwilling to remain in the system.

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\(^{20}\) Founder, Denton Lovel Associates, Guernsey

\(^{21}\) Immediate Past President, IP Federation

\(^{22}\) [http://www.ipfederation.com/](http://www.ipfederation.com/)
• Individual rights holders could choose to opt in or out. If competitors chose to opt in, a company might feel compelled to be in the UPC system in the event of legal action. If the UK remained in the UPC system, there could be ramifications - potentially negative - in the trade mark and design rights areas. If the UK were to exit the UPC, there would need to be some transitional arrangement.

• Exhaustion of rights would have to be dealt with actively upon Brexit. Full international exhaustion of rights would be highly detrimental to the UK’s IP-intensive industries.

Briffa Solicitors: Margaret Briffa

The need for clarity over unregistered design rights was urgent. Many Briffa clients relied on EU unregistered design rights. Registered designs were not a helpful option for many in fast-moving businesses such as fashion, where designs were not registered but companies relied on unregistered designs and trade marks. Industry needed an unregistered design right that really worked. If the EU system could not be recognised in the UK, rights would be weakened significantly unless changes were made to the UK system to adopt the same provisions as for EU unregistered design rights.

The Great Repeal Bill is intended to allow all EU legislation to be adopted onto the UK statute book but so far there had been no clear statement that EU unregistered design rights would be included. This was urgent to give confidence to clients. Briffa saw opportunities for the UK Government to take some steps to simplify the system. It would be complicated to have to operate with parallel rights and the opportunity could be taken to introduce a simplified unitary single right of unregistered design. A longer term, probably 10 years, would be preferred and the opportunity taken to address the imbalance created by other countries having laws of unfair competition which the UK did not.

The current uncertainty has led to a situation in which more designers were using the UK registered design system where this was an option and the Trunki decision has been helpful in clarifying what applicants needed to file.

Bioscience Industries

UK BioIndustry Association: Martin Turner

Many BIA members are SMEs who are doing R&D for drug development but not necessarily selling products, as well as larger pharmaceutical companies and companies involved in medical diagnostics and devices.

The bioscience industries including the related pharmaceutical sector – referred to as “a jewel in the crown” by Prime Minister, Theresa May, make a major contribution to jobs and new medicines. However, the sector faces the challenges as a much smaller single drugs market in the UK (3% of global markets as opposed to 28% for the EU) together with particular IP issues such as

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23 IP Solicitor and founding partner of Briffa Solicitors
24 See White Paper published on 30th March: 
25 Policy and Projects Manager, UK BioIndustry Association
supplementary protection certificates (SPCs) and drug regulatory issues currently provided by EU Regulation.

Drug development is a long process taking at least 10 years and often up to 20. It is expensive with a high risk of failure and highly regulated. The UK is a relatively small market for drugs at 3% of global sales whereas the EU accounts for 28%. Continued access to the EU market would therefore be a priority for the sector over the smaller UK market post-Brexit.

IP policy solutions for Brexit are needed to encourage continued investment. Important issues for the sector are:

- SPCs (supplementary protection certificates) – extension of rights added to the end of basic patent protection
- Paediatric medicine authorisations which allowed for an extra 6 months on top of the SPC
- Orphan medicine designation which allowed for an extra 10 years’ protection for rare disease medicines
- Regulatory data exclusivity which allows companies to continue to protect their data in EU market authorisations.

Brexit brings risks for all of the above if the UK does not keep in step with the EU. The desired outcome is harmonised or aligned regulatory systems for the UK and Europe in relation to medicines, with the current IP system continuing. The overriding considerations should be ensuring patient safety and no delay in getting new and improved medicines to patients.

BIA would like to see the currently projected branch of UPC specialising in life science technology established in London, as UK judges were particularly experienced in this area.

Plant Varieties UPOV: Yolanda Huerta²⁶

Agriculture is important for the economy and trade. The work of plant breeders was recognised in the International UPOV Convention²⁷ for the first time in 1961 and since then a clear link has been established between breeders’ rights and societal benefits. In the 1950s the development of modern agriculture and the work of plant breeders led to significant increases in crop yields and this has continued with the major contribution to yield increase now shown to come from plant breeding incentivised by the availability of effective IP. Plant breeders use the UPOV PVR system and also sometimes other IP rights including patents and trade marks.

The UK is a full member of UPOV in its own right. It could be useful to look at other regional PVR systems in the context of the future relationship between the UK and the EU PVR system²⁸. These organisations might be useful to look at when thinking about how to effectively establish co-existence of national and EU rights.

UK breeders benefited from the UK’s membership of UPOV at home and via the global benefits of PVR in many countries. The industry was global and companies had a need to protect their material internationally in the most efficient and cost effective way. UPOV was developing an electronic

²⁶ Legal Counsel, UPOV
²⁷ International UPOV Convention (International Union for the Protection of New Varieties of Plants).
²⁸ ARIPO (African Regional Intellectual Property Organisation) http://www.aripo.org/ has initiated UPOV membership and encompasses 18 countries in Africa. OAPI (Organisation Africaine de la Propriété Intellectuelle) http://www.oapi.int/ similarly comprises membership from 17 countries and is a UPOV member.
application form, launched in January and designed to offer access to national and regional PVR systems in an affordable way which could be of interest to the UK. The scheme is open to UPOV members on a voluntary basis and the UK may wish to look at joining. It would be important in the UK to keep PVR high up the IP agenda as the Brexit discussions started in earnest.

The examples of UPOV and the African regional associations showed that the UK should be looking beyond the EU at internationally recognised bodies for IP. The UK has relied on the EU but now needs to develop its relationships directly with more international bodies such as UPOV, WIPO and WTO more proactively.

**Brexit and the EU Biotechnology Patent Directive**

Bioscience companies have often disagreed with aspects of the application of the European Biotechnology Patent Directive over the years. It is thus potentially advantageous that post-Brexit UK judges would be able to make different interpretations from those of the CJEU and would not be bound by European case law. Stem cell and genetic modification are two important areas where this might have positive advantage for the UK industry but there are also ethical and societal considerations and so it may some years before changes are seen in practice.

Interpretation of the Directive in relation to the patentability of the products of essentially biological processes is a key issue for plant breeding. The question has still not been finally resolved in spite of a long sequence of proceedings in the EPO’s Enlarged Board of Appeal. This follows the intervention of the EU Commission and Competitiveness Council, taking an opposing view to the EPO’s legal interpretation. Once this is decided, it will still be necessary to educate patent examiners to ensure consistency of interpretation. Even then the Competitiveness Council has indicated countries may still take divergent approaches in their national legislation.

Brexit presents opportunities to open up the UK market for biotechnology by diverging from the EU in certain areas of regulating innovation in plant breeding. However, there are risks from regulatory divergence should the EU take a more restrictive approach, since the size of the UK market may be too small to incentivise investment in innovatory processes for the UK alone and the UK will continue to need to trade with the EU.

**Communications and data industries**

**Dai Davis** and others

Mr Davis stated that, as a fundamental principle, if EU IP rights are to be taken away from people and companies post-Brexit, some provisions are necessary to compensate them or else provide reasonable alternative rights.

The IP Enforcement Directive is a core IP issue needing to be considered. Its implementation is slowly being harmonised between different countries but new measures and interpretations agreed from this point forward will now be largely irrelevant to the UK. But the most basic question in Europe is

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29 Since the Event, the EPO has produced a paper on how to change the Implementing Regulations and practices to come into line with the Commission and Council positions.

30 Partner and Information Technology lawyer, Percy Crow Davis & Co; http://www.daidavis.com/about/
still not harmonised. That is, the definition of what is personal data, where the UK has a very different concept from other EU member countries.

The Digital Single Market (DSM) in the EU is part of our future as well as that of our European partners. The principles that underpin this market of telecommunications and freedom of access to services are provided by technologies and intangible assets protected by IP rights. These are central to our trading opportunities, technology partnerships and access to one of the most valuable and integrated world markets in the digital sector.

In this market, technology developments, some protected by patents together with content copyright and database rights, will work together and in tension with the EU General Data Protection Regulation (GDPR). The interpretation of the relative rights in trade will be decided in cases that will be determined in European Courts. As the Alliance for IP highlighted earlier, it is essential that the UK has access to, and is a participant in, the Digital Single Market.

Higher Education

Janice Denoncourt

Brexit is likely to impact adversely on the Universities and Higher Education Institutions (HEIs) in the following ways:

- Potential loss of access to joint research and education EU work-streams and funding.
  
  *The ERASMUS programme had been very successful in facilitating exchange of staff and students across the EU. The same was true for the R & D programme Horizon 2020 which had led to many successful UK/EU collaborations. Even if the UK is able to participate in future projects, UK researchers may well be regarded as less attractive project partners. If the UK loses access to higher education research funding through EU programmes, the Government needs to provide an alternative source of funding.*

- Loss of high quality students to UK Universities and HEIs affecting student numbers (and so Institution funding) and the prestige and international positioning of the institutions.
  
  *Students are concerned about their visas and whether they will be able to complete their studies in the UK. It is important for the UK Government to move quickly to clarify and give comfort and certainty to all non-UK students. In particular, EU students are worried that Brexit might see their tuition fees rise to those currently paid by non-EU international students – and that this could happen part way through their studies.*

Brexit may provide opportunities for developing wider IP education:

- EU students are likely to continue to choose the UK because of the importance of English law and common law systems which underpin global business contracts.
  
  *The UK has a strong ability to provide IP law education, more so than most other countries. This includes teaching undergraduates, PhD studentships and helping train IP professionals. Earlier speakers have already referenced the high quality of UK judges in IP matters based in part on*
the foundation of a good IP education. Legal study remains strong in the nation that originated the common law system.

- Press for inclusion of IP in all future qualifying law degrees.

Law degrees must meet certain quality assurance and programme validation criteria to become qualifying law degrees. They must teach specified core subjects such as land and property law as compulsory modules. However, IP law remains an elective module. A proposal to include IP was rejected at the last syllabus review. Although recognised as important, there was a concern that not all institutions would have the resource or people to teach it.

Brexit may present an opportunity to try to change this, pressing for the inclusion of IP in qualifying law degrees for the future. This would set up a virtuous circle with more lawyers trained in IP, more able to teach it for the future, the UK consolidating its position as a leader in IP law and becoming a more attractive place for students and professionals to come. It would not be easy for the IP sector to compete with all other sectors of law but the benefits would be great and the pressure should be kept on.
Event overview and concluding remarks

John P Ogier, Chairman IPAN

The UK is a world leader in innovation, science, technology, financial services, digital, design and education. The long term economic prosperity of the UK depends on its ability to trade freely with the world as a whole and this includes the future EU post BREXIT. IP rights and the agreements for trading the related intangible assets are mission critical. They are central to the UK negotiation process of successfully exiting the EU legal framework and engaging with other countries and EU members in trade in goods and services.

To date, we do not believe the IP aspects of Brexit have received the detailed attention they deserve. In part, this may be due to the complexity and short time-scale of the overall Brexit task but also the need for a greater understanding of just how IP issues impact the future UK trading position and economic opportunities for UK industry and commerce.

The IPAN Brexit IP event has brought the importance of IP rights and market access rights into sharper focus. The panel and workshop discussions clearly demonstrated that there are many IP challenges as well as some opportunities for the UK from Brexit, along with risks and uncertainties. Some clear messages have come through about the need for the UK Government to take urgent action to secure the position for EU rights holders, in particular, for unregistered design rights, data base rights, plant variety rights and Community trade marks. Good communication between industry and commerce sectors and Government is going to be critical. The IPAN Brexit IP event can be a gateway in opening up appropriate channels.

Event overview

The Digital Single Market (DSM) in the EU is part of our future as well as that of our European Partners. The principles that underpin this market of tele-communications and freedom of access to services are provided by technologies and intangible assets protected by IP. These are central to our trading opportunities, technology partnerships and access to one of the most valuable and integrated world markets in the digital sector. In this market, technology developments, some protected by patents together with content copyrights and database rights will work together and in tension with the EU General Data Protection Regulation (GDPR). The interpretation of the relative rights in trade will be decided in cases that will be determined in European Courts. As the Alliance for IP has highlighted, it is essential that the UK has access to, and can participate in, the Digital Single Market.

In Banking, Insurance and Financial services, IP and its global management will follow the location and headquarters of our international financial institutions. Passporting rights are a major issue for the financial sector, as there is uncertainty over the future rights of companies in the UK to sell products and services throughout the EEA. Part of the leaving process must include rights of access through passporting into the EU and EEA. In developing financial sectors like the UK’s leading Fintech industries, the talent and movement of people to create and develop IP assets to serve and trade in the Global financial services market are considered essential. It is noteworthy that China and Japan are introducing state-sponsored IP insurance partly funded by the Government to give support to SMEs. It would be good to see the Government taking a similar proactive approach; currently, only the existence of IP insurance is mentioned on the IPO website.
Plant Breeding could be profoundly affected by loss of access to European Plant Variety Rights protection. As explained by the European Seed Association, Plant Breeding itself is a low value capture industry of circa £25m-£30m but it is the starting point for UKs £90 billion food industry.

The Bioscience Industries, including pharmaceuticals – referred to as “a jewel in the crown” by Prime Minister Theresa May - make a major contribution to highly skilled jobs and the creation of new medicines. But, post-Brexit, they face the challenges of operating in the much smaller UK drugs market (3% of global markets as opposed to 28% for the EU) and under provisions for supplementary protection certificates (SPCs) and product marketing authorisation currently only provided by EU Regulation.

The Creative Sector is one of the top five sectors for growth in the UK. Over 90% of member businesses surveyed by Anti Copying in Design, are concerned about losing access to the EU unregistered design system. Continued UK access to existing rights from this EU system is essential.

IP rights identified as at risk following Brexit

In addition to the overarching “rights of access” in trade, the following specific IP rights were identified as affected, or likely to be lost entirely, and which must be addressed directly as part of the Brexit process. These include (in no particular order):

- Community Trade Marks protecting brands and sources of supply of goods and services.
- Supplementary Protection Certificates (SPCs) for the pharmaceutical and crop protection industries.
- Community Unregistered Design rights - particularly important for the creative industries sector.
- Copyright and other data rights relating to the Digital Single Market.
- Community data base rights - a reciprocal agreement to protect such existing rights is needed between the UK and EU.
- Community Plant Variety rights for plant breeding and the wider agriculture / horticulture and food industries.
- Trade secrets protection as harmonised by the EU Directive (EU) 2016/943.
- Geographical indications protecting sources of origin of home and farm products.

Concluding Remarks

The European Patent Convention and the European Patent Organisation are not EU institutions and so patents will be relatively unaffected by Brexit. European patents designating the UK will therefore continue to provide rights in the UK. The IP professions and industry also welcome continued Government support for the Unified Patents Court in the UK.

The independence of the UK judiciary from the European Court of Justice and ECJ decisions, whilst welcome in some sectors, will make the enforcement of rights more complex. Initially the jurisprudence is likely to be very similar and closely followed but there will be the opportunity to challenge decisions from the different legal systems and they may diverge in “interpretation” of rights over time.

As well as leading in IP rich businesses, the UK also has depth of expertise and experience in the legal and IP professions and the Higher Education sector and is well serviced by its Intellectual Property Office. The interests of the professionals must not be overlooked but incorporated into our
trade offering. The Higher Education sector will have new challenges and opportunities in developing IP post-Brexit and needs to be able to continue in partnership with EU wide research projects. The IPO will need to service new UK rights directly and could have a more significant role in international filings.

IP protection is governed within an international environment and the UK will need to review its position on international agreements, particularly those administered by the World Intellectual Property Organisation (WIPO). A number of IP related international agreements applying to the UK were entered into under the auspices of the EU rather than in a national capacity during the 47 years the UK has been a member of the EU. These include the Hague Agreement for Designs and the Lisbon Agreement for the Protection of Appellations of Origin as well as international agreements affecting the Biosciences industries.

Ensuring full compliance with international rights under TRIPs (Trade Related Intellectual Property Rights) is also essential for the UK's wider access to global markets under the World Trade Organisation (WTO) arrangements.

For nearly half a century, the UK has been part of and party to EU and EEA agreements on international trade. It now needs to develop its relationships more directly with international bodies like WIPO, WTO and UPOV. For direct trade agreements with individual countries this will also need to include the negotiation and incorporation of IP, royalty and licensing provisions in Free Trade Agreements (FTAs) and Double Tax Agreements (DTAs). The latter are essential to FTAs, as without a suitable DTA, “withholding taxes” can apply to income or fees remitted in the trading country, so dramatically affecting the economic viability of UK based trade with that country.

Care should be taken to define the ambit of new trade agreements concluded by the Government to extend to the whole “British family” i.e. including the Crown Dependencies of the Isle of Man, Jersey and the Bailiwick of Guernsey as well as Overseas Territories such as Gibraltar - full market access is important. This also applies to the UK extension of IP Treaties and agreements as these jurisdictions have little or no international capacity to enter into these agreements in their own right.

The important message from the Government both in the presentation from Rosa Wilkinson of the Department for International Trade and by Government presence at this event including the UK IPO and Ministry of Justice is that **“we are listening”**. By working together, the Government aims to create new trading opportunities as well as negotiate an excellent deal with the EU.

The IPAN event has shown that, in IP terms, this will be a very challenging task. The detailed issues identified and how they might be addressed must be properly understood by those involved in the Brexit negotiations. Otherwise existing IP rights will be damaged or lost with consequent adverse impact on UK trade.

The IPAN event has also shown that IP professional and user bodies are ready and willing to provide active support for Government action both to address the immediate issues of Brexit and to help develop the IP environment for the UK’s future global trade.

IPAN will take these messages forward to Government, industry, the professions and higher education as it represents the importance IP and related rights to the UK economy and our future trading relationships. This in turn can inform and develop the future industrial strategy for the UK and secure our future trading success in the Global Economy.
Conclusions and recommendations

Conclusions

1. The future of the UK’s most valuable assets – market access rights, IP rights and related intangibles - is at stake across all sectors of industry and commerce in the Brexit process from Digital, data, financial services, technology, the creative sector, pharmaceuticals, biotech and agriculture / horticulture.

2. IP and related rights are “mission critical” in the Brexit process. The relative lack of engagement and gaps in understanding must be addressed as a priority. Industry, the professions and higher education welcome Government’s stated more “active listening” mode. But, many stakeholders are concerned how this external expertise will be coordinated and connected within and across Government departments.

3. UK exit from the EU and EEA will impact on market access and IP rights affecting all sections of industry the IP professions, Higher Education and IP services (including the IPO). Effective Government engagement with industry and the professions is essential for a positive outcome.

4. Trade opportunities in new markets after UK exit from the EU (and almost certainly the EEA) will only be realised if IP and related rights in intangible assets are properly understood and provided for in new trade agreements – having these rights should not be seen as a negotiating option.

5. Market access rights to the Single Digital Market and EU data based commerce are essential, as are Passporting Rights in financial services.

6. Industry generally welcomes UK participation in the Unified Patents Court but remains unsure how developing EU IP jurisprudence differing from that in the UK might be handled if, as proposed, we separate our judicial system from the ECJ.

7. IPAN, with its diverse membership of organisations committed to the economic importance of IP, can assist engagement with Government to develop a “Road map” for IP rights through the Brexit process.

Recommendations

1. Ensure continuation of existing EU derived IP rights post-Brexit: Community Unregistered Design Right, Community Plant Variety Rights, Community Data Base Right, Community Trade Marks, Community Trade Secrets, Supplementary Protection Certificates, Geographical Indications and Appellations of Origin.

2. Incorporate and clearly designate IP and related rights in intangibles within Free Trade Agreements and Double Tax Agreements negotiated with the EU and other countries.

3. Ensure that, post-Brexit, IP service providers in the legal, financial and IP professions and the Higher Education sector can continue to practice in the EU and that the high professional standards of UK IP services are included in our global IP trade offering.
4. Review international IP related agreements signed by EU during UK membership and, where appropriate, sign in the UK’s own capacity upon leaving the EU, for example, The Hague Agreement on international design protection\(^{32}\).

5. Review IP arrangements provided by international governance bodies such as WTO, WIPO and UPOV and activate and resource direct UK participation.

6. Extend the scope of market access and international agreements for IP protection throughout the “British family” ensuring equality of market opportunity and no internal barriers to trade or the movement of goods and services.

7. Seek active engagement of IP stakeholder groups, including industry, the professions and higher education, with Government.

   *Note: IPAN can continue to facilitate this process in the development of an “IP road map” for the new path in international trade (including the EU) and effective implementation of industrial strategy.*

\(^{32}\) On 30\(^{th}\) March in a written parliamentary statement on IPO performance targets by Jo Johnson, the Government signaled its intention to ratify the Geneva Act of the Hague Agreement for international design registration in March 2018 ready for implementation from 6 April 2018 - https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2017-03-30/HCWS575/
Appendices

Event Programme

Registered Participants

Papers contributed for the IPAN Event

Anti Copying in Design
  Brexit and Designs policy paper

Briffa Solicitors:
  Designs On Brexit – an overview of the legal landscape

Chartered Institute of Patent Attorneys:
  Impact of Brexit on IP

Chartered Institute of Trade Mark Attorneys:
  Registered Rights post-Brexit

Institute of Directors – Navigating Brexit - Policy Report
  Note: this report is not reprinted here but is available from the IOD website

Intellectual Property Federation:
  Brexit Policy Position
  Trade Mark Policy Position

IP Lawyers Association:
  Continued Protection of EU Trade Marks
  Geographical Indications
  Trade Mark Infringement
  Unregistered Design Rights

Presentations made at the Event

  These are not reprinted here but are available on the IPAN website
## Event programme

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Panelists</th>
<th>Notes</th>
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<tbody>
<tr>
<td>12.00pm</td>
<td><strong>REGISTRATION - Buffet Refreshments</strong></td>
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<tr>
<td>12.30pm</td>
<td>INTRODUCTION TO PANEL DISCUSSIONS</td>
<td><strong>PANELLISTS:</strong></td>
<td>John P Ogier, IPAN Chair</td>
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<tr>
<td></td>
<td></td>
<td><strong>Rosa Wilkinson</strong> - Director, Trade Policy Stakeholder Engagement, Department for International Trade</td>
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<td><strong>Allie Renison</strong> - Head of Europe &amp; Trade Policy, Institute of Directors</td>
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<td><strong>Nigel Moore</strong> - President, European Seed Association</td>
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<td><strong>Gill Smith</strong> - Group IP Director, Dyson Technology Ltd.</td>
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<tr>
<td>1.00pm</td>
<td>PANEL Q&amp;A and DISCUSSION</td>
<td><strong>Highlighted the main IP issues for UK trade and industry surrounding Brexit</strong></td>
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<tr>
<td>1.30pm</td>
<td>PANEL DISCUSSION SUMMARY</td>
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<tr>
<td>1.40pm</td>
<td><strong>Refreshment break</strong></td>
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<tr>
<td>2.15pm</td>
<td>INTRODUCTION TO WORKSHOP</td>
<td>John P Ogier, IPAN Chair</td>
<td>perspectives on Brexit IP implications and actions from representative professionals and practitioners involved with IP and its legal and economic impact on UK trade and industry</td>
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<td></td>
<td>• The IP Professions</td>
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<td>• IP Finance, Insurance and Investment</td>
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<td></td>
<td>• Government, wider British Isles family, the Economy and the Law</td>
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<tr>
<td>3.15pm</td>
<td><strong>Refreshment break</strong></td>
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<td>3.30pm</td>
<td>• Creative and Design industries</td>
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<td>• Agriculture, Horticulture, Plant-breeding and Biotechnology</td>
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<td>• Higher Education, Communication, Data and Information Technology industries</td>
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<tr>
<td>4.15pm</td>
<td>CONCLUSIONS - actions needed by Government, industry, commerce and the professions to manage the IP related challenges and maximise the opportunities of Brexit</td>
<td>John P Ogier, IPAN Chair</td>
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<tr>
<td>4.30pm</td>
<td><strong>Refreshments and Networking</strong></td>
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<tr>
<td>5.00pm</td>
<td><strong>CLOSE OF EVENT</strong></td>
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## Registered Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Affiliation</th>
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<tbody>
<tr>
<td>Eric</td>
<td>Alsegard CFC Underwriting Ltd</td>
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<tr>
<td>Carol</td>
<td>Arnold IP Federation</td>
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<tr>
<td>Keven</td>
<td>Bader Chartered Institute of Trade Mark Attorneys (CITMA)</td>
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<tr>
<td>Silvia</td>
<td>Baumgart JWSS Law LLP</td>
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<tr>
<td>Andrew</td>
<td>Bowler Bristows LLP</td>
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<tr>
<td>Margaret</td>
<td>Briffa Briffa IP Lawyers</td>
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<tr>
<td>Monique</td>
<td>Chong Chartered Institute of Patent Attorneys (CIPA)</td>
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<tr>
<td>Tania</td>
<td>Clark Chartered Institute of Trade Mark Attorneys (CITMA)</td>
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<tr>
<td>Alison</td>
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<tr>
<td>Sonia</td>
<td>Cooper IP Policy and Strategy, Microsoft</td>
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<tr>
<td>Dai</td>
<td>Davis Percy Crow Davis &amp; Co</td>
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<tr>
<td>Peter</td>
<td>Dealtrey Genesis Plant Marketing Ltd</td>
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<tr>
<td>Janice</td>
<td>Denoncourt Nottingham Trent University</td>
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<tr>
<td>Rick</td>
<td>Denton Denton Love Associates</td>
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<tr>
<td>Richard</td>
<td>Gallafent Ideas21 and Chartered Institute of Patent Attorneys (CIPA)</td>
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<tr>
<td>Catherine</td>
<td>Gardener Plant Bioscience Limited</td>
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<tr>
<td>Ian</td>
<td>Goodyer Inngot Limited</td>
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<td>Olga</td>
<td>Gurgula Queen Mary University</td>
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<tr>
<td>Mandy</td>
<td>Haberman Haberman Associates</td>
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<tr>
<td>Paul</td>
<td>Hadley Department for Business</td>
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<tr>
<td>Adam</td>
<td>Hajjar</td>
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<td>Pippa</td>
<td>Hall Intellectual Property Office</td>
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<tr>
<td>Julian</td>
<td>Heathcote Hobbins Federation Against Copyright Theft</td>
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<tr>
<td>Mark</td>
<td>Hiddleston Hiddleston Trade Marks Limited</td>
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<tr>
<td>Roland</td>
<td>Hill Contra Vision Ltd</td>
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<tr>
<td>Yolanda</td>
<td>Huerta Intl Union for the Protection of New Varieties of Plants (UPOV)</td>
</tr>
<tr>
<td>Chloe</td>
<td>Jago Alliance for Intellectual Property</td>
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<tr>
<td>Eric</td>
<td>Johnsson BiolIndustry Association</td>
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### IP, Brexit and beyond – opportunities and challenges

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<thead>
<tr>
<th><strong>Name</strong></th>
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<tbody>
<tr>
<td>Phil Lewis</td>
<td>Anti-Counterfeiting Group</td>
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<tr>
<td>Dids MacDonald</td>
<td>Anti Copying in Design (ACID)</td>
</tr>
<tr>
<td>Penny Maplestone</td>
<td>British Society of Plant Breeders</td>
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<tr>
<td>Duncan Matthews</td>
<td>Queen Mary University</td>
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<tr>
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<tr>
<td>Christopher Moran</td>
<td>Wellcome Trust</td>
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<tr>
<td>Neil Nachshen</td>
<td>D Young &amp; Co LLP</td>
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<tr>
<td>Frederick Nicolle</td>
<td>Carpmaels &amp; Ransford LLP</td>
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<tr>
<td>John Ogier</td>
<td>IP Awareness Network</td>
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<tr>
<td>Antonio Pacheco</td>
<td>Knowledge Transfer Network</td>
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<tr>
<td>Arty Rejendra</td>
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<td>Allie Renison</td>
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<tr>
<td>Tim Roberts</td>
<td>International Chamber of Commerce (UK)</td>
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<tr>
<td>George Roland</td>
<td>Contra Vision Ltd</td>
</tr>
<tr>
<td>Iain Ross</td>
<td>CIPA Journal</td>
</tr>
<tr>
<td>Elizabeth Scott</td>
<td>National Institute of Agricultural Botany (NIAB)</td>
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<td>Antoinette Sinesi</td>
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<tr>
<td>Andrew Smith</td>
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<tr>
<td>Gill Smith</td>
<td>Dyson Group PLC</td>
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<td>Jeremy Smith</td>
<td>Mathys &amp; Squire</td>
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<tr>
<td>Callum Smyth</td>
<td>Barclays Bank International</td>
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<tr>
<td>Andy Stentiford</td>
<td>Maersk Line</td>
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<tr>
<td>Richard Tudor</td>
<td>Elsoms Seeds Ltd</td>
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<tr>
<td>Martin Turner</td>
<td>BiolIndustry Association</td>
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<tr>
<td>Jenny Vaughan</td>
<td>Phrase Consulting Limited</td>
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<tr>
<td>Tracey Webb</td>
<td>Department for International Trade Policy Directorate</td>
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<tr>
<td>Nadine Widdowson</td>
<td>Floranova</td>
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<tr>
<td>Rosa Wilkinson</td>
<td>Department for International Trade</td>
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<tr>
<td>Rachel Wilkinson-Duffy</td>
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<tr>
<td>Annabella Williams</td>
<td>Understanding Animal Research</td>
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<tr>
<td>Pat Winter</td>
<td>Bristows LLP</td>
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<tr>
<td>Paul Wishart</td>
<td>Sybaris Legal LLP</td>
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<tr>
<td>Nigel Worth</td>
<td>Institute of International Licensing Practitioners</td>
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Intellectual Property Federation:

Brexit Policy Position

Trade Mark Policy Position

Intellectual Property Lawyers Association:

Continued Protection of EU Trade Marks

Geographical Indications

Trade Mark Infringement

Unregistered Design Rights
“Brexit means Brexit” and despite the fact that 96% of the creative industries recently surveyed by the Creative Industries Federation wanted to remain, it is what it is! Brexit poses challenges but also significant opportunities (see section 6) to support UK design and designers.

From iconic to everyday, design matters. It’s all around us, enriching our lives as consumers, solving problems, adding value. UK Design is a success story and any erosion or loss of access to EU design rights post-Brexit (currently available to UK designers) would have a significant and negative economic impact on this sector and to the UK’s GDP.

The bottom line: The majority of UK’s thousands of designers rely on unregistered EU and UK design rights and being unable to rely on EU unregistered design rights would seriously affect them. Currently, both EU registered (with one application) and unregistered rights (which arise automatically) offer UK designers design protection in 28 member states for 25 and 3 years respectively.

A UK unregistered design right only offers design protection for the shape and configuration of a design but EU unregistered rights protect a combination of colours, ornamentation, lines, texture or surface decoration as well as shape and configuration on which thousands have relied to protect their designs. Consequently, it is a much stronger design right and loss of access potentially may well influence UK designers seeking to launch new designs to find alternative European locations to secure better design protection.

ACID will engage positively with Government to create a new UK unregistered design law which mirrors EU unregistered rights but lasts for 10/15 not 3 years and we need your help. This is also a unique, once in a lifetime opportunity, to put the UK designers at a competitive advantage by also Introducing Unfair Competition placing UK designers on a par with their EU counterparts when IP law fails them (e.g., Trunki). Extending criminal provisions for the intentional infringement of an unregistered UK design is also a priority.

Show your support so that our voice is a united and strong voice to Government and policy makers to ensure that UK designers are not disadvantaged by any erosion of either registered or unregistered design rights. The strongest possible negotiated transitional arrangements, reciprocity and a focus on International obligations will play a key role to ensure that UK designers are fully supported. Email brexit@acid.uk.com
1. About Anti Copying in Design (ACID)

Over the past 20 years, Anti Copying in Design (ACID) has been a pioneering champion for design law reform and influential in providing evidence to support many of the IP and design reforms which have taken place before and since the Hargreaves Review. Spearheading the campaign for criminal sanctions for the intentional infringement of a registered design (included in the 2014 IP Act) following a 12 year campaign is most notable. More recently, ACID joined other stakeholders to ensure that the UK is no longer a trading post for replica designs. ACID represents thousands of designers from diverse sectors from fashion to furniture with a combined turnover of £6 billion. ACID's aims and objectives are IP education & awareness, prevention against IP infringement, deterrence and supporting its members to achieve growth through their tradable IP.

There have been thousands of settlements on behalf of ACID members, the majority based on unregistered design rights. A very small percentage have reached a final Court hearing and this is largely because micro and SME's cannot afford to take legal action against much larger companies who consistently take the fast track to market through consistent infringement.

2. UK Design is a success story

UK Design is a success story punching above its weight and one of the fastest growing sectors within the Creative Industries (34% in 5 years since 2012) and worth over £72 billion to the UK, 7.7%GVA. There were approximately 1.6 million employed in 2014 and UK business spend is £33.5 billion. The export of fashion design services has increased by 76% since 2009. The intellectual capital which underpins the design economy; design management, know-how, technical expertise, and creative skill, is the intangible value of a business, the value inherent in its relationships. Its intellectual property (IP) is critical for design protection and growth.

The majority of UK and EU designers are micro and SME so the challenges of enforcement are many and pursuing IP infringement is a cost & time prohibitive exercise and threatens job certainty. Continuing to provide a strong IP framework, hand in hand with access to robust enforcement, is critical for the future. The majority of UK (and EU) designers rely on unregistered design rights.

3. Brexit & Design

Although an unwanted surprise to many, Brexit is a unique moment in history to explore every single opportunity to negotiate not only the very best for UK designers facing the potential loss of EU unregistered and registered designs but to seek other ways in which UK designers can transform from being world class to being world leaders in design, supported by a robust IP system. Equally important is that UK designers do not lose any rights which, potentially, will not be available to them post-Brexit. For example, EU designers can rely on Unfair Competition in other EU countries outside the UK, if IP law fails them, and they have had access to EU UDR across 28 member states since 2002.
4. ACID Survey – identifying concerns

Following an initial survey of ACID members the following statistics gave an indication of concerns. Along with many additional anecdotal comments, the mood was of real concern regarding a downgrading of the intellectual framework on which they rely.

Post Brexit, UK businesses may not be able to be protected by a registered or unregistered EU Community design or registered or unregistered Community trade mark in the UK unless by separate registrations. Does this concern you?

92% said yes, 8% said no.

Should a new UK unregistered design right UDR be created to mirror EU unregistered design right but last for 15 years instead of 3 years? (similar to the current UK UDR but also give protection for a combination of lines, contours, shape, ornamentation, colour, texture, materials similar to EU UDR?)

94% said yes, 6% said no.

5. EU & UK registered and unregistered designs – current status

Brexit impact on registered design protection

When the UK leaves the EU, RCDs will cease to offer any protection in the UK. In planning for Brexit, it is highly likely the UK Government (through the UK IPO) will introduce a mechanism by which existing RCDs can be
'converted' into the equivalent UKRDs, whilst maintaining the original filing/priority date. This would leave the design owner with the existing RCD (giving protection in the EU), but also with a new UKRD (giving protection in the UK). UK registered designs are and will continue to be available.

**Brexit impact on unregistered design protection**

The UK currently has FIVE different, but sometimes overlapping, IP rights which can protect designs; two are for registered designs, two for unregistered designs and one is in respect of works of artistic craftsmanship and sculptures, which are a species of copyright law. Two of these regimes are EU registered designs and EU unregistered designs. However, whilst the design laws of all the EU Member States (including the UK) have been substantially harmonized through the EU Council Regulation 6/2002, this harmonization did not cover the UK national unregistered design regime. And there are major differences in the scope of protection between UK and EU unregistered design right protection. For example, EU laws protect patterns, surface decoration, and colour combinations whilst the UK regime only protects shape and configuration (although surface decoration is protected by copyright law). The UK is further closely aligned with those of other EU Member States as a result of judgments of the CJEU which are currently binding on UK Courts in respect of EU unregistered design right. At this stage it may well be that the UK Government could now recognise an opportunity to re-write UK national unregistered design laws. This may provide an opportunity to push again for the introduction of a new criminal offence of intentionally copying an unregistered design.

However, the most significant changes will be to the registration process of EU registered designs. As a result of Brexit the UK, despite having recently joined The Hague Convention to facilitate the registration of designs across the EU, will, potentially, cease to be part of the Registered Community Design (“RCD”) regime. In the future it is possible that existing RCD’s would cease to apply in UK but would continue to apply in other Member States. This is something that no doubt will be the subject of negotiation down the road. The Designs Regulation contains no provisions for a country leaving the EU so a system will need to be quickly established to enable RCDs to be converted into UK national design registrations.

Resolving the uncertainty over unregistered designs is critical. ACID’s Copyright & Design Databank receives approximately 25,000 copies of designs per year. Reliance on EU Unregistered Design Right (3yrs) is critical to protection of new product design, as is protection under UK design right, albeit for shape and configuration only. Most of the 1,000’s of settlements on behalf of ACID members have been based on recorded evidence of unregistered EU or UK design rights.

**6. EU & UK registered and unregistered designs – opportunities**

The majority of UK designers rely on unregistered EU and UK design rights. Create a new UK unregistered design law which mirrors EU unregistered rights but lasts for 10/15 not 3 years.

After all, what is the difference between a song writer, film maker, artist or writer who can rely on their lifetime plus 70 years for a similar unregistered intellectual property right - copyright - and a furniture designer, who can only rely on 3 years with EU unregistered design and a maximum of 15 from first embodiment or 10 years from first marketing whichever is the shorter under current UK unregistered design rights?

Although arguably too short-lived, the EU unregistered design regime is more favourable to designers because it allows protection to be claimed for all aspects of a design under one right, rather than potentially relying on two regimes (UK unregistered design right and copyright) to protect a design. Prior to the introduction of the
EU unregistered design into UK law, it was much more difficult for designers to understand how the law would protect their designs and how the interaction between design right and copyright could affect the protection available to them – see for example the case of Lambretta v Teddy Smith in which copyright protection was denied to Lambretta because of the way they recorded their design. This would not have happened had they been able to rely on the EU unregistered design.

The UK needs an up-to-date design regime akin to the EU design system. After 15 years and with so much judicial time having been spent on interpreting and applying EU design law, it would be detrimental to the UK’s design protection regime to allow the tried and tested EU right suddenly to disappear. Moreover, there is now an opportunity to go one step further and acknowledge the position of the UK design industry in Britain’s economy by providing designers with not only a comprehensive right but one which recognises the longevity of good design and also increases the term of protection available under the EU right.

A small step forward in recognising the work of designers and artists has been made recently with the repeal of Section 52 of the Copyright Designs and Patents Act 1988. From 28th October 2016 it will be possible for designers of mass produced articles to benefit from full copyright protection (life of designer plus 70 years) if the designer is able to show that their work is one of artistic craftsmanship. This change in our law was introduced in order to bring UK law into line with the laws applicable in other member states of the EU. While the change is welcomed by designers the current case law in the UK and the guidance issued by the IPO as to the criteria for judging whether a work is one of artistic craftsmanship show that the bar set is high. It will not be easy for designers to show their works are works of artistic craftsmanship. This means that the law has not changed for the vast majority of designs and designers who will continue to rely on unregistered design rights for protection.

At the very least UK design right should be extended to cover all aspects of the design including colour and surface pattern as is the case with the unregistered EU wide design right. Further, the term of the unregistered right needs to be extended to recognise the shelf life of a product. The current 3 year EU term gives nothing more than a first to market advantage and as an intellectual property right is not in keeping with the purpose of such rights which allow a return on the investment made by a designer in creating new products.

For the above reasons ACID calls for a new UK unregistered design right to cover all aspects of a design and which lasts for a minimum of 15 years from first embodiment or 10 years from first placing on the market. We call on the consolidation of the copyright legislation, removal of UDR provisions from that and introduction of a brand new Act on unregistered designs which also criminalises intentional infringement.

Post-Brexit copyright will be about nuanced changes made to existing protection. But for design, Brexit offers an existential threat because of the possible loss of EU laws. UK designers will be severely disadvantaged if they lose EU unregistered design rights, on which the majority rely.EU design laws, both registered and unregistered, protect the individual character of a design in particular as they relate to the shape, texture, contours, lines, colours, ornamentation and materials of the design. UK UDR protects only the shape and configuration of a design. Entire design sectors such as fashion, lighting and furniture rely on the EU scope to protect their 3D designs; UK law alone cannot protect 3D designs whose individual character is defined by shape, texture, contours, lines, colours, ornamentation or materials. If these EU laws are not transposed into UK law post Brexit, design protection for many design sectors will be lost. Accordingly, this is a potentially calamitous issue for many design sectors. ACID is pressing Government to introduce a new law which mirrors the protection afforded by EU unregistered design, replacing existing UK Unregistered design to put UK designers on a level playing field with their EU counterparts in terms of IP protection.
**Extend criminal provisions to the intentional infringement of an unregistered UK design**

The decision to bring criminal sanctions for the intentional infringement of a registered design would appear to be sound and has added a significant demonstration of support for the design sector, not to mention the deterrent effect on copying. It is long overdue, bearing in mind the evidence that UK and EU designers rely on unregistered rights to give UK designers a competitive advantage over their EU counterparts.

Until 2014 ACID could not take part in the UK-wide IP Crime Group because the intentional infringement of a registered design was not a crime. Now we have engaged for 2 years and can articulate our views and contribute to a national IP crime strategy. Critically, before 2014 this meant we could not access help from Trading Standards Officers. Criminal provisions, therefore, for non-registered designs is significant for the reason that TSO’s won’t and cannot act or intervene (significant when the majority of UK designers rely on unregistered design rights).

3D Printing poses a serious threat to designers – not only would criminal provisions give UK designers added protection it would help address the issue of potential harm caused by counterfeiters who may find the UK’s back door open to very easy criminal activity with little or no laws in place to protect the originator or act as a deterrent.

**Introduce Unfair Competition to put UK designers on a par with their EU counterparts**

If UK IP law fails designers, which it often does, currently they cannot rely on Unfair Competition laws. Arguments have consistently been put forward that Passing Off provides an adequate remedy but it is virtually impossible for an unknown small, niche brand to provide the necessary evidence reputation and consumer confusion against the usual perpetrators, major high street retailers and very difficult to win. Taking legal action for the majority of the UK’s designers is the luxury of the few. **Or, create a new law of unlawful imitation** which does not rely on proving reputation in order to show likelihood of confusion.

**Ensure that the UK’s accession to the Hague Agreement is kept on track and implemented as soon as possible**

In this way designers will potentially have access to protection in approximately 65 countries. The understanding is that 100 designs can be included in one application. Critical to the success of a WIPO design application through Hague will be ‘easy to understand’ guidelines and this is where the UK can influence and negotiate this with WIPO, more especially after the calamitous consequence of Trunki.

**7. EU IPO and representation – action points**

- Ensure that UK designers emerge with an advantageous, competitive edge over their EU counterparts (Unregistered designs lasting for 15 years and mirroring the term of current UK unregistered designs but also covering contours, lines, materials, shape, ornamentation, texture and colour similar to unregistered EU design rights. Unfair Competition and criminal provisions for unregistered UK rights).
- Influence Government and politicians to campaign about UK as an IP rich country, fit and ready to continue to do even better business, both in the UK and with other countries outside the EU.
- Ensure that the message is heard resolutely within the Treasury of the contribution that IP rich countries make to the UK.
- Use, strengthen existing relationships and prioritise on what the end user needs post Brexit.
8. How do stakeholders think the IPO can best support them on Brexit?

- Lessen the gap between bureaucracy and business
- Listen to micro and SME businesses whilst strengthening the relationships with major PLCs to champion British IP rich business
- Ensure there is an identifiable framework to influence negotiations and a hierarchy of IP priorities
- For negotiators to create an experts group of representatives on a confidential basis
- Enter talks with the Treasury to look at tax breaks across the creative industries as it is our fastest growing sector at 8.9%
- Encourage positive dialogue to open up new international trade deals for IP rich companies
- Less talk, less research – actions speak louder than words – robust IP protection, enforcement to achieve growth
- Use language which chimes with the ‘man, woman or designer’ in the street, steer away from the sole language of lawyers

9. ACID – What are we doing?

Engaging support from the following: The Intellectual Property Office, The All Party Parliamentary Intellectual Property Group; Ministers and MPs with whom ACID has an established relationship and who support the creative industries and, in particular, design; top-line and strategic support from the Alliance for Intellectual Property representing 24 trade organisations:

ACID WILL ENGAGE WITH TRADE ORGANISATIONS/ASSOCIATION PARTNERS, LEGAL AFFILIATES, ACID SUPPORTERS, MEDIA PARTNERS, ACID MEMBERS AND THE WIDER DESIGN COMMUNITY.
10. Factual information provided by the Intellectual Property Office explains the current status quo:

**Trade marks** - UK rights holders can continue to protect their IP abroad. While the UK remains a full member of the EU, the EU Trade Marks (EUTM) and Registered Community Designs (RCD) continue to be valid in the UK. The EU recognises that for EU trade marks, users will want clarity over the long-term coverage of those rights. The Government is exploring various options and we will be consulting users of the system about the best way forward. Even after the UK leaves the EU, UK businesses will still be able to register an EU trade mark, which will cover all remaining EU Member States. In addition, the UK is a member of the international trade mark system called the “Madrid System”, which allows users to file one application, in one language, and pay one set of fees to protect trade marks in up to 113 territories including the European Union. The UK Government fully recognises the concerns that IP professionals have about their future right to represent clients before the EU Intellectual Property Office. We welcome views on how to address these concerns and are involving stakeholders in consideration of these issues.

**Designs** - UK rights holders can continue to protect their IP abroad. While the UK remains a full member of the EU, the EU Trade Marks (EUTM) and Registered Community Designs (RCD) continue to be valid in the UK. We recognise that for EU designs, users will want clarity over the long-term coverage of those rights. The Government is exploring various options and we will be consulting users of the system about the best way forward. Even after the UK leaves the EU, UK businesses will still be able to register a Community Design, which will cover all remaining EU Member States. The Government has also made clear its intention to ratify the Hague Agreement in a national capacity, which provides a practical business solution for registering up to 100 designs in over 65 territories through filing one single international application. We are currently working through the steps of joining and hope to introduce the service within the next year. Protection for unregistered designs will continue to exist through the UK unregistered design right. We will consult designers and other users to ensure that the protection provided is fit for purpose.

**Patents** - The referendum result has no impact on UK businesses’ ability to apply to the European Patent Office for patent protection. It will remain possible to obtain patents from the EPO which apply in the UK. Existing European patents covering the UK are also unaffected. British exit from the EU will not affect the current European patent system as governed by the European Patent Convention (EPC). The UK remains a Contracting Member State of the Unified Patent Court at present. We will continue to attend and participate in UPC meetings in that capacity. There will be no immediate changes.

**Copyright** - While the UK remains in the EU, our copyright laws will continue to comply with the EU copyright directives, and we will continue to participate in EU negotiations. The continued effect of EU Directives and Regulations following our exit from the EU will depend on the terms of our future relationship. The UK is a member of a number of international treaties and agreements. This means that UK copyright works (such as music, films, books and photographs) are protected around the world. This will continue to be the case following our exit from the EU.

**Enforcement** - The UK is widely seen as a world leader in enforcement of IP. By working in partnership with law enforcement and industry, the Government can deliver an IP environment where legitimate businesses
thrive and consumers are protected. For the time being, the UK’s enforcement framework remains unchanged. We are still part of the EU and we will still play a part at the EUIPOs Observatory, and in bodies like Europol. The process for intercepting counterfeits and other infringing goods at the border remains unchanged. The UK remains a part of the EU until the negotiations to exit are concluded. We will continue to play an active role in the review of the Enforcement Directive, and the Commission’s work on tackling commercial-scale infringement.

11. Designers/manufacturers – what should you do next?

Support our campaign by emailing us at brexit@acid.uk.com, to add your names of endorsement and/or request a template letter to send to your MP. We need to ensure that designers’ interests are at the top table on intellectual property issues in all Brexit negotiations.

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Designs On Brexit – an overview of the legal landscape

Margaret Briffa - March 2017

Briffa - Intellectual Property Lawyers

Designers still reeling from the Supreme Court decision in Trunki should look away now. If the Trunki case exposed the differences in protection of designers’ rights in continental Europe to the UK the effect on design law on Brexit would be far worse.

Rights which UK designers enjoy across the European Union by the UK being part of the EU would be swept away. Without government intervention to redress the balance of what will be the most sloped playing field ever, UK designs are set to be seriously disadvantaged in comparison to their European counterparts.

The law that applies to protect designers from having their work copied is complex and multilayered. In respect of any single product up to four different design rights can apply. These are registered UK design right, registered community design rights, unregistered UK design right and unregistered community design right. These rights together make up the designer’s tool box to be deployed when needed to prevent copying of work. By using these rights designer can reap the benefit of the investment made in creating products.

**On Brexit, in the absence of any intervention by the government, the position will be as follows:**

**Registered Community Design Rights**

These are rights which protect [the shape or other aspects] of a design as depicted in the registration. Registrations can be maintained for up to 25 years giving a far longer term of protection than available for any unregistered rights.

On Brexit the UK part of this right would be lost meaning that a designer would have no registered right in the UK.

It has been suggested by some that the European Union may agree to designers continuing to benefit from registered community designs in the UK. While this would be a good thing for designers from other countries who rely on community registered designers, at this point in time this can only be seen as wishful thinking. Community rights depend on acceptance of the European Court of Justice as the ultimate authority on the interpretation of laws including design law. Agreement to this would therefore involve agreeing something that many Brexiteers specifically object to, namely the principle that the European Court of Justice is superior to our own domestic courts.

The prospect of this being agreed as part of the ‘deal’ on leaving the EU looks increasingly unlikely. So, assuming the ‘let’s just hope everything stays the same’ option is not possible, where are we left?

To qualify for a registered design, a design must be ‘new’, meaning that subject to a short period of time to allow a designer to test the market a design which is ‘on the market’ cannot be considered new. This means that it will not be possible for a designer to simply register the design which used to be protected as a registered community design as a design in the UK. The government would need to make specific provision to allow designers to record the design which is part of a community registered design as a UK design, backdating the filing date of such design to the date on which the design was filed in the European community.
To make such a process workable bearing in mind the many millions of community registered designs in force, the practice if this were to be permitted is that designers may be required to pay a fee to have their community design noted on the UK registered design register. In practice only designs in use and with respect of which protection in the UK continues to be important to the designer would be actioned. Nonetheless the task ahead would be labour intensive and potentially costly for a designer.

Further, even if a right to have a registered community design recorded as a UK registered design is put in place, a UK designer will still not be in as good a positon as pre-Brexit. This is because an advantage of a pan European right is the ability of our courts (sitting as community courts) to issue pan European injunctions against infringing products. Currently, you can bring one court action to prevent an infringer selling in all member states of the European Union. This was a mere pipe dream a few decades ago; but a reality as a result of harmonisation of design law in 2002; and will be a concept swept away by Brexit.

**Unregistered Community Designs**

This right gives a UK designer a right to prevent copying of their work in all countries on the European Union for three years from the date on which the design is first marketed in the European Union. It arises automatically and has vastly improved the situation which existed prior to its introduction where designers who discovered an infringement aboard needed to delve into whether and to what extent the country where their product was copied protected designs.

In addition, this right although granted for a much shorter term that its UK counterpart, protects elements of a design that are not protected under UK unregistered design rights, specially ornamentation, texture and colour. A community design right is one that exists to protect a product ‘in all its glory’ and is copied if the infringing product gives the same overall impression as the genuine article.

As with registered design right this right will be lost on Brexit. Outside of the European Community a UK designer is very unlikely to be able to qualify for a community unregistered design right as the right only subsists where a design has been first marketed in a member state of the European Union. In practice UK designers will continue to first market their products here and will not qualify.

Unless the government legislated to amend our existing domestic law to include a like right the scope of design protect in the UK will be reduced.

Then even if the government acts to include a right akin to the current European unregistered design rights into domestic law then as with the community registered design with no community design court in the UK the ability to secure pan European injunctions against infringers would still be lost.

**Registered UK Designs**

These would be unaffected. Outside of Europe however there is likely to be continued divergence of the law. The concern is that our courts continue to give narrow interpretation to rights in favour of free competition but the ability to point to case law made by the European Court of Justice for precedent as to correct interpretation of rights will be lost.
UK Unregistered Design Rights

This right protects the shape and configuration of a design or any part of a design. Excluded from protection are (i) any aspects of the design which are present so as to be able to be compatible with another article, the so called ‘must fit must match exception’ and (ii) any design which is common place in the design filed in question. This right is narrower that the community unregistered design rights in that it does not protect the overall impression given by the design but is limited to protection of the shape and configuration of an article. For the purposes of this right the design and the alleged infringement are viewed in black and white. On the plus side, it is more flexible than the unregistered community design in allowing action to be taken in respect of any part of an article rather than an article as a whole and last for a whole ten years from first marketing of the design.

As with Registered UK design right this right will be unaffected post Brexit. There is however with this right a sting in the tail. It is this. Under our domestic law the UK grants UK unregistered design rights to citizens of certain countries including citizens of all member states of the European Union. This means that on Brexit in the absence of amending legislation a German French of Italian designer would benefit from UK unregistered design rights in addition to unregistered community design rights giving them protection under both regimes at the same time as UK designs stop benefiting from European community unregistered design rights. Surely this is not what the Brexiteers intended?

What should designers do to protect themselves?

We do not know what the final legal landscape will be with respect to design and will not do so for some time to come. This is a period in which much work needs to be done by our government and interested bodies to make sure that designers rights are protected and UK remains a creative and innovative country.

In terms of steps that can be taken now as noted above only designs which are new can be registered and the problem now with community registered rights is the uncertainty as to how the UK part of any registered rights will be preserved. For this reason it is important that UK designers who want to be sure to benefit from registered rights protection and the benefit of a 25 year protection period need to register designs in the UK as well as in the European Community and should adopt that as their policy going forward.

Finally, one bit of good news, from October 2016 the UK Intellectual Property Office introduced lower filing fees for designs. A most welcome break for designers and a great help as we move towards Brexit and a changing legal landscape.

https://www.gov.uk/government/publications/design-forms-and-fees/design-forms-and-fees

For more information on protecting your designs and other intellectual property contact Briffa 020 7 288 6003 or email us at info@briffa.com
The impact of Brexit on Intellectual Property

1. EU Regulations, EU Directives and the CJEU

After Brexit, EU Regulations will cease to apply in the UK, as the UK will no longer be a Member. Directives that have already been implemented into UK law by primary legislation are likely to remain in effect unless the UK Parliament decides to repeal or amend the national laws that transposed them. The position of Directives that have been implemented by secondary legislation is unclear. Some commentators consider that these will survive, while others consider that they will fall when the empowering legislation, namely the European Communities Act 1972, is repealed.

The Court of Justice of the European Union (CJEU) will cease to have jurisdiction over UK matters. In practice however, their decisions may still indirectly influence the UK courts. For example, the Boards of Appeal (BoA) of the European Patent Office (EPO) will continue to follow the CJEU rulings on the Biotech Directive and the UK Courts may continue to pay attention to the BoA decisions.

2. EPC, PCT and UK patents

The European Patent Convention (EPC) is not a piece of EU legislation and will be unaffected when the UK leaves the EU, as will representation rights of UK-based European Patent Attorneys, who will still be able to represent clients in all work before the EPO and European patent holders whose rights will remain unaffected. Patent Co-operation Treaty (PCT) applications will remain unchanged as the PCT is not an EU treaty. There will also be no effect on UK patents granted by the UK Intellectual Property Office (UKIPO).

3. Community Trade Marks, Registered Community Designs, Community Plant Variety Rights and Geographical Indications

A number of IP rights deriving from EU Regulations will no longer apply to the UK if we leave the EU, including those created under the Community Trade Mark (Regulation (EC) No 207/2009), Registered Community Designs (Regulation (EC) No 6/2002), Community Plant Variety Rights (Regulation (EC) No 2100/94) and Geographical Indications (Regulation (EU) 1151/2012). The continued validity of these rights in the UK is uncertain. Transitional agreements may be negotiated to allow time for rights holders to convert these into national rights or to file separate national rights. New applications can be filed as either EU or UK applications and it is likely that priority could then be claimed in the UK or the EU as needed. The decision to leave the EU will not affect holders of UK trade marks or design rights. The government has remained silent on whether or not it intends to implement the new Trade Mark Directive into UK domestic law.

4. Trade secrets, Data Protection and data safety

There will be no change for the holders of trade secrets as the UK is already exceeding the minimum standards specified by the EU Trade Secrets Directive (ref 2013/0402(COD)).

The Data Protection provisions are an involved mix of UK and EU provisions, further complicated by the informal notes of advice issued by the Information Commissioner. A particular area of potential concern will centre on the movement of data across borders. The UK has had a cyber security strategy in place since 2011, which is regularly reviewed and updated. It has also had formal data protection measures in place since 1988, which will continue.

5. SPCs
SPCs were introduced in the UK through EU Regulation (EC) No 1768/92 (now 469/2009) but have effect in relation to national patent rights including those deriving from European patents. CIPA anticipates that pending and existing SPCs will be unaffected. However, some modifications may be necessary, e.g. the Marketing Authorisation (MA) on which the time period of the SPC is based is currently the first MA in the EEA but it could be argued that this should become the first UK MA.

6. Regulatory data protection (RDP)

RDP for pharmaceuticals in the EU is provided for by Regulation (EC) No. 726/2004 and Directive 2001/83/EC, as amended by Directive 2004/27/EC (implemented in the UK inter alia via the UK Medicines Act). This regime applies to EU marketing authorisations applied for from November 2005 (and national applications from October 2005). Prior to this the duration of RDP was not harmonised within the EU, with a 10 year RDP period for MAs filed via the centralised procedure, and either 6 or 10 years, depending on the Member State, for MAs filed via the national or mutual recognition procedures.

Following Brexit, we expect that, at a minimum, the UK will continue to provide RDP at the existing level. A major consideration will be whether RDP commences from the date of the first MA in the EEA or the first MA in the UK. There may be the potential to enhance RDP protection in a separate UK system, for example in relation to the criteria for obtaining additional RDP for a new indication, or the duration of the protection.

7. Orphan Drug exclusivity

EU Regulation (EC) No 141/2000 provides incentives and rewards for developing medicines to treat rare diseases, and is currently in effect in the UK. It permits 10 years market exclusivity with respect to similar medicines for similar indications, and therefore has a broader scope than RDP.

The Commission is currently undertaking a review of the concept of ‘similarity’ and while still a member of the EU the UK is able to input into this review. The duration of ODE is determined by the date of first marketing approval for the orphan indication in the EU. It is expected that at least in the short-medium term any separate UK legislation would be based on the current EU regulation, unless and until the UK ultimately introduces a national system for approving orphan drugs.

8. Copyright

The UK will continue to protect copyright (including existing copyrights) in accordance with the Berne Convention. Copyright is in general not subject to EU harmonisation and no changes to copyright law are expected as an immediate consequence of exit from the EU. However, EU competition law impacts on how copyright works (including digital content, broadcasts and films), are licensed and exploited within the EU and there could be some changes there when the UK is no longer subject to EU competition law.

9. The Nagoya Protocol

CIPA has previously expressed its concerns about the damaging effect that EU implementation of the Nagoya Protocol to the Convention on Biological Diversity may have on UK science in general and particularly on important biological research that may be conducted in the public interest in the UK.

The EU has implemented these requirements through Regulation 511/14. The intention of this Regulation is to ensure lawful use of genetic resources in accordance with the Protocol. However, CIPA believes that the obligations it imposes are unclear and onerous. In particular the criminal sanctions for breach of the Regulation in the UK are disproportionate and unnecessary. If imposed at all, they should only be for flagrant and deliberate violations of the Regulation.
Leaving the EU offers the UK the opportunity to alter the implementation of the Protocol in the UK. CIPA therefore proposes that the UK Government should consult with the user community in the UK before introducing an amended implementation of the Protocol, specifically:

a) there should be no criminal penalty for inadvertent or unintentional breaches, and,
b) the three month time-limit on unsanctioned research vital for public health should be extended and, in the longer term, the UK Government should negotiate to adjust the Protocol so that provider countries lose their power of veto over such necessary research.

10. UP and UPC

The Unified Patent Court (UPC) Agreement\(^1\) is a pan European project involving some but not all EU states. At the Competitiveness Council meeting on 28 November 2016, the UK Minister of Intellectual Property signaled the UK government’s intention to continue with preparations to ratify the UPC Agreement such that the UK will be a member of the UPC when it comes into operation, possibly as early as 2017. Once the UK has deposited its ratification, ratification by Germany will be needed for the Agreement to come into force.

For the UK to continue participating after Brexit, there may need to be a new international agreement with the participating Member States and the UK to provide compatibility with EU law. Amendments to the UPC Agreement may also be necessary. There could be significant political difficulties to overcome in both the UK and continental Europe in order to achieve this, although the countries who have ratified the UPC are understood to have indicated that they wish the UK to remain a member after it leaves the EU.

If the UK does not remain a member of the UPC, there will need to be provisions for changing the location of the London Central Division’s seat in London and there will be a need for further transitional provisions to protect any rights acquired or cases in progress at the time the UK leaves. CIPA has a strong preference for the UK to participate in the UP and UPC system.

11. IP Transactions

The UK continues to be a good venue for IP transactional work, with highly qualified, skilled and experienced legal professionals. The law of England and Wales will continue to be a favourable governing law for IP transactional agreements. Business continues as usual, and the English courts can still be specified with confidence as the forum for any disputes. The UK has an enviable track record in technology transfer. The highly successful Lambert Toolkit of templates—currently being updated—helps to facilitate agreements between UK universities and business.

12. Parallel imports & exhaustion of rights

The position may change following Brexit depending on the precise arrangement reached. If the UK leaves the EU without joining any other Agreement (e.g. EEA or EFTA), the existing rules on exhaustion of rights will cease to apply. This is a complex area and CIPA is working with stakeholders to achieve the optimum position. There is a possibility this could lead to a more advantageous regime for rights holders. This matter is significantly complicated by the Irish border problem, namely whether the border between Northern Ireland and the Republic becomes a soft or hard border with inspection of all commercial traffic after UK exit.

13. IP tax relief

There will be no change for companies claiming UK corporation tax relief via the Patent Box scheme on the profits they make from patented inventions. There will also be no change to research and development tax credits.

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\(^1\) https://www.unified-patent-court.org/sites/default/files/upc-agreement.pdf
The Chartered Institute of Trade Mark Attorneys (CITMA) has been working with a number of organisations across the IP community on a variety of Brexit related issues.

We have taken a lead on registered rights post-Brexit and on rights of representation before the European Union Intellectual Property Office (EUIPO).

**Registered rights post-Brexit - ‘Tuvalu’ or ‘Montenegro’**

CITMA favours an outcome which minimises the cost and resource burden to business while maximising legal certainty.

In January we published further analysis of our ‘Tuvalu’ and ‘Montenegro’ models for post-Brexit registered trade mark and design rights.

**The Montenegro model**

All existing European Union Trade Mark (EUTM) (or Registered Community Design (RCD)) registrations would be automatically entered onto the UK register with the same scope of protection, registration date and, where applicable, priority and seniority.

**The Tuvalu model**

Existing EUTM/ RCD registrations would be entered onto the UK register, as for the Montenegro model, but only if the owner makes a positive decision to extend them to the UK - probably by filing a form within a set period.

Our further analysis looked at their possible impact on:

- **Intent to use**
  - In contrast to UK national applications (and UK designations of International registrations) EU trade mark applications do not require a *bona fide* intention to use the trade mark

- **Non-use cancellation**
  - Both scenarios raise issues for non-use cancellation of EU trade mark registrations entered onto the UK register

- **Seniority**
  - A substantial number of existing EUTM registrations have UK seniority claims, where the earlier UK trade mark registration has been allowed to lapse

- **Pending applications**
  - Some provision for pending EUTM applications is required (even if only to explicitly exclude pending applications from transfer)

- **Language**
  - Some EUTM registrations contain errors in the English-language version of the specification of goods and services

- **Address for service**
  - A mechanism for appointing a UK address for service would be required for many EUTMs

- **Ongoing proceedings**
  - At the date of Brexit there will undoubtedly be ongoing proceedings before the EUIPO, boards of appeal and higher courts concerning EUTM applications and registrations

For more on our in-depth analysis, please see: https://www.citma.org.uk/membership/eu_resources/eu_brexit/eu_registered_rights_-_trade_marks_-_depth

For our in-depth analysis looking specifically at Registered Community Designs, please see: https://www.citma.org.uk/membership/eu_resources/eu_brexit/eu_registered_rights_-_designs_-_depth
Rights of representation before the EUIPO

It is important for UK practitioners to be able to represent clients before the EUIPO. The UK government has officially recognised this and CITMA and others continue to work towards that outcome.

This is an opportunity to secure rights of audience in the CJEU for all UK lawyers with equivalent national rights, including for Chartered Trade Mark Attorneys.

For more, please see:
https://www.citma.org.uk/membership/eu_resources/eu_brexit/professional_representation_before_euipo
Appendix

Post-Brexit EU registered IP rights models

Back in August 2016 CITMA mapped out seven possible options (see tables below) which would prevent the loss of registered rights in the UK currently conferred by European Union trade marks (EUTMs) and six for Registered Community Designs (RCDs).

These scenarios are based on, and named after, historical instances where jurisdictions and their intellectual property offices have split. Each of the systems is assessed under a number of categories for their possible suitability.

For more detail on our trade mark scenarios, please see: https://www.citma.org.uk/membership/eu_resources/eu_brexit/eu_registered_rights_-_trade_marks

And for our registered designs scenarios: https://www.citma.org.uk/membership/eu_resources/eu_brexit/eu_registered_rights_-_designs

### European Union trade marks

<table>
<thead>
<tr>
<th>Model</th>
<th>Timing</th>
<th>Unilateral or bilateral</th>
<th>Initial cost to business</th>
<th>UKIPO resource</th>
<th>Post-division conflicts</th>
<th>Legal certainty</th>
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<td><strong>Ireland</strong>&lt;br&gt;Option to bring EUTMs onto UK register as UKTMs at renewal. EUTM covers UK in interim</td>
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### Registered community designs

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IP Federation Brexit Policy Position
(Updated 3 May 2017)

The Federation represents IP intensive companies in the United Kingdom - a list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do our companies own considerable numbers of IP rights, both in Europe and elsewhere, but they are affected by the activities and IP rights of competitors. They may be either plaintiffs or defendants in IP related court actions, here and elsewhere.

The IP Federation policy position on Brexit is as follows*:

1. Certainty is paramount to industry.
2. All accrued and pending intellectual property rights must be preserved in the UK post-Brexit. This is a top priority issue.
3. The UK must provide for the ability to obtain equivalent UK rights in the UK post-Brexit. This is a top priority issue.
4. We recognise the benefits for industry that can come from the Unitary Patent and Unified Patent Court and call on the UK and other Contracting States to work together urgently to enable the UK to stay in the system after Brexit, and to give consideration to transitional arrangements in case the UK or any other Contracting State is unable or unwilling to remain in the system.
5. Once the UPC is established, the involvement of non-EU, European Patent Convention Contracting States (e.g. Switzerland, Norway) in the UPC could be an advantage to industry, and should be explored.
6. We encourage the use of the Patent Box and R&D tax credits to support the UK as an innovation-friendly economy.
7. Exhaustion of IP rights needs to be dealt with actively upon Brexit. We do not support full International Exhaustion as this would be highly detrimental to the UK’s IP-intensive industries.

IP Federation
3 May 2017

* Numbering of paragraphs is for ease of reference only, and does not denote order of importance.
The IP Federation represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. The CBI, although not a member, is represented on the Federation Council, and the Council is supported by a number of leading law firms which attend its meetings as observers. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

- AGCO Ltd
- Airbus
- ARM Ltd
- AstraZeneca plc
- Babcock International Ltd
- BAE Systems plc
- BP p.l.c.
- British Telecommunications plc
- British-American Tobacco Co Ltd
- BTG plc
- Caterpillar U.K. Ltd
- Dyson Technology Ltd
- Eli Lilly & Co Ltd
- Ericsson Limited
- ExxonMobil Chemical Europe Inc.
- Ford of Europe
- GE Healthcare
- GKN plc
- GlaxoSmithKline plc
- Glory Global Solutions Ltd
- HP Inc UK Limited
- IBM UK Ltd
- Infineum UK Ltd
- Johnson Matthey PLC
- Merck Sharp & Dohme Ltd
- Nokia Technologies (UK) Ltd
- Pfizer Ltd
- Philips Electronics UK Ltd
- Pilkington Group Ltd
- Procter & Gamble Ltd
- Renishaw plc
- Rolls-Royce plc
- Shell International Ltd
- Smith & Nephew
- Syngenta Ltd
- The Linde Group
- UCB Pharma plc
- Unilever plc
- Vectura Limited
IP Federation Brexit policy position – protection for EU trade marks

Introduction
The Federation represents IP intensive companies in the United Kingdom - a list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do our members own considerable numbers of IP rights, both in Europe and elsewhere, but they are affected by the activities and IP rights of competitors. They may be either plaintiffs or defendants in IP related court actions, here and elsewhere.

The European Union Trade Mark (“EUTM”) is a unitary trade mark right created by EU legislation which covers the whole European Union, therefore currently including the United Kingdom. Following Brexit, existing EUTMs will, by default, no longer have effect in the United Kingdom.

When Brexit occurs, the government has three options in relation to EUTMs:

• Option 1 - Do nothing and allow EUTM owners to lose their trade mark rights in the UK;
• Option 2 - Negotiate a bilateral arrangement with the European Union under which the UK remains part of the EUTM system after Brexit;
• Option 3 - Enact national legislation which will enable EUTM owners to continue owning effective trade mark rights in the UK after Brexit.

The IP Federation’s basic position is, as previously stated in our policy paper PP 1/17:

• Certainty is paramount to industry.
• All accrued and pending intellectual property rights must be preserved in the UK post-Brexit. This is a top priority issue.
• The UK must provide for the ability to obtain equivalent UK rights in the UK post-Brexit. This is a top priority issue.
• The cost and level of administration required in any system enacted must be kept as minimal as possible, but not at the expense of certainty.

Commentary on options
Option 1: The prospect of brand owners who own EUTMs losing rights in the UK is completely untenable. The consequences would be high uncertainty, maximum risk and the highest cost for brand owners. Consumers will also
suffer as a result of uncertain / conflicting positions for rights as badges of origin between the UK and the EU.

Option 2: The achievability of this in practical terms is beset with bilateral political and legal issues. Constitutional change at UK and EU level would be required. Supremacy of EU law would have to be recognised and developments tracked by the UK, all of which may be politically difficult.

However, following the UK Government’s decision to proceed with ratifying the UPC, there may be a higher probability of option 2 being viable, should the UK remain part of the UPC post-Brexit.

It is important to note that the UPC is not an EU institution but, if the UK is able to remain part of a unitary European patent system after leaving the EU, then there is logic in saying it also could for trade marks. If practically achievable, this would certainly be preferable for brand owners.

Option 3: it is a matter of reviewing each of the unilateral options. We consider those below:

<table>
<thead>
<tr>
<th>Option</th>
<th>How it would work</th>
<th>Certainty</th>
<th>Rights preserved</th>
<th>Other considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Jersey’</td>
<td>Allow EUTMs to be enforced in the UK by means of national legislation without any amendment of the EUTMR. This is similar to the enforcement of EUTMs in Jersey, which is not a part of the EU.</td>
<td>Low</td>
<td>Yes</td>
<td>Would the UK courts have the ability to enforce rights based on “deemed” enforceability of EUTMs in the UK? No power to invalidate EUTMs via UK courts. Tied to the EU system with no input or control over its direction. Low administration cost. Medium risk of post division conflicts. Would need to search two registers for conflicting marks.</td>
</tr>
<tr>
<td>‘Montenegro’</td>
<td>Automatically enter all existing EUTMs on to the register of UKTMs at the time of Brexit. This is similar to the solution when the Montenegrin trade mark system separated from the Serbian system.</td>
<td>High</td>
<td>Yes</td>
<td>Medium risk of post division conflicts. Legally simple. Clean break. A search of the UK register will be sufficient to ascertain rights in the UK. May result in unnecessary cluttering &amp; duplication. Integrity of register: how to deal with declaration of intention to use.</td>
</tr>
<tr>
<td>Option</td>
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<tr>
<td>‘Tuvalu’</td>
<td>Allow EUTM owners to request that existing EUTMs are entered on to the register of UKTMs as equivalent rights. Similar to the approach taken when Tuvalu’s trade mark system separated from the UK system.</td>
<td>High</td>
<td>Yes - provided owners opt-in.</td>
<td>Reduces risk of cluttering of UK register. Opting in means there is an opportunity to ensure there is an “intention to use”. Opting-in could involve a fee and introduces an administrative burden for applicants and a deadline that could be missed, jeopardising existing rights. Medium risk of post division conflicts.</td>
</tr>
<tr>
<td>‘Veto’</td>
<td>As for Tuvalu save that the UK IPO will examine each request and retain a power of veto.</td>
<td>Low</td>
<td>Not necessarily</td>
<td>Preserves integrity of UK register since IPO can veto the entry of any EUTM on to the UK register. Burden on IPO. May be costly for brand owners if there is a fee payable to the IPO to cover the cost of examination. Consistency of examination, given likely volumes involved.</td>
</tr>
<tr>
<td>‘Ireland’</td>
<td>Allow EUTMs to be enforced in the UK up until the point of renewal, at which time the owner may request that the EUTM is entered on to the register of UKTMs. Similar to the system used when the Irish trade mark system separated from the UK system.</td>
<td>Medium</td>
<td>Yes, until renewal, then conditional upon opt-in.</td>
<td>Reduces risk of cluttering register. Spreads the administrative burden on IPO over longer period. No re-examination. Medium risk of post division conflicts. Legal certainty achieved but only after 10 years once renewal cycles for all current EUTMs is complete. Low cost.</td>
</tr>
<tr>
<td>‘Conversion’</td>
<td>Owners of EUTMs can apply for a new UKTM and retain the same effective start date as the previous EUTM. The new UKTM will be fully examined as though a new trade mark application. Similar to the present system for converting EUTMs into national trade marks.</td>
<td>Low</td>
<td>No guaranteed continuity of rights.</td>
<td>High cost. High administrative burden on IPO. Consistency of examination, given likely volumes involved.</td>
</tr>
</tbody>
</table>
Other considerations:
Automatic preservation of rights is important - SMEs not following Brexit closely could assume their rights are secure and suffer significant losses if they do not realise that something needs to be done. There is also the risk that unrelated third parties could apply for UK rights before the EUTM proprietor if there is no automatic preservation system enacted; this would be damaging for both the genuine proprietor and for consumers, given that a fundamental purpose of a trade mark is to protect consumers from being confused on origin.

Original priority dates should be preserved, perhaps via a system whereby an EU -> UK converted right attracts a registration date of the earliest of: (i) the date of filing of the earlier EUTM; (ii) the date of priority of the earlier EUTM; or (iii) the date of seniority in the UK of the earlier EUTM. Where an EUTM has claimed the seniority of an earlier UK right which has subsequently lapsed, there should be a mechanism for keeping the historical benefit of that senior right alive.

Existing use and reputation of an EUTM should be recognised for rights converted into UK registrations. EUTM applications are clearly not subject to the “intention to use declaration” (see above). We expect that this discrepancy between EU-originating registrations and UK-originating registrations will have to be accepted. A transitional grace period for use once EU registrations transfer to the UK register may be advisable, amongst other options.

Dealing with examination of pending applications and ongoing opposition and invalidity proceedings: whilst it would be impractical to seek to transfer existing opposition or cancellation proceedings from the EUIPO to the UK IPO, it is nevertheless important to ensure that the position of Opponents and of Applicants for Cancellation is not unfairly prejudiced as a result of Brexit and that pending EU applications are not lost for the UK.

Directive (EU) 2015/2436 should be transposed into UK law before the deadline of 14 January 2019.

Ideally, UK qualified or based lawyers / attorneys should be able to represent clients in front of the EUIPO and EU courts. However, it has to be acknowledged that there are significant obstacles in the way of this proceeding. If the UK remains part of the EUTM system after Brexit, then the ability for UK-based lawyers or employees of UK companies to act / represent in the EU (at the appropriate levels) should naturally be aligned.

Exhaustion of IP rights needs to be dealt with actively upon Brexit and should not be left to default. We do not support full International Exhaustion as this would be highly detrimental to the UK’s IP intensive industries.

Conclusion
The IP Federation favours certainty, ensuring that all accrued and pending intellectual property rights are preserved in the UK post-Brexit and that the outcome ensures robust, UK equivalent rights.
Although it would be complex to achieve legally and politically, remaining part of the EUTM system would be ideal for brand owners and so the viability of this option will be monitored closely.

If this is not available, the Montenegro option (automatic transfer of EUTMs on to the UK register, maintaining original priority dates) is the unilateral option that comes closest to satisfying the above tenets as well as being the most practical and efficient to implement for all parties concerned.

We consider that it would also be beneficial to provide an opportunity for EUTM owners to opt out of the otherwise automatic transfer of rights on to the UK register, to reduce cluttering.

IP Federation
22 February 2017
**IP Federation members 2017**

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British Telecommunications plc
British-American Tobacco Co Ltd
BTG plc
Caterpillar U.K. Ltd
Dyson Technology Ltd
Eli Lilly & Co Ltd
Ericsson Limited
ExxonMobil Chemical Europe Inc.
Ford of Europe
GE Healthcare
GKN plc
GlaxoSmithKline plc
Glory Global Solutions Ltd
HP Inc UK Limited
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Nokia Technologies (UK) Limited
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
Renishaw plc
Rolls-Royce plc
Shell International Ltd
Smith & Nephew
Syngenta Ltd
The Linde Group
UCB Pharma plc
Unilever plc
Vectura Limited
Continued Protection for EU Trade Marks

1. Introduction

The European Union Trade Mark ("EUTM") is a unitary trade mark right created by EU legislation which covers the whole European Union, including the United Kingdom. Following Brexit, existing EUTMs will no longer have effect in the United Kingdom.

When Brexit occurs, the government has three options in relation to EUTMs:

- **Option 1** – Do nothing and allow EUTM owners to lose their trade mark rights in the UK;
- **Option 2** – Negotiate a bilateral arrangement with the European Union under which the UK remains part of the EUTM system after Brexit;
- **Option 3** – Enact national legislation which will enable EUTM owners to continue owning effective trade mark rights in the UK after Brexit.

This paper considers each of the above options and examines a range of possible mechanisms by which Option 3 could be implemented. A preliminary draft of possible legislative amendments for some of the simpler mechanisms is included in the Annex.

2. Legal Background

The European Union Trade Mark ("EUTM") is a unitary right which is created by Council Regulation 207/2009 ("the EUTMR") and its predecessor legislation. The EUTMR is directly effective and creates a trade mark right which can be enforced across all EU Member States, including the UK. Almost all EU Member States also have registered trade mark rights which are created under national law. The national trade mark systems have been harmonized by Council Directive 2008/95 ("the Trade Mark Directive"). This means that the rights granted by EUTMs are broadly the same as those granted by UK registered trade marks ("UKTMs").

EUTMs can be obtained by application to the European Union Intellectual Property Office ("EUIPO") while UKTMs can be obtained by application to the UK Intellectual Property Office ("the UKIPO"). In both cases, the relevant IP Office examines the application to ensure that it meets the criteria for registration. The criteria for registration for an UKTM and an EUTM are broadly similar.

It is possible for third parties to oppose applications for EUTMs or UKTMs by means of administrative proceedings at the EUIPO and UKIPO respectively ("Opposition"). It is also possible for third parties to apply to cancel registered EUTMs and UKTMs by means of administrative proceedings at the relevant registry ("Cancellation"). Registered trade marks become unenforceable and vulnerable to cancellation if they are not used in trade within the relevant jurisdiction for a given period (five years in the case of both EUTMs and UKTMs).
The adjudication of disputes in relation to points of law under the EUTMR and the Trade Mark Directive is ultimately in the hands of the Court of Justice of the European Union ("the CJEU"), although national courts handle disputes at first instance and are wholly responsible for adjudication on questions of fact.

3.  **Option 1 – "Do Nothing"**

Unless steps are taken to continue protection, when the UK ceases to be part of the European Union EUTMs will no longer be enforceable in the United Kingdom. This will have a range of dramatic and largely undesirable consequences.

Brand owners who own EUTMs but do not own UKTMs will suffer an immediate loss of rights in the UK and will no longer be able to challenge infringers in this jurisdiction. Simply re-filing for UK national marks will not provide equivalent protection because third parties may have acquired intervening national rights.

Commercial agreements, including licences and sponsorship agreements, having effect in the UK but which are based on EUTMs will be affected. All pending litigation and other enforcement activities in the UK which are based on EUTMs will abruptly become groundless and collapse. Businesses caught by a loss of rights in this way may face very significant and unpredictable financial losses, particularly as a result of collapsing litigation.

There are many hundreds of thousands of EUTMs registered. According to the 2015 Annual Report of the EUIPO, just over 130,000 new applications for EUTM protection were filed in 2015. Of these filings, 69% were filed by businesses based in the EU while 31% were filed by businesses based outside of the EU. The top three countries from which businesses filed EUTM applications were: Germany (approx. 15%), the United States (approx. 13%) and the United Kingdom (approx. 10%).

Registered trade mark protection is an essential tool for businesses to protect the goodwill in their developing brands. Loss of EUTM rights in the UK is therefore likely to be a significant issue for domestic UK businesses, as well as for businesses in the EU operating in the UK, and for businesses from key, non-EU trading partners such as the United States.

The figures cited above, suggest that around 13,000 EUTM applications were filed in 2015 by UK businesses. It is likely that a majority of these rights have been filed by start-ups and other SMEs. EUTM protection is highly cost effective and covers the whole EU for approximately three times the cost of a national trade mark covering only the UK. For this reason, it is believed that many SMEs in recent years will have relied exclusively on EUTM protection and may not have corresponding national UK trade marks.

As a result of the Madrid Protocol system for the International Registration of trade marks, it is also likely that the reliability of the rights owned by UK businesses outside of the EU could be compromised where those international rights are based on existing EUTMs$^1$.

Overall, a failure to protect the position of EUTM owners on Brexit would have a very damaging impact on emerging British brands which have used the EUTM system to protect their goodwill in their home UK market.

Where domestic and foreign businesses incur substantial financial losses as a result of the preventable loss of EUTM rights, it is possible that claims could arise against the UK government. It is also possible that allowing a preventable loss of rights could infringe the right to property set out in the European Convention on Human Rights. It is noted that registered and pending trade mark rights constitute property for the purposes of human rights legislation$^2$.

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$^1$ Detailed discussion of the Madrid Protocol for the international registration of trade marks is outside the scope of this paper. However, further consideration will need to be given to the impact of the Madrid Protocol before any decision is reached.

$^2$ Anheuser Busch v. Portugal Application no 73049/01
4. **Option 2 – The UK remains part of the EUTM System**

Amending the EUTM system to incorporate non-member countries, so that an EUTM can cover the UK on an equal basis, is very attractive from a practical perspective although it faces significant political and theoretical obstacles. This option maintains the status quo for EUTM owners. It avoids placing burdens on EUTM owners or on the UKIPO.

However, changes on this scale will require amendment to primary EU legislation which can only be carried out by the European Union’s governing institutions. It will also require domestic legislation ensuring that the relevant supranational legislation retains direct effect. It will therefore require political will in Brussels and the UK and is likely to be achieved only as part of the exit negotiation, possibly as part of a wider IP package.

One option would be a package under which the systems of protection for Geographical Indications (‘GIs’), Protected Designs of origin (‘PDOs’) and Traditional Specialty Guaranteed (‘TSGs’) are also amended and allowed to cover non-member states.

Unless steps are taken to continue protection, European Union GIs, PDOs and TSGs will not be protected in the UK following Brexit and there is no equivalent UK system for producers to use instead. Protection of European Union GIs, PDOs and TSGs in the UK will be important for a large number of agricultural and food- and drink-producing businesses in the EU since the UK is an important export market for these products. It is possible that extension of the EUTM system to the UK may be considered acceptable in Brussels as part of a deal that ensures ongoing protection for EU GIs, PDOs and TSGs in the UK.

This could be done by creating a ‘European Intellectual Property Area' that allows for various unitary IP rights across the EU and UK. Other countries that are not currently part of the EU, such as Switzerland and the EEA countries, may also be interested in participating in a newly created 'EIPA'. Creation of an EIPA might also provide a basis for the UK to continue its prominent role in the proposed Unitary Patent and retain the proposed London branch of the Unitary Patent Court.

However, while creation of an EIPA would require relatively limited amendment to current EU IP legislation, which could be transferred across in a substantively identical form, it would require a new inter-governmental treaty creating the EIPA and providing legitimacy for EU IP institutions.

The EU would need to be able to bind Member States to this treaty. As such it would be necessary to ensure that this could be done within the EU's competence. It would also require a court to oversee EIPA disputes, a role that would presumably be filled by the Court of Justice of the European Union under a different hat. Finally, the creation of a functioning EIPA would also require national legislation from signatories such as the UK which would allow legislation under the EIPA treaty to be directly effective. There are therefore significant constitutional challenges to this approach both for the European Union and for the United Kingdom.

For the EUTM system to remain coherent if de-coupled, it will be necessary for the UK judiciary to be bound by supranational rulings on IP matters. It will also be desirable for the national UK trade mark system to remain compliant with the Trade Mark Directive and any successor directives in order to avoid a mismatch between national trade mark protection and supranational protection. This will not be popular with those who supported Leave. Although less disruptive in the short and medium term, the creation of an EIPA could still create legal risks in the long term. Trade mark law, and EUTM law in particular, is not a closed system and interacts closely with other areas such as laws relating to competition and to free movement of goods and services. Divergence between UK and EU decision making in these related areas could undermine the coherence of both the national trade mark system and the amended European trade mark system leading to legal uncertainty.

Nonetheless, if there is sufficient political will both in the UK and Brussels, the creation of a 'European IP Area' in which a successor to the EUTM can cover both the EU and the UK might still be an attractive option
for many businesses and practitioners assuming that UK qualified practitioners would continue to have the rights of representation they currently have within the new EIPA. This is a must.

**Key Strengths**

- **Retain benefits of IP Integration:** Creation of an EIPA allowing for unitary IP rights covering the EU and neighbouring non-Member states means that the UK can retain the benefits of IP integration. Essentially, 'brexit' does not happen from an IP perspective.

- **Attraction to other non-Member states:** Other non-Member states which are not full EU Members may nonetheless find the option of IP integration attractive. This possibility may appeal to the EU institutions as it would allow for the EU to expand its sphere of influence in a limited field which would be consistent with the 'Monnet' method.

- **Single solution:** Creation of an EIPA would be a single solution that could provide a basis for addressing Brexit in respect of trade marks, designs, geographical indications and potentially other aspects of IP together. It may also provide a basis for the UK to maintain its participation in the Unitary Patent and retain the London division of the Unitary Patent Court.

- **Rights of representation:** No loss to the UK economy, or increased cost to UK entities who file directly with the EUIPO, caused by loss of rights of representation by UK qualified practitioners which are associated with the other options.

**Key Weaknesses**

- **Political will in Brussels:** The creation of an EIPA can only be achieved with significant political will among EU institutions and will, realistically, need to be led from Brussels.

- **Constitutional challenges in the EU:** It will be constitutionally challenging for the EU to bind Member States to directly effectively IP legislation that does not flow from the EU treaties.

- **Constitutional challenges in the UK:** It will be constitutionally challenging for the UK to bind itself to a new inter-governmental treaty that allows for directly effective non-UK legislation.

- **UK judiciary will be bound by an EIPA court:** The fact that the UK courts will, in effect, continue to be bound by an equivalent to the Court of Justice in IP matters will be unpopular.

- **Contrary to the 'spirit' of Brexit:** Given that the UK has voted to leave the European Union, entry into an 'European IP Area' agreement may be contrary to the spirit of the referendum result.

- **Possible conflicts of case law:** This issue may arise particularly in neighbouring areas of law such as competition and trade law, which would fall outside the scope of the putative EIPA treaty but may still interact with IP issues.

5. **Option 3 – Domestic legislation to protect the rights of EUTM owners**

If it is not practicable to negotiate continued access to the EUTM system as an equal member, then it is very likely that the best option will be for the government to take unilateral action and introduce legislation which allows EUTM owners to have continued protection in the United Kingdom.

There are a number of different mechanisms by which this could be achieved, all of which have their advantages and disadvantages. It is also the case that different mechanisms may be appropriate for registered rights and for pending rights.
The remainder of this paper considers a number of different mechanisms for post-Brexit protection of EUTMs in the UK. These options, initially formulated by the Institute of Trade Mark Attorneys, are as follows:

(a) 'Jersey' – Allow EUTMs to be enforced in the UK by means of national legislation without any amendment of the EUTMR. This is similar to the enforcement of EUTMs in Jersey, which is not a part of the EU.

(b) 'Montenegro' – Automatically enter all existing EUTMs onto the register of UKTMs at the time of Brexit. This is similar to the solution when the Montenegrin trade mark system separated from the Serbian system.

(c) 'Tuvalu' – Allow EUTM owners to request that existing EUTMs are entered onto the register of UKTMs as equivalent rights. Similar to the approach taken when Tuvalu’s trade mark system separated from the UK system.

(d) 'Veto' – As for Tuvalu save that the UKIPO will examine each request and retain a power of veto.

(e) 'Ireland' – Allow EUTMs to be enforced in the UK up until the point of renewal, at which time the owner may request that the EUTM is entered onto the register of UKTMs. Similar to the system used when the Irish trade mark system separated from the UK system.

(f) 'Conversion' – Owners of EUTMs can apply for a new UKTM which will retain the same effective start date as the previous EUTM. The new UKTM will be fully examined as though a new trade mark application. Similar to the present system for converting EUTMs into national trade marks.

5.1 ‘Jersey’

The Jersey/Isle of Man option i.e. UK would treat EUTMs (i.e. all registrations and applications as of a specified date) as applying in UK without being brought on to the UK register on Brexit as UK national rights. Both Jersey and the Isle of Man currently recognise EUTM protection by deeming parts of the EUTMR to apply with some modifications, in particular as to the substitution of the local courts for the Court of Justice.

Jersey does this via the Trade Marks (Jersey) Law 2000, as amended. That law deems certain provisions of the CTMR 1993 to apply in Jersey, with the substitution of the local courts for the European Court. The Isle of Man does it via the Community Trade Mark Order 2014, which deems parts of the CTMR 2009 to apply, subject to similar exceptions and substitutions. If the UK were to follow this model, logically it would deem applicable the relevant parts of the version in force on Brexit.

The Jersey/Isle of Man approaches do not give the local courts competence to revoke or invalidate EUTMs and appear intended to enable the local courts only to grant injunctions with respect to their own jurisdiction. In practice, trade mark cases involving deemed protection are rare/non-existent.

Both approaches are unilateral vs the EU and avoid cost and effort involved in immediate re-registration on the national register. As EUTMs and applications already appear on the UKIPO database, there should be minimal inconvenience to users of the database trying to check for third party rights.

Key Strengths

- **No risk of lost rights**: Since brand owners do not need to take any action, there is no risk that EUTM owners could lose rights through missed deadlines or a failure to take action.

- **No cost to brand owners**: Brand owners will not incur any costs associated with 'Tuvalu', 'Veto' or 'Conversion'.
• **Easy Implementation:** This solution requires a single legislative amendment deeming EUTMs to be enforceable in the UK.

• **Continuity of rights:** EUTMs will remain in place. This means that negative impacts on ongoing litigation and commercial agreements will be avoided.

**Key Weaknesses**

• **Untested:** The 'deemed' enforceability approach used in Jersey and Isle of Man does not appear to have been tested in live litigation. It is possible that a 'deeming' provision may reveal unexpected flaws when put to the test.

• **Legal Uncertainty:** Due to the untested nature of this approach, there would be significant legal uncertainty about the reliability of EUTMs. This could be mitigated by the deeming legislation addressing post-Brexit consequences of (i) non-use of the EUTM in the UK, (ii) injunctions by courts in the EU and by providing a mechanism equivalent to conversion for where a pre-Brexit EUTM is invalidated or revoked, or a pre-Brexit EU TM application is refused on grounds which would not apply were the mark a national mark or application.

• **Asymmetry with UK rights:** Although EUTMs would be enforced in UK courts, UK courts would have no power to declare EUTMs invalid. This could be mitigated by giving them the power to declare an EUTM not to be deemed to have effect in the UK where a rights-holder could show it had an earlier right in the UK, or that the deemed protection should be revoked where the EUTM is not in use in use in the UK.

• **Political and constitutional aspects:** Although the practical effects of the competence of the EUIPO and CJEU over EUTMs could be mitigated through the deeming legislation, the UK may not wish to be tied in to a system that is determined by the EU.

5.2 *Montenegro*

The 'Montenegro' solution allows for all EUTMs to be automatically entered onto the UK register at the date of Brexit as though they had been registered under the Trade Mark Act 1994.

One of the key weaknesses of the Montenegro solution is that by automatically adding all EUTMs to the UK register it risks cluttering that register substantially. However, there are a couple of secondary mechanisms which could be combined with a Montenegro solution to mitigate this concern.

One such mechanism would be for the IPO to allow brand owners an opportunity prior to Brexit to indicate whether any EUTMs should be excluded from the re-registration process. This 'opt-out' would help to reduce clutter on the register. If such a process was in place, it would need to reflect the same safeguards that are currently in place in relation to the surrender of UK registrations and it is suggested that the form for opting-out marks should include comparable declarations to those in the current TM22 so that third party interests in the relevant EUTMs are respected. It would also be necessary that the window for opting-out marks should conclude before Brexit so that marks can be automatically re-registered on Brexit with no intervening gap in registered protection.

A second such mechanism would be a requirement that on the first renewal of those UKTMs which had been automatically registered, the owner should be required to submit a declaration that the mark is in use for those goods and services for which it is to be renewed. Over time, this would reduce the volume of re-registered EUTMs that remained on the UK register for the long-term.

**Key Strengths:**
• **No risk of lost rights:** Since brand owners do not need to take any action, there is no risk that EUTM owners could lose rights through missed deadlines or a failure to take action.

• **No cost to brand owners:** Brand owners will not incur any costs associated with 'Tuvalu', 'Veto' or 'Conversion'.

• **Easy Implementation:** Since EUTM data is all readily available and, in part, already reflected on the UKIPO database, it should be technically straightforward to automatically import data from the EUTM register and add it to the UKIPO register.

• **Continuity of rights:** It should be straightforward to ensure that the new UKTMs are continuous with previous EUTMs. This means that negative impacts on ongoing litigation and commercial agreements will be limited.

• **Legislative simplicity:** It should be legislatively simple to implement this solution by adding a section to the Trade Marks Act instructing that EUTMs are added to the UK register and deemed to have been registered under the Act.

• **Clean break:** This solution allows for a clean break with the EUTM system and avoids the long-term uncertainty of a situation where EUTMs are enforced 'unilaterally' in the UK, such as the 'Jersey' or 'Ireland' options.

• **Completeness of the UK register:** There will be no need for brand owners to look beyond the UK register to ascertain the rights that exist in the UK – this is not the case for several other options.

**Key Weaknesses**

• **Validity:** EUTMs may be added to the UK register which would be less likely to be held as valid under UK law. The validity of these UKTMs may be in question leading to an increase in post-Brexit validity challenges and legal uncertainty.

• **'Intention to use':** Trade Marks registered under the Trade Mark Act 1994 require a declaration of 'use or intention to use' at the application stage. This is not the case for EUTM applications. This solution would result in a situation where the UK register contains a mixture of rights registered with a declared intention to use and those registered without. However, since EUTMs are currently enforceable in the UK anyway, it is not clear whether this situation would have adverse consequences in practice as compared with the status quo.

• **Cluttering the register:** This solution adds a large number of EUTMs to the register, many of which may be owned by businesses with no interest in EU trade. This adds a lot of unnecessary clutter to the UK register, although the practical effect of this clutter will be no worse than the status quo under which those EUTMs are all enforceable in the UK in any event. However, it would be possible to address this concern by means of a 'decluttering mechanism' such as a requirement that for these UKTMs a declaration of use is filed simultaneously with the first post-Brexit renewal. It is also the case that the impact of existing 'proof of use' requirements will prevent the enforcement of marks that are unused in the UK (such marks will also be cancellable for non-use from the point of transition). Other existing cancellation mechanisms, such as applications for invalidity on the grounds of lack of distinctive character, will also allow third parties to challenge marks which they believe could not have been registered in the UK under national provisions.

5.3 **‘Tuvalu’**
The ‘Tuvalu’ option allows for EUTMs to be entered directly onto the register, upon request of the EUTM owner.

**Key Strengths:**

- **Avoid cluttering the register:** Brand owners have to positively choose to obtain protection in the UK. This prevents over a million marks automatically being added to the UK register.

- **Intention to use:** Having to positively request the mark is added to the UK register also makes it easier to ensure brand owners have an "intention to use" than if there is an automatic transfer. This ensures that this requirement under UK law has to be specifically opted in to.

- **Simple procedure:** A simple and clear procedure would be possible for registrations, so protection is easy to maintain. It can be a very simple form.

- **Limited burden on UKIPO:** For registrations, not much of a burden on the UK IPO as no examination of registered marks is necessary. The UKIPO may be able to automate the process.

- **Continuity of rights:** Ensures that brand owners can continue to rely on their registered marks in the UK without any loss of (or delay in obtaining or maintaining) rights, which could be the case under other options.

- **Timing:** The window during which addition to the UK register can be requested can start pre-Brexit, so that brand owners can have certainty at the point of Brexit.

- **Completeness of the UK register:** There will be no need for brand owners to look beyond the UK register to ascertain the rights that exist in the UK – this is not the case for several other options.

- **Clean break:** This solution allows for a clean break with the EUTM system and avoids the long-term uncertainty of a situation where EUTMs are enforced 'unilaterally' in the UK, such as the 'Jersey' or 'Ireland' options.

**Key Weaknesses:**

- **Onus on brand owner to take action:** If the deadline is missed (either because the owner does not find out about the steps they need to take, marks are omitted in error or the relevant deadline is not met) rights will be lost.

- **Cost:** Positive action means this will be more expensive to brand owners than if automatic protection is granted. There may also be a UKIPO fee payable.

- **UK IPO resource:** The need to examine EUTM applications that are added will increase burden on UK IPO, though there will be less burden than if EUTM registrations also need to be examined as in some options.

- **Validity:** Automatic entry of EUTM registrations onto the UK register without UK IPO examination or chance to veto means that marks which might not be capable of protection under UK law will get onto the register.

5.4 'Veto'
The 'Veto' option is very similar to the Tuvalu option and shares some strengths and weaknesses. The difference is that the UKIPO will examine requests to enter EUTMs onto the UK register and may refuse to allow EUTM registrations onto the UK register in certain circumstances. It is quite attractive to have the UKIPO examine and refuse applications that for example have specifications that are too broad or where the mark is not inherently registerable under UK trade mark law or practice.

The difficulty with this is that it could create considerable uncertainty and could undermine registrations that had covered the UK as part of an EUTM for some time. On the other hand, if such rights are vulnerable on the basis that specification is too broad for the UK or that the mark is not inherently registerable under UK trade mark law then there must be a question mark over the enforceability of those rights even if they were transferred over to the UK register without examination – for example under the Montenegro or Tuvalu system. It may be preferable for the inherent weakness in such EUTMs as they apply to the UK to be exposed at the time of transfer onto the UK register. Furthermore, if owners know that this examination is to take place then they may choose not to request re-registration for questionable marks.

With regard to applications, it seems that examination of the applications that are at the examination stage would be a sensible idea that is hard to criticise.

It would also be possible to have a 'veto' with the Montenegro approach, although this would place a very high burden on the UKIPO, given the volume of marks involved.

Key Strengths

- **Validity:** Since the UKIPO will be able to veto EUTMs that may be invalid under UK law, the EUTMs that do get onto the UK register will be more likely to be valid.

- **Flexibility:** Allows the UKIPO flexibility to enter unproblematic EUTMs onto the register quickly while retaining the power to intervene in cases of problematic EUTMs.

Key Weaknesses

- **Uncertainty:** Some EUTMs which have been used for protection and enforcement in the UK for a considerable period of time could be called into question.

- **Burden on UKIPO:** There would be a significant burden on the UKIPO in examining requests for re-registration and determining whether to raise a veto. There would also be a significant amount of cost involved for the UKIPO and brand owners in dealing with contested re-registrations where the UKIPO has raised its veto and the owner has appealed.

- **Cost to brand owners:** As brand owners will need to apply for re-registration, and may need to incur costs contesting the veto applied by UKIPO, this option will significantly increase costs for brand owners.

- **Veto criteria and legislative complexity:** The UKIPO would require clear criteria for raising its veto which would need to considered, drafted into the legislation and then applied. For this reason, it is preferable that veto criteria are based as closely as possible on existing UKIPO examination criteria.

5.5 'Ireland'
On the 'Ireland' model, EUTMs are deemed to have continued enforceability until the first renewal (as in the 'Jersey' model discussed above) at which point EUTM owners can opt to have their EUTM added to the UK register (as in the 'Tuvalu' model).

It would also be useful to allow earlier re-registration, at least in the circumstances set out below:

1. **The EUTM would remain a unitary right whose ownership could not be split.** Any resultant concerns about assignability of the deemed protection could be resolved by giving owners who wish to assign their UK rights the ability to re-register as a UK national right prior to assignment, retaining priority and seniority.

2. **The impact of an EUTM deemed to have effect here subsequently being revoked or invalidated in the EU would need to be addressed.** The approach could be based on the EUTMR rules on conversion (Arts 112 ff. EUTMR). In other words, if the grounds for invalidation/revocation would have led to invalidation/revocation if the right had been a UK national right, re-registration in the UK would not be allowed.

3. **The impact of an EUTM application being objected to or opposed during the interim period would need to be addressed.** Similar considerations apply as for revocations and cancellation in cases where an EUTM application is refused and the applicant wishes to "convert" to a UK national application.

**Key Strengths**

- **Avoid clutter on UK Register:** Less clutter on the UK register as proprietors who require protection in the UK will need to positively opt-in to obtain a UK registration at the time when an EUTM is due for renewal.

- **Spread out the burden on UKIPO:** The burden on the UKIPO would be spread out over a ten-year period.

- **Spread out the cost to brand owners:** The cost to brand owners would be spread out over a ten-year period.

- **No re-examination:** No re-examination of EUTMs registrations by the UK IPO at the point of opt-in.

- **Long-term clarity:** After circa 10 years (when all EUTMs will have been renewed), there will be legal certainty as to which laws govern UK and EU registrations, in contrast to the decoupling option.

**Key Weaknesses**

- **Medium-term legal uncertainty:** Potentially significant legal uncertainty in the interim period when EUTMs are deemed to extend to the UK prior to renewal/opt-in ("the Interim Period"). Throughout the Interim Period, it will be necessary for third parties to check whether an EUTM has been renewed/extended to the UK and businesses will have to keep all agreements which cover EUTMs under review.

- **Use/Intention to use:** Unclear whether a declaration of intended or continued use of the mark in the UK required at the point of renewal/opt-in.

- **Issue re pending EUTMs:** If pending EUTM applications at the time of Brexit are allowed to progress under the EU system and owners only have to opt in to cover the UK on renewal, this would extend the Interim Period beyond 10 years. This is because where an EUTM application remains pending for more than ten years, the first renewal is only required to be filed after eventual registration (even though the ten year renewal period runs from the date of filing).
• **Contentious Proceedings:** There will be a far greater number of conflicts in respect of pending opposition, invalidity and revocation matters, due to the ten year long time-frame before all marks are re-registered.

• **Validity:** No re-examination of EUTMs at point of opt-in may lead to the protection of EUTMs which would not qualify under UK trade mark law.

• **Costs** - there could be additional costs on the brand owner to opt-in to extend coverage of EUTMs to UK.

5.6 ‘Conversion’

EUTM owners could be allowed to apply for new national UK applications, which would maintain the same effective filing date but would undergo full examination by the UKIPO. This is similar to the current ‘conversion’ system in which the owner of an EUTM registration or an application for an EUTM must demonstrate that the registration/application is eligible for conversion and the EUIPO scrutinises this before passing it to the relevant national office for it to consider the request. Unlike the current EUTM conversion system, this approach would not be limited to cases where there is a successful challenge or objection to the EUTM. From a practical perspective, it would be possible to implement ‘conversion’ very easily by emulating the system for claiming Paris Convention priority.

**Key Strengths:**

• **Filing Date:** The conversion process would mean that the converted trade mark would retain the original filing date of the EUTM. Therefore the scope of protection would not be limited in any way.

• **Validity:** The re-examination of the trade mark by the UKIPO would remove any question as to the validity of the trade mark in the UK. The trade mark would be as valid as if it had been registered directly by means of a UK national trade mark application.

• **Legislatively simple:** This solution could be implemented by emulating the priority claim system and allowing EUTM owners a window of time during which new UK applications could claim priority from existing EUTMs.

**Key weaknesses:**

• **Uncertainty:** There would be a certain period of uncertainty for EUTM owners as to the status of their registered trade mark rights in the UK, during the examination process at the UKIPO. An EUTM owner may not be able reliably to enforce these rights against a third party during this process.

• **Burden on the UKIPO:** Even if the conversion process is only carried out at the specific request of the EUTM owner, the sheer number of EUTMs that will have to be examined by the UKIPO would mean that the conversion process is likely to take months, if not years. The UKIPO does not currently have the manpower to deal with the likely workload.

• **Costs:** The conversion process would incur fresh application costs at the UKIPO.

• **Refusal:** There would be uncertainty if the trade mark was refused following its re-examination at the UKIPO, either on absolute grounds, or due to the filing of opposition proceedings by a third party. The fact that the trade mark was registered on the EUTM Register is no guarantee that it will automatically be registered in the UK. This would leave a registered EUTM owner, who previously had enforceable trade mark rights in the UK, with no protection.
• **Lack of Continuity of Rights:** Even if granted, the new UK rights may not be continuous with the previous EUTMs. This could lead to situations where a party effectively loses its registered rights for a period before regaining them which would impact adversely on pending litigation. A similar situation has already arisen in a German case in relation to a German national right arising from conversion of a cancelled EUTM. This concern could be addressed by giving the UKIPO the option to 'fast-track' a conversion request and enter it directly onto the register when there is no reason to challenge its validity.

5.7 **Pending EUIPO Oppositions and Cancellations**

Very many pending EUTM applications are subject to ongoing oppositions from third parties. It is also the case that a significant number of EUTM registrations are subject to ongoing cancellation actions. Any solution which involved entering existing EUTMs (or EUTM applications) onto the UK register in the short term (i.e. Montenegro, Tuvalu, Veto and Conversion), will need to address the issue of pending contentious proceedings.

It would be highly impractical to seek to transfer existing opposition or cancellation proceedings from the EUIPO to the UKIPO. However, it will be desirable to ensure that the position of Opponents and of Applicants for Cancellation is not unfairly prejudiced as a result of Brexit.

**Pending Oppositions:** Where EUTM applications are currently under opposition, it would be reasonable to expect opponents to file a parallel opposition in the UK where they have prior UK rights, provided that their position in those proceedings is not significantly weakened as a result of the Brexit process. It is important that such opponents have an opportunity to file oppositions.

**Pending Applications for Invalidity (Relative Grounds):** The considerations are similar to those for Oppositions.

**Pending Applications for Invalidity (Absolute Grounds):** Parties to existing EUIPO invalidity actions on absolute grounds may be prejudiced if they are forced to file new applications for invalidity before the UKIPO at a later date – particularly in cases involving the acquisition of distinctiveness through use. Although it is not unreasonable to expect Applicants for Invalidity to file parallel invalidity actions in the UKIPO, it is recommended that parties to existing EUTM invalidity proceedings on absolute grounds are granted an additional right to apply for invalidity of a successor UKTM with the same deemed date as the earlier EUIPO invalidity action.

**Pending Revocation Actions on non-use:** It is not unreasonable to expect Applicants for Revocation to file parallel revocation actions in the UKIPO. However, the position of these Applicants might be significantly prejudiced if an EUTM owner has resumed use during the pendency of the revocation action. In order for the position of these applicants for Revocation to be protected, it is recommended that parties to existing EUTM revocation proceedings are granted an additional right to apply for revocation of a successor UKTM with the same deemed date as the earlier EUIPO revocation action.

**Other Pending Revocation Actions:** Provisions may also be required to deal with pending Revocation actions on the grounds of deceptiveness or genericity. However, such actions are far rarer than the other proceedings noted above.

5.8 **Burden on the IPO**

A number of the solutions outlined could be implemented by automated means. For example, the Montenegro approach could be implemented by automatically importing data from the EUIPO register onto
the UK register in a batch update. Similarly, it is likely that the Tuvalu and Ireland options could be implemented by means of a simple online form which would be automatically processed, allowing data to be imported from the EU register onto the UK register.

By contrast, other options would require substantive examination by staff members at the IPO. This will apply to the 'veto' and 'conversion' options. Since this will involve a high burden on the IPO it is suggested that this is avoided for the large number of registered EUTMs which have already been examined, and published for opposition, by the EUTM. It may, however, be unavoidable for EUTM applications which have not yet completed the examination and registration process at the EUIPO.

It is also noted that if no arrangements are made to address the position of EUTM owners, it is certain that the IPO will be flooded with applications for registration in any event as businesses seek to protect their position in the UK. So any mechanism at all under Option 3 is likely to reduce the short-term burden on the IPO compared with this outcome.

5.9 Summary on Option 3

It is likely that different mechanisms would be most appropriate for registered and pending EUTMs. The considerations are discussed below.

5.9.1 Registered EUTMs

For Registered EUTMs it is essential that they can be dealt with in a way that preserves continuous rights and so that existing commercial agreements, as well as pending litigation and other enforcement actions, are not adversely affected. It is also desirable that owners of established EUTM rights are not faced with the uncertainty that would arise if those rights faced re-examination or if there is a protracted period of uncertainty. For these reasons, the conversion, veto and Ireland options are not desirable for registered EUTMs.

The two preferred options are Montenegro and Tuvalu. Both would allow existing EUTM registrations to simply be entered onto the UK register. However, they differ in that the latter requires pro-active action from EUTM owners. This increases costs for EUTM owners, and the burden on the IPO, but ensures the integrity of the UK registry by requiring EUTM owners to indicate an intention to use (or continue using) the relevant mark in the UK. It also prevents a flood of EUTMs onto the UK register resulting in significant clutter.

However, the risk for brand owners will be high. Many EUTM owners based outside of the EU who are not following Brexit closely are likely to inadvertently miss the relevant deadlines for re-registration. Unlike renewal, which can be anticipated at the time of registration and diarised, the deadlines for re-registration will need to be notified to brand owners who will need to make decisions in a short time-frame. The likelihood of missed deadlines is reasonably high and it is possible that brand owners who have missed the deadlines will seek to bring actions to recover their rights. It is not clear how one would deal with these matters.

It is also the case that the practical effect of EUTM clutter is the status quo under current EU membership and that these EUTMs, which have effect in the UK, do not currently require any intention to use. So the practical impact of the 'clutter' and 'intention to use' issues is negligible as compared with the status quo. For this reason, it is arguable that the effect of the 'Montenegro' solution, under which EUTMs are automatically entered onto the UK register will not be worse than the effects of the UK's current participation in the EUTM system.

If existing EUTMs are automatically entered onto the UK register ('Montenegro'), then the 'clutter' and 'intention to use' issues could be addressed in the longer-term by requiring that at the first renewal of such rights, owners file a declaration of use specifying the goods and services for which the mark is in use in the UK. This would mean that unused marks would fall away and those marks with overly wide specifications would be narrowed. Within a ten year window, the 'cluttering' and 'intention to use' issues would therefore be resolved.
A question arises as to how proof of use requirements are applied for registered marks. Under the Trade Mark Act 1994, a registered trade mark may be cancelled, and may not be enforced, if it has been unused in the UK for a period of five years. Where that UKTM is a continuation of a pre-Brexit EUTM, should the owner be able to rely on pre-Brexit use in the remaining EU in order to enforce it? Where an EUTM has not been in use in the UK, there is arguably no justification for allowing it to remain enforceable after Brexit. It is also the case that if the owner wishes to get the benefit of a further non-use grace period in the UK, they will be free to apply for a new UK application in the usual way.

The position of third parties in certain pending cancellation actions will also need to be addressed. It is suggested that applicants in some pending EUTM cancellation actions are granted a special right to file a corresponding action against a successor UK right with the same effective date as the pending EUIPO cancellation action.

A practical question arises as to whether the UKIPO should notify rights owners and issue new registration certificates in the event that a large number of EUTMs added to the register. This would place a high administrative burden on the UKIPO. For reasons of economy, it is suggested that new registration certificates are only issued on request by the owner.

5.9.2 Pending EUTM Applications

Where EUTM applications have been filed but are still undergoing examination at the EUIPO, it is reasonable that applicants are expected to undergo full examination at the UKIPO and it is not practicable to attempt to bring across pending applications to the UKIPO 'mid-examination'.

It is suggested that the conversion option is applied in these cases. The most straightforward means to implement this is by creating a special right of priority which allows those who owned pending EUTMs at the date of Brexit to file new UKTM applications during the subsequent six months and claim the same effective priority date as their earlier EUTM application. This would require relatively simple legislative amendments and can be done by mirroring the existing provisions for Paris Convention priority.

Some EUTM applications may be in their opposition period at the date of Brexit. Others may be published but subject to ongoing opposition proceedings. It is suggested that these applications are dealt with by means of the same conversion/priority mechanism.

Although such applications will have already been examined by the EUIPO and will face re-examination by the UKIPO, the likelihood that the UKIPO will raise new objections is likely to be relatively low given that EUIPO and UKIPO practices are moderately well harmonized. In the event that new objections are raised, it is preferable that such issues are addressed before the rights become registered in any event.

Once such UKTMs are published, the onus will then be on relevant third parties to oppose as usual. Ideally, it would be desirable to formally notify the opponents in existing EUIPO proceedings of their opportunity to oppose in order to ensure that existing EUTM opponents are not prejudiced. This may be possible with the practical collaboration of the EUIPO.

5.9.3 Timing

It is suggested that the procedure for dealing with registered EUTMs is completed on or before the date of Brexit. This will ensure no gap in registered protection.

It is suggested that the window during which the owners of pending EUTMs can make priority applications for new EUTMs runs for six months following Brexit. It is desirable that the transition of registered EUTMs onto the UK register is completed before new applications are filed. This will ensure that owners of prior
registered EUTM rights are in a position to oppose the new UKTM applications; this will be particularly relevant where the previous EUTM application is subject to ongoing opposition proceedings.

6. Conclusion

The consequences of option 1, under which the government takes no action to preserve the position of EUTM owners, could be disastrous for many British businesses of all sizes and might also expose the government to significant liability. It is the view of this organization that such an outcome would be highly undesirable.

Option 2, under which the UK continues to participate in the EUTM, for example as a result of the creation of an European Intellectual Property Area (EIPA), is likely to be attractive to many rights holders. It would be particularly benefit British SMEs who currently rely on the EUTM system to protect their brands. Such businesses would be able to maintain their current level of rights across the EU, which might not be the case if the UK is outside of the system and if their activities within the UK are not sufficient to maintain their EUTM rights.

An EIPA might also allow for a range unitary rights such as trade marks, designs and geographical indications, to continue their effect across the EU and the UK (and potentially other non-EU states in future) and would address a number the IP aspects of Brexit within one solution. However, this approach maybe constitutionally difficult and would require significant political will and collaboration between the UK and the EU.

Option 3, under which the UK takes unilateral action to protect the interests of EUTM owners by amending its own national legislation, should be relatively straightforward to implement. It will involve some burden on the IPO, but the use of automation may help to manage this burden in some cases. It is suggested that Option 3 be considered a fall-back position in the event that it proves to be impractical, or politically undesirable, for the UK to remain within the EUTM system.
Annex – Suggested Legislative Amendments

Set out below are example legislative proposals which might be suitable to implement national provisions for the continuation of EUTM rights post-Brexit. The following situations are addressed:

1. Priority mechanism for 'conversion' of pending EUTM Applications
2. Automatic Re-registration of registered EUTMs – 'Montenegro' solution
3. Optional Re-registration of registered EUTMs – 'Tuvalu' solution
4. Use declaration on renewal for re-registered rights
5. Additional rights for current Applicants for Cancellation before the EUIPO

1. Priority mechanism for 'Conversion' of pending EUTM Applications

The below proposal sets out a mechanism by which a UK application may be filed and claim priority from an existing EUTM. The wording as drafted covers only pending EUTMs; however, it could be adapted to cover all EUTMs if that was considered the preferred option.

Section 35A – Right of Priority from European Union Trade Mark Applications

(1) A person who has duly filed a European Union Trade Mark application, or his successor in title, has a right to priority for the purposes of registering the same trade mark under this Act for some or all of the same goods or services, for a period of six months from \(\text{the date of Brexit}\).

(2) If the application for registration under this Act is made within that six-month period-
   (a) the relevant date for the purposes of establishing which rights take precedence shall be the date of filing of the first European Union Trade Mark application, and
   (b) the registrability of the trade mark shall not be affected by any use of the mark in the United Kingdom in the period between that date and the date of the application under this Act.

(3) The right of priority set out in this section shall not apply where:
   (a) the first European Union Trade Mark application has been finally refused; or
   (b) the first European Union Trade Mark application proceeded to registration on or before \(\text{the date of Brexit}\).

2. Automatic Re-registration of registered EUTMs – 'Montenegro' solution

The below proposal may be applied if it is considered desirable to automatically add Registered EUTMs to the UK trade mark register on Brexit.

Section 40A – Registration of European Union Trade Marks

(1) On \(\text{the date of Brexit}\), the registrar shall enter onto the register all trade marks registered as European Union Trade Marks on that date for the same goods and services.
(2) The proprietor of any trade mark registered under this section shall be the recorded owner of the earlier European Union Trade Mark on [the date of Brexit]. Where, at [the date of Brexit], such a recorded owner is not a person capable of registering and owning a trade mark under this Act, such a trade mark may be declared invalid upon application by any person.

(3) Any trade mark entered onto the register under this section shall be treated in all respects as though it had been applied for and registered under this Act save that:

(a) the date of registration of that trade mark shall be deemed to be the earlier of

   (i) the date of filing of the earlier European Union Trade Mark, or

   (ii) the date of priority of the earlier European Union Trade Mark, or

   (iii) the date of seniority in the United Kingdom of the earlier European Union Trade Mark.

(b) the date of completion of the registration procedure of that trade mark shall be deemed to be the date on which the registration procedure of the earlier European Union Trade Mark was completed and any requirement to prove use of the trade mark shall be interpreted accordingly.

(4) Any reference to a European Union Trade Mark in a commercial agreement, letter of claim, pleading, judgment, court order or other such document as has been completed prior to [the date of Brexit] shall be construed as including a reference to any successor right registered by virtue of this section.

3. Optional Re-registration of registered EUTMs – 'Tuvalu' solution

The below proposal may be applied if it is considered desirable to allow for the optional re-registration of Registered EUTMs on the UK trade mark register on Brexit. For the 'veto' solution, it would be possible to amend sub-section (2) to specify grounds on which the registrar could refuse such a request.

Section 40A – Registration of European Union Trade Marks

(1) During the period from [six months before the date of Brexit] until [the date of Brexit], the recorded owner of any trade mark registered as an European Union Trade Mark may request that such trade mark be entered onto the register for the same goods and services as those for which the earlier European Union Trade Mark may request. The registrar shall specify the necessary form of a request made under this section and may specify the amount of any fee payable.

(2) The registrar shall not refuse any request made under sub-section (1) above, provided such request is made in the form specified by the registrar and provided that any fee specified by the registrar has been duly paid.

(3) Any trade mark entered onto the register under this section shall be treated in all respects as though it had been applied for and registered under this Act save that:

(a) the date of registration of that trade mark shall be deemed to be the earlier of

   (i) the date of filing of the earlier European Union Trade Mark, or

   (ii) the date of priority of the earlier European Union Trade Mark, or

   (iii) the date of seniority in the United Kingdom of the earlier European Union Trade Mark.
(b) the date of completion of the registration procedure of that trade mark shall be deemed to be the date on which the registration procedure of the earlier European Union Trade Mark was completed and any requirement to prove use of the trade mark shall be interpreted accordingly.

(4) Any reference to a European Union Trade Mark in a commercial agreement, letter of claim, pleading, judgment, court order or other such document as has been completed prior to [the date of Brexit] shall be construed as including a reference to any successor right registered by virtue of this section.

4. Use declaration on renewal for re-registered rights

The proposal outlined below may be applied in conjunction with the automatic re-registration of rights under the 'Montenegro' system outlined above if there is concern about a large number of unused marks remaining on the UK register in the long run.

Section 43(7) – Renewal

(7) The first request for renewal of any trade mark registered under Section 40A, shall be accompanied by a sworn declaration by the proprietor that the trade mark is in use in relation to the goods and services for which it is to be renewed. A request for renewal which does not comply with the requirements of this section shall be refused unless the defects are remedied within a period to be determined by the registrar.

5. Additional rights for current Applicants for Cancellation before the EUIPO

The proposals outlined below may be applied if it is considered desirable to protect the position of third parties who are parties to ongoing cancellation proceedings against EUTMs and may be prejudiced if the EUTM owner is granted successor rights in the UK.

Section 46(7) – Application for Revocation

Where a trade mark has been registered under Section 40A on the basis of an earlier European Union Trade Mark which was subject to a pending application for revocation on [the date of Brexit], any party to such an earlier application for revocation may apply within six months of [the date of Brexit] for revocation of the trade mark under this Act and such an application for revocation is deemed to have the same effective date as the earlier application for revocation, provided always that no final decision has yet been issued in the earlier proceedings.

Section 47(7) – Application for a Declaration of Invalidity

Where a trade mark has been registered under Section 40A on the basis of an earlier European Union Trade Mark which was subject to a pending application for a declaration of invalidity on the grounds set out in Article 7 of Council Regulation 207/2009 on [the date of Brexit], any party to such an earlier application for a declaration of invalidity may apply within six months of [the date of Brexit] for a declaration of invalidity of the trade mark under this Act and such an application for a declaration of invalidity is deemed to have the same effective date as the earlier application for declaration of invalidity, provided always that no final decision has yet been issued in the earlier proceedings.

END
IPLA paper on Geographical Indications - for consideration by the UKIPO

Dated 13 October 2016

Geographical Indications ("GIs")

Remit: impact on trade marks; possible UK register; mutual recognition; related transitional provisions.

GIs are an issue for trade mark practitioners in the context of Brexit because GIs presently constitute both absolute and relative grounds for objection or cancellation of national registered trade marks and means to prevent use of signs (whether as trade marks or descriptions) in relation to products which do not conform with the GI specifications.

More generally, GIs pose particular problems in the context of Brexit. Although Articles 22 to 24 of the TRIPS Agreement provides certain minimum standards for GI protection, with a higher level of protection afforded to GIs for wines and spirits, unlike other categories of intellectual property there is no common acceptance by the worldwide community of any particular method for their protection. Some countries, particularly those with a common law background such as the US, give protection under the trade mark system as certification or collective trade marks. Others, more particularly the EU and certain of its member states, regard GIs as public rights inherently superior to trade marks. Consequently the EU has implemented regulations affording protection to wines, spirits and agricultural products and foodstuffs and is intending to introduce a further regulation extending protection to products generally. The EU GI systems provide protection substantially in excess of the TRIPS minimum standards. The scope of the EU approach has also been extended more widely through the Lisbon System for the Registration of Appellations of Origin of which 28 member states of the WTO are members.

The different approaches towards GI protection described above have led to intense disagreement between their adherents. The Doha Ministerial Conference of the WTO in 2001 mandated negotiations for the establishment of a multilateral register to GIs for wines and spirits. Proposals have been put forward by the EU and by the Joint Proposal Group (the US and a number of supporting countries). Each has based its proposals on its approach to the protection of GIs described in the preceding paragraph. Practically no progress has been made in the negotiations since 2001 and they remain deadlocked.

The implications of the above for the UK depend on what form Brexit will take. If the UK remains a member of the single market it may inevitably need to agree to continue to apply the EU regulations. Conversely, leaving the single market would almost certainly take the UK outside the EU systems with the implication that continued protection of GIs in the UK would, in the absence of any UK national equivalent to the EU systems, have to be provided through the UK national trade mark system or other laws. It is possible to envisage the creation of a new system of national regulation operating in parallel to, and mirroring, the EU system and providing seamless ongoing protection to GIs registered in the EU before Brexit. It is, however, difficult to see such a system ever being adopted. It would be difficult and expensive to set up and maintain and would logically have to evolve in parallel with the EU system to remain consistent with it. Adoption of such a system would firmly place the UK in the EU "camp" in the context of the wider international debate on GI protection when its fundamental interests may, post Brexit, best be served by being aligned with, in the WTO context, the Joint Proposal Group.
Therefore, the extent and manner of protection for GIs in post-Brexit UK will be heavily influenced by the Brexit trade negotiations and the Government’s trade priorities for post-Brexit UK. Given there are so many ‘unknowns’ at this stage, it is not possible to pre-empt all potential issues which may arise when the path is chosen.

Accordingly, this note attempts to set out below just some of the key issues to be considered, depending on whether there is ‘Brexit-lite’ or ‘Brexit-max’, as the extreme examples. Essentially, in this context, ‘Brexit-lite’ would involve maintaining broadly the same level of protection given to GIs in the UK as that currently applicable by EU regulations. ‘Brexit-max’ in this context would involve applying the TRIPS minimum standards for GI protection, but would need to address transitional provisions in doing so.

Some of the issues which may arise may be common to both outcomes, but neither list below attempts to be an exhaustive expression of what will need to be considered. When the Government’s position on GIs in a post-Brexit UK becomes clearer, it would be prudent to revisit this document and create a more detailed derivative list, focussing on the path then chosen.

**A: Brexit-lite: (for example, if the UK remains a member of the single market):**

In this scenario, the impact of GIs on trade marks would be expected to remain largely as it was pre-Brexit. At the more general level, examples of issues to be considered in such a scenario include:

1. the first question is whether the UK would continue to apply the EU GI regime, including providing protection to existing GIs (recorded at EU level, whether domestic, wider EU or from third countries). If so, the next question is whether that is achieved through mere ‘deeming’ of EU GIs to apply to the UK, or through a domestic system which would require domestic legislation (see below).
2. if the UK would not continue to apply the EU GI regime but agrees to give broadly equivalent protection to GIs to that given by the EU, domestic legislation would be needed to do this. (This appears to be the model followed by Iceland in a recently concluded bi-lateral agreement with the EU.) If the UK decides to set up a domestic system, the following issues (amongst others of course) would need to be considered:
   a. departmental responsibility: BEIS (UK IPO) or DEFRA (current application stage for EU GIs) or somewhere else?
   b. operations: there is no existing national database/register for GIs in the way that there is (for example) for national trade marks.
   c. transitional provisions:
      i. how will GIs which are presently protected in the UK via the EU systems become protected in the UK? Will this follow a similar model to that chosen for the EUTMs? The disadvantage compared to EUTMs is that, as noted above, there is no existing national database/register for GIs as there is for national trade marks.
      ii. what will happen to existing EU GI applications?

**B: Brexit-max: (for example if the UK leaves the single market)**

In this scenario, the impact of GIs on trade marks could be significantly different from the position pre-Brexit. Examples of issues to be considered in such a scenario include:

1. The first question is to what level of protection the UK decides to afford to GIs going forward. As discussed above, the UK was part of the EU when the EU GI regime was set up. Before then,
the UK did not have a domestic GI regime, and indications were protected by other laws such as extended passing off and misleading trade descriptions laws.

2. If the UK decides to essentially adopt the TRIPS minimum standards going forward, the following issues (amongst others of course) would need to be considered:
   a. specific domestic legislation to implement the TRIPS minimum standard of enhanced protection for wines and spirits (Art 23(1) TRIPS) whether through amendment to the Trade Marks Act 1994, amending some other relevant legislation, or enacting standalone legislation.
   b. the extent to which GIs might constitute grounds of objection to registration of trade marks, and whether such grounds should be absolute grounds (for the IPO to raise of its own volition) or purely relative grounds (for interested parties to raise objections). In this respect, specific consideration will need to be given to whether to implement the entirety of the new Trade Marks Directive (2015/2436) which contains enhanced absolute grounds for objection on the basis of GIs.
   c. will protection for non-wine and spirit GIs simply be provided by common law protection and other existing provisions (such as consumer protection laws on misleading packaging statements), or will some specific legislation be desirable?
   d. transitional provisions:
      i. what will happen to GIs presently protected in the UK (as part of the EU)? will protection remain (grandfathered); will the protection phase out over time; will there be a hard-stop? and over what period of time?
      ii. what will happen to existing EU GI applications which would have covered the UK?
      iii. what will happen to pending legal proceedings based on GIs protected in the UK when it was part of the EU? (e.g. court proceedings, customs actions, trade mark oppositions?)
      iv. what will happen to legal acts concluded on the basis of GIs protected in the UK at the time (e.g. court orders / trade mark oppositions)?

When the Government’s position on GIs in a post-Brexit UK becomes clearer, it would be prudent to revisit this document and create a more detailed list of issues focussing on the path then chosen.

END
IPLA paper on trade mark infringement and enforcement - for consideration by the UKIPO

Dated 13 October 2016

Infringement and Enforcement

1. Overview of differences/nuances between CTMR/EUTMR and TMD/TMA 94 for infringement

*Differences prior to the introduction of the 2015 TM Directive and EUTMR*

- s.10(5) TMA introduces contributory infringement - no equivalent in European legislation.
  - Infringement of a trade mark where a person applies a sign to materials to be used by third parties, where that person knew or had reason to believe that the application was not authorised by the trade mark owner or licensee.
  - Only applies to acts (e.g. labelling and packaging) which happen in the UK – if the marks are applied outside the UK, there is no infringement.
  - Although still no exact equivalent, the new EU legislation has introduced specific provisions to help with anti-counterfeiting (see commentary below on Article 9a EUTMR, a right to prohibit preparatory acts in relation to the use of packaging or other means).
  - New Art 9a does not have the “knowledge or reason to believe” requirement which exists under UK law, which improves the position of rights holders.

- s.10(6) TMA: use for the purpose of identifying goods or services as those of the proprietor or a licensee, provided use in accordance with honest practices in industrial or commercial matters.
  - A “home grown” provision with roots in the TMA 1938.
  - Historically used by comparative advertisers and those selling ‘spare parts’.
  - Still no direct equivalent to this provision under EU law.
  - Now generally accepted this provision adds nothing to the Misleading and Comparative Advertising Directive (2006/114/EC) and it is generally accepted that s.10(6) does not add anything to the Misleading and Comparative Advertising Directive.
  - Rarely used in practice, and has come under judicial criticism as being redundant (see Jacob LJ in *O2 Holdings v Hutchison 3G* case, “an unnecessary distraction in an already complicated branch of the law”).
  - New EU legislation has introduced two changes which are tangentially related to s.10(6) both of which further complicate the relationship between UK and EU law in this area:
    - Article 10(3)(f) of the 2015 TM Directive (Art 9(3)(f) EUTMR), an infringing use to use a mark in comparative advertising in a manner inconsistent with Directive 2006/114/EC,
2. What may change? (e.g. intervening rights defence, new packaging enforcement, comparative advertising) What are the pros and cons of implementing the new TM Directive now in its entirety?

The EUTMR

Has direct effect and the following changes, which do not have an equivalent in the TMA, came into force on 23 March 2016:

- Infringing uses have been expanded expressly to include:
  - use of a sign as a trade or company name or part of a trade or company name (Article 9(3)(d)); and
  - use of a sign in comparative advertising in a manner that is contrary to the Misleading and Comparative Advertising Directive (2006/114/EC) (Article 9(3)(f)). Intended to provide legal certainty and consistency with European legislation, although courts may have difficulty reconciling this provision with Art 12(1)(c) (see commentary below).

- Stronger provisions in relation to counterfeit goods:
  - Article 9(4), dealing with goods in transit can amount to an infringement. Proprietors will be able to prevent third parties bringing goods/packaging into the EU bearing marks which are identical to or “cannot be distinguished in its essential aspects” from that trade mark which have not been released into circulation in the EU, unless the declarant or holder can show that the trade mark proprietor is not entitled to prohibit goods being placed on the market in the final destination country.
  - Article 9a, an infringement to affix trade marks to packaging, labels, security or authenticity features or devices and to sell, offer to sell, stock, import or export such packaging, labels, tags, security tags or authenticity features or devices, where there is a risk that such activities would be infringements under Articles 9(2) and 9(3).

- Defences:
  - Article 13(a), use of a later EU or national registered trade mark will not infringe an earlier registered EU trade mark if the later registered mark would not be held to be invalid.
    - Where the use of a later trade mark cannot be so prevented the proprietor of the later trade mark cannot prohibit use of the earlier trade mark.
Article 12(1)(a) the “own name defence” is now limited to natural persons only so use of a company name as a trade mark may be an infringing use.

Article 12(1)(b) now also applies to “signs or indications which are not distinctive”, arguably a wider defence than merely “indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of the goods or services”, as previously;

Article 12(1)(c), an EU trade mark may be used for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of that trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

- widened the defence from the previous wording, which was limited to circumstances where use of the mark was “necessary” only.
- Arguably, the Article 12(1)(c) defence could be used in the context of comparative advertising, which is not easily reconciled with the new infringing act under Article 9(3)(f) of the new EUTMR (though, presumably, the latter would take precedence).

Recital 27 appears to introduce scope for arguing a “fair use” defence for artistic expression, noting that the EUTMR should be applied ensuring full respect for freedom of expression. May pave the way for the introduction of a parody exception for trade marks.

Article 9(2), new wording whereby the heads of infringement are “without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trade mark”. No express wording in the TMA, but the position is effectively the same in the UK.

New TM Directive

The following changes in the new TM Directive require Member States to implement them into national law, no later than 14 January 2019 – including the UK.

- EUTMR changes above all have an equivalent provision in the new Directive.
- Article 12 - a trade mark proprietor may request that publishers of print or electronic dictionaries, encyclopaedias or similar reference works ensure that the reproduction of the trade mark is accompanied by an indication that it is a registered trade mark where the reference to the trade mark gives the impression that it constitutes the generic name of the goods or services for which the trade mark is registered.
  - The equivalent old CTMR provision, which has not been amended by the new EUTMR, did not expressly include references to electronic, as well as print versions.
  - The references to “print” and “electronic” dictionaries etc. in the EUTM Directive are new, but arguably broaden the scope of protection by including online uses of trade marks.
  - There is no domestic equivalent to this provision.
• Article 17 - defendant can request that the trade mark proprietor provide proof that a
registered trade mark on which the proprietor relies has been put to genuine use in respect
of the goods/services on which it bases its infringement claim for the 5 year period
preceding the commencement of the action.
  o An infringement claim may only be brought to the extent that the trade mark
proprietor’s rights are not liable to be revoked.
• Recital 16 - mirrors the equivalent CTMR Recital, protection afforded by the registered
trade mark, the function of which is in particular to guarantee the trade mark as an
indication of origin, should be absolute in the event of there being identity between the
mark and the corresponding sign and the goods or services.
  o Perhaps surprising no clarification on the relevant tests for infringement,
particularly in double identity cases, in relation to the adverse effect upon trade
mark functions.

What are the pros and cons of implementing the new TM Directive now?
• Considerable advantages to the UK implementing the new TM Directive.
• UK should implement all of the changes set out in the new TM Directive, absent a
compelling specific reason for a particular Article not to be adopted.
• UK government had already considered, input into and voted upon the new TM Directive
as part of the EU legislative process.

Advantages
  o Legal and business certainty and consistency for rights holders - common body of
law applied to both UK national trade marks and EU trade marks for over 20 years.
  o Most TMA changes by implementing the new TM Directive are already in effect
(since 23 March 2016) in relation to EUTMs under the EUTMR (with a few minor
exceptions).
  o Most trade mark proprietors will be familiar with the changes, both in terms of
registration and enforcement.
  o Failure to implement the new TMD changes would create divergence between UK
national marks and EUTMs even before the UK exits the EU.
  o Overall, changes in the new TM Directive are sensible, incremental reform and
clarifications of existing law to the national system of trade marks, rather than any
radical step-change or unwarranted departure to existing law.
  o Unclear how long negotiations may take to complete between the UK and the EU
and then how long transitional arrangements may continue to apply so quite
conceivable the UK may not exit the EU until well after 2019 when UK obliged to
implement the provisions of the new TM Directive.
Disadvantages

- only mandatory to implement the provisions of the new TM Directive by 2019 and the UK may no longer be a Member State by that date.
- conceivable that other Member States may not implement or that further revision may be proposed by the EU Commission to the TM Directive (and the EUTMR), by virtue of the UK leaving the EU or to provide for any revised relationship which the UK and EU conclude in relation to the UK's future arrangements with the EU.
- may be other reform to other relevant pieces of legislation referred to in the new TM Directive, such as Directive 2006/114/EC (on comparative advertising) or Regulation (EU) No 608/2013 (on customs controls), which may change the scope of the TM Directive and/or the desirability of adopting particular provisions.
- The application of the law would inevitably diverge over time between the UK and EU over time, not least since CJEU Judgment would be persuasive at best and non-binding.
- Article 15 – free circulation provisions will require further analysis and consideration, depending upon what arrangement the UK might negotiate with the EU on free movement of goods within the UK and EU and whether any doctrine of exhaustion of rights would apply.
  - would have a great bearing on whether legitimate parallel trade would continue or whether the UK moves to a position where rights holders may object to the movement of genuine branded products from the EU into the UK without the consent of the trade mark proprietor.
- Some of the new provisions are dependent upon and reference other pieces of EU legislation – see Article 10(3)(f) of the new TM Directive comparative advertising consistent with Directive 2006/114/EC.
  - Some of the references are to substantive pieces of EU legislation, such as the EUTMR, which would become redundant, if the UK is no longer a Member State.
  - Some may still be relevant, such as Directive 2006/114/EC "contrary to The Business Protection from Misleading Marketing Regulations 2008."
- Overall, the group believes the UK should announce that it will implement the EUTM Directive in full, subject to any specific areas impacted by on-going discussions on the single market and free trade.
  - In terms of timing, it should implement the new TM Directive upon exit from the EU or by 2019 (whichever is earlier).

3. **Infringement: If we do not implement the new TM Directive asap, what acts of infringement should we include in UK legislation and why?**

As stated above, the group believes there is no clear benefit to declining to implement the new TMD in its entirety.
However, at a minimum the improvements should be considered to Article 10:

- Article 10(3)(d) “using the sign as a trade or company name or part of a trade or company name”. Potential causes of action lie with both TM infringement and the Company Names Adjudicator, but express provision would be preferable.
- Article 10(3)(f) “using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC”. The key question is whether the Comparative Advertising Directive is adopted, but if so, an express provision would be preferable to relying on the more general s.10(6) provisions and would in particular benefit pan-European advertising campaigns.
- Article 10(4) of the Directive: Goods in Transit (see below).
- Article 11: Preparatory acts in relation to use of packaging, labels, tags etc, where an identical sign is affixed to such materials. Broadly equivalent provisions exist under s.10(5) TMA, but rely upon threatened use of such materials in connection with the goods or services for which they will be applied to or used. A broader act of infringement would be worth adding to the UK legislation.
- Article 10(2)(c) of the Directive i.e. protection for a famous mark “irrespective of whether it is used in relation to goods or services” which are identical or similar. UK equivalent in TMA still refers to identical or similar goods and services - despite the European case law which prompted this wider provision in the Directive. UK litigants could be left with a higher burden to obtain famous mark protection and so a similar revisal to the UK Act would seem sensible.

4. Defences: If we do not implement the new TM Directive asap, what defences should we include in UK legislation and why?

As above, although the group favours wholesale implementation, our position below is focused on some of the more material proposals in the new TMD and whether they would be beneficial to incorporate into UK law even if the new TMD is not included wholesale:

- Art 14(1)(a) Own name defence – the new TMD would significantly reduce the scope of this defence to the extent it is practically abolished. The Directive states “the name or address of the third party, where that third party is a natural person”. The TMA states “the use by a person of his own name or address” but it was through case law that this was said to apply also to corporate entities.
  - Amendment necessary since use as a company/trading name now expressly labelled as use which may be prohibited (see Art 10(3)(d)), so to expressly narrow the defence makes most sense if the UK incorporates the new acts of infringement.
- Art 17 Later registered marks - a new “intervening right of the proprietor of a later registered trade mark as defence in infringement proceedings”.
  - As noted above, a narrower defence than that provided by s.11(1) TMA, although s11(1) is also subject to the effects of invalidity.
  - Question whether the UK would wish to retain s.11(1) or incorporate the defence in the Directive, or whether we want a defence based on later registered rights at all.
• Art 17 Non-use – expressly makes non-use a defence to infringement (same 5 year period applies as of the date of the action).
  o Presumably this would proceed in the same manner as an opposition in the IPO whereby the scope of the registration is narrowed to the extent of use for the purposes of infringement.
  o This would avoid the need to bring a counterclaim – but will this really result in any difference both procedurally and in costs? In fact, it may well increase costs as Defendants are likely as of course to furnish the request.
• Art 10(2) Prior Rights - expressly qualifies what can be prohibited by stating such acts are “Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trade mark”.
  o Whilst s.10 of TMA does not include this wording, question whether it needs to?
    ▪ The TMA already expressly states that nothing in the act affects the law of passing off (s2(2)) and it has been held that a TM does not provide a right to use which could trump a prior right (see Pinterest)
    ▪ s.11(3) of the TMA gives protection to rights in a locality (but presumably on the basis they do not thereafter expand in scope)

5. Acquiescence and related issues

Issues include statutory and common law acquiescence, estoppel, use in a particular locality, rights of more than local significance. If acquiescence is not ‘inherited’ by the successor rights, this could give a second bite of the cherry to rights-holders who had previously acquiesced (which could be unattractive).

• Assuming most likely route is conversion (consider precedent of how the countries that succeeded Yugoslavia dealt with former Yugoslavian rights) would pre-existing instances of acquiescence also transfer over?
  o Where a EUTM proprietor has consented to use of a later EUTM in the EU (excluding the UK), then good arguments to suggest that acquiescence should survive the conversion and continue to apply to the EU Remainder TM.
  o For a converted CTM to UK TM, if the use of the later mark was in the UK, then acquiescence should survive (i.e. the holder of the earlier Converted UK TM should not be apply for a declaration that the later mark is invalid).
  o If the later mark was not used in the UK, then it should not be protected from challenge by the owner of the earlier Converted UK TM because the conditions of s.48(1) TMA 94 have not been satisfied. Owner of the earlier Converted UK TM should be entitled to challenge the registration and use of the later Converted UK TM, notwithstanding such challenge was not possible when the mark was protected by Art. 54(1) ETMR.

• To do otherwise would potentially create a two-tier system for UK rights where some marks (i.e. Converted UK TMs) would be protected from challenge by virtue of historic use in the remainder of the EU, while conventional UK national marks would not benefit from such protection.

• Counterargument: unfair on companies who had only recently (i.e. within the last five years) commenced use of a mark in the UK relying on the fact that the holder of an earlier EUTM had
acquiesced to its use of a later EUTM in, for example, France for a period of longer than five years. May have made a substantial investment based on the assumption that they would be protected by Article 54. This protection may be lost in respect of the Converted UK TM.

- Accumulation of time – stop the clock?
  - Query the accumulation of the requisite ‘five successive years’ – how will Brexit affect this? Consider a scenario where a EUTM proprietor acquiesces in the use of another EUTM in the UK for two years (pre-Brexit), then acquiesces to use of the same EUTM in France for a further three years (post-Brexit).
  - Would this suffice for the purposes of our requisite five successive years?
  - Preferable to avoid a situation whereby any time already accumulated is simply ‘lost’ on the UK exiting the EU?

- Issues also arise by virtue of the additional protection which may be afforded to national marks if Article 8 of the new Trade Mark Directive is transposed into UK law. This would mean that a Converted UK TM (where it constitutes the “later right”) would suddenly enjoy a level of protection that would not have been available to it under the Trade Mark Regulation when it was part of the EUTM right.

6. Transitional provisions (infringement): What needs to be put in place/considered?

The possible amendments to the UK legislation to replicate the "new" provisions of the TM Directive have been set out above, but the group believes the Prior Rights protection of Article 10(2) of the TM Directive which makes it clear that the enforcement of trade mark rights must be without prejudice to rights acquired before the trade mark’s filing or priority date is a necessary requirement in any event.

7. Transitional provisions (defences): What needs to be put in place/considered?

- Acts which at the relevant time were by virtue of decisions of the CJEU infringements (or not) but which may well now be (or not).
  - For example s11(1), Defendants are unlikely at the moment to be able to rely on its own registered trade mark as a defence. It may be necessary to specify that the s.11(1) defence (if we retain it) can only apply to activity occurring after a certain date
  - The applicability of EU law generally and whether decisions of CJEU remain considered as binding or persuasive in both the interpretation of provisions existing at the date we leave and to acts which took place at a time such decisions were relevant but are adjudicated upon thereafter.

8. How should marks with a reputation be dealt with? Any distinction in treatment between reputation of mark in generated in EU/other MS/UK/significant parts thereof pre-Brexit?

What happens to any reputation associated with the mark upon conversion? Will this transfer from an existing EUTM to a Converted UK TM?

- Post Brexit:
  - Reputation of a trade mark in the UK should not count towards reputation in the remainder of the EU.
reputation in the remainder of the EU should not give rise to UK reputation rights as this
risks creating a two-tier system for UK marks (where Converted UK TMs potentially have
a wider scope of protection by virtue of past use in the remainder of the EU).

This would cause great uncertainty. In a two-tier system individuals would have to
costantly concern themselves with whether or not the mark in question is a Converted UK
TM, and whether they need to be wary of any historic reputation in Spain, etc. This seems
unreasonable.

- Clear case for a ‘cut-off point’— as soon as the UK exits the EU, it can no longer be said that any
UK reputations will ‘crystallise’ into EU-wide reputations, or vice-versa. A Converted UK TM could
only claim to be a ‘mark with a reputation’ if it truly has a reputation in the UK.

- Timing: what happens if an owner of a Converted UK TM is bringing proceedings post-Brexit in
respect of an infringement which took place pre-Brexit (and may be ongoing)?

  - In this circumstance, the Converted UK TM may have had an EU-based reputation at the
time that the infringement commenced. It should, arguably, be allowed to rely upon that.

  - However, if the owner of the Converted UK TM cannot rely on such a reputation post-
Brexit, then there may be a situation where damages are deemed to be payable in respect
of pre-Brexit infringement, but post-Brexit a court cannot grant an injunction as no
reputation exists and hence there is no s.10(3) infringement.

  - This is an unusual situation but at a practical level would only be likely to apply to a handful
of cases.

- ‘Substantial part of the territory’

  - ‘known to a significant part of the public concerned by the products or services covered by
the mark, in a substantial part of the territory of the Community, and that the territory of the
member state in question could be considered to constitute a substantial part of the territory
of the Community’ (PAGO International).

  - Consider a scenario where a mark currently has a reputation in the UK and France which
is sufficient to satisfy the ‘significant part’ threshold.

  - Would the ‘significant part’ threshold still be satisfied if this was only a reputation in France,
post-Brexit?

  - This will be a question of fact but could mean that some EU Remainder TMs will no longer
be able to issue proceedings under Article 9(1)(c).

ENFORCEMENT

9. What are the options for dealing with pending UK litigation based on EU rights - both in terms of
the ongoing litigation and the relief that can be granted?

- Assuming EUTMs and CDRs no longer extend to the UK.

  - For existing litigation concerning such EU rights, position should be analogous to an IP
right which expires before trial. The claimant should remain able to pursue litigation in the
UK based on these EU rights because the rights were valid and/or infringed in the UK at
the time the proceedings were started.
10. What are the options for dealing with EU-wide injunctions granted pre-Brexit in respect of EU rights by the UK courts?

- Standard wording of “The Defendant will not infringe EUTM no, [●] anywhere within the EU”; will ‘automatically’ update itself because the CTM will no longer apply in the UK, so that the injunction will continue to reflect the scope of the EUTM rights.

- For a re-designated UK right (to replace UK phase of the EU right), then the claimant may need to apply to court to amend the injunction to include reference to the re-designated UK right, so that the injunction continues to apply to the UK.
  - Could the defendant could oppose this, e.g. on the basis that the defendant is no longer threatening to infringe the right in the UK as at the date the claimant seeks to vary the Order?

- Alternatively, if the UK government decides that re-designated UK rights should arise automatically out of EU rights, then the government could at the same time make provision that any EU-wide injunctions should continue to extend to the UK on the basis of such re-designated UK right.

11. Impact on recognition and enforcement of foreign judgments in other MS (although note IPLA working group 4 remit)

- Post Brexit, the Brussels Recast Regulation will no longer apply to the enforcement and recognition of judgments as between the UK and the EU. Options for the UK post Brexit include adopting an updated Lugano Convention (which at present applies to EFTA countries) or the Brussels Convention of 1968 (which currently applies to certain territories dependent on EU member states).

- If the UK did not sign up to any reciprocal enforcement and recognition Treaty, then the position would be governed by the common law, which is the case for instance between the UK and the US.
  - If so, we believe that a claimant would need to issue fresh proceedings in the UK and plead the foreign judgment, and seek summary judgment to enforce the foreign judgment in the UK.
  - This would also give rise to issues in each case as to whether the foreign court had jurisdiction to determine the position under UK IP laws.
The UK could also become a party to the Hague Convention 2005 which would allow it to benefit from reciprocity in respect of enforcement of judgments also in the IP sphere.

12. What are the options available to us once the Customs Regulation no longer has effect?

*The Customs Regulation and goods in transit will be addressed in a separate IPLA paper.*

13. Parallel Trade – Legal and policy considerations for (i) UK only, (ii) EU+UK, or (iii) international exhaustion

*Not addressed by the group due to a lack of consensus on client-based views.*
IPLA paper on Unregistered Design Rights - for consideration by the UKIPO

Dated 13 October 2016

Unregistered Design Right

SUMMARY/RECOMMENDATIONS:

• We have assumed that Community Registered Design Rights will be treated in the same way as European Union Trade Marks and as such this note deals solely with unregistered rights.

• Any proposal in relation to Unregistered Community Design Rights needs to reflect the political reality. The government is likely to welcome a simple solution which minimises the need for new legislation (at least initially). Nevertheless, we assume that the Government will act to ensure that rights holders are not deprived of existing rights following the UK’s withdrawal from the EU.

• We recommend that the solution should not restrict the scope of existing UKUDR, which is popular with designers due to its flexibility and longevity.

• We have considered four options for Brexit:
  
  o Option 1: UK unilaterally treats UCDs as applying to the UK. This would require ongoing deference to the CJEU and as such is unlikely to find political support.

  o Option 2: UK creates new UCD-style UK unregistered design, which sits alongside existing UKUDR. This is our recommended short term solution to achieve Brexit, but should be reviewed post-Brexit to consider whether to move to Option 3 longer term.

  o Option 3: UK amends the existing UKUDR to create a hybrid right. This is likely to be preferable in the long run, but would require significant consultation and drafting to make it a reality. It goes well beyond what it currently needed to achieve a workable situation post-Brexit, and as such should be carried out at a later date.

  o Option 4: do nothing – revert to existing law of UKUDR and copyright. This would deprive designers of an existing and valuable IP right, which is not an acceptable outcome.

• Of four options above, the path of least resistance is likely to be Option 2, whereby the UK provides for a 'mirror image' unregistered design regime which establishes a similar right in the UK. This right would provide designers with sufficient protection provided that the first disclosure of a design in the UK still qualifies for CUDR. Therefore, a bilateral agreement with the EU would be needed.

  o The need for transitional provisions would be minimal as the transitional period would only be for 3 years (the duration of CUDR). Provided designs had been first marketed in the EU prior to Brexit (this would include first marketing in the UK, as it remains a member of the
EU up until Brexit, UCDR would still subsist in that design but would simply not be enforceable (or cover) the UK post Brexit. So the only gap for such rights concerns enforcement in the UK. In order to ensure designers are not deprived of existing rights, the government could legislate and agree with the EU that judgments of the UK and EU courts would be reciprocal until all pre-Brexit rights had expired (i.e. within 3 years).

- Legislating for a ‘mirror image’ regime of unregistered design protection would be the simplest starting point. The UK could then modify this regime as it saw fit as discussed below (possibly merging it with existing UKUDR).

<table>
<thead>
<tr>
<th>Stage</th>
<th>Subsistence &amp; Scope UCDs</th>
<th>Infringement of UCDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCDR arising pre-Brexit</td>
<td>No change. Designs first marketed in the EU (including the UK) prior to UK exit from EU will continue to subsist. Upon Brexit the geographical scope of the right will be 'trimmed' to exclude UK.</td>
<td>UCDs will be enforceable in all member states apart from the UK following Brexit.</td>
</tr>
<tr>
<td>UCD arising post-Brexit</td>
<td>UCDs will still subsist in the EU provided they are not first marketed in the UK. However such UCDs will not and will never have covered the UK.</td>
<td>UK courts will not enforce UCDs.</td>
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The following pages deal with each option in a little more detail.

**OPTION 1: UK UNILATERALLY TREATS UCDs AS APPLYING TO THE UK**
<table>
<thead>
<tr>
<th><strong>Pros</strong></th>
<th><strong>Cons</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope of protection/exclusions</strong> – there is potentially a broader scope of continued protection for designs which fall outside the scope of UK UDR, in particular, designs for surface decoration and “must match” product designs, which we would not otherwise have without UCD (in terms of unregistered design protection).</td>
<td><strong>Subsistence</strong> – the assessment of novelty would presumably take have to take into account disclosures made available to the public in the Community which could not reasonably have become known to circles specialised in the sector operating in the UK, which may defeat novelty.</td>
</tr>
</tbody>
</table>

**Subsistence** – the assessment of novelty would presumably take have to take into account disclosures made available to the public in the Community which could not reasonably have become known to circles specialised in the sector operating in the UK, which may defeat novelty.

| **Interpretation** – there is already a body of jurisprudence (from Europe and in the UK) relating to the interpretation of UCD with which the English courts are familiar. | **Interpretation** – presumably the UK courts would not be able to refer any unclear interpretation of UCD to the CJEU, but would still be bound by CJEU interpretation of a Europe-based right? |

**Qualification** – parties from certain countries may receive protection in the UK which they would not otherwise have without UCD (in particular USA, China, Korea and Japan are not “qualifying countries” for the purpose of UKUDR). | **Qualification** – parties from certain non-qualifying countries (as mentioned left) could (in part) receive protection through UCD and not need to rely on UK UDR, so there would be no drive for them to have a place of business or market in the UK. |

**Enforcement** – if the rest of Europe will not treat UCD as applying to the UK, presumably parties who successfully obtain a judgment in their favour through the UK courts would not be able enforce it throughout Europe (possibly deterring parties from bringing a claim in the English courts?), but the UK may still be expected to enforce foreign judgments on UCD. | **Continued patchwork of rights** – difficult / unnecessary complexity of arguing two separate patchwork rights (to cover a whole product) with different tests for qualification, subsistence, infringement, etc. |

**OPTION 2:** UK CREATES NEW UCD-STYLE UK UNREGISTERED DESIGN, WHICH SITS ALONGSIDE EXISTING UKUDR
<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
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<tbody>
<tr>
<td><strong>Bespoke right</strong> – need not necessarily replicate UCD, so elements which could be ‘improved’ in UCD (for example, the length of protection) could be modified.</td>
<td><strong>Continued patchwork of rights</strong> – difficult / unnecessary complexity of arguing two separate patchwork rights (to cover a whole product) with different tests for qualification, subsistence, infringement, etc.</td>
</tr>
<tr>
<td><strong>Scope of protection/exclusions</strong> – continued protection for designs which fall outside the scope of UK UDR, in particular, designs for surface decoration and must match product designs.</td>
<td></td>
</tr>
<tr>
<td><strong>Interpretation</strong> – could rely upon and develop completely separate English jurisprudence on interpretation, not reliant or dependent upon EU decisions.</td>
<td></td>
</tr>
<tr>
<td><strong>Qualification</strong> – could restrict the qualification provisions from the broad qualification of UCD to ensure that businesses must have some place of business in the UK in order to qualify for the right. However, a more preferable result would be to allow EU entities to qualify for this new UK right provided that first disclosure in the UK still allows a design to qualify for CUDR.</td>
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</table>
OPTION 3: UK AMENDS THE EXISTING UKUDR TO CREATE A HYBRID RIGHT

3.1. **Definition of design?** Should it cover all aspects of a design, or just some? UCDs sets out the non-exhaustive list: "lines, contours, shape, texture and/or materials of the product itself and/or of its ornamentation". Should the UK amend UKUDR to cover all of those, or just some?

- Inconsistency between the UK and EU regimes would be unhelpful for business seeking to exploit the designs and those trying to create/protect designs in both markets.

- Texture, materials and ornamentation are missing from UKUDR. Including such aspects within the definition of designs would also ensure protection for designers in the UK is not reduced from the current position. Compare to position before existence of UCDs (see Jacob LJ in *Lambretta Clothing Company Ltd v Teddy Smith (UK) Ltd & Anor* [2004] EWCA Civ 886 at [41] about UCDs 'plugging the gap' left by UKUDR).

- However, consider the impact such a change could have on validity of designs applying the commonplace test (discussed further below). By expanding the focus away from shape and configuration it means there are more variables to add into the mix when assessing commonplace. For example, could a design be held to be commonplace if made from a different material? More importantly, given the geographical limits, would it give designers carte blanche to copy EU designs if the EU member states are not treated as qualifying countries?

- Similarly, the definition of 'part of an article' would need to be clarified. If 'surface decoration' or 'colour' was identified as 'part' of an article, it would significantly extend the scope of unregistered design rights into areas better protected by copyright. Should any definition of design only protect aesthetic aspects of a whole, rather than part, or an article? This would be narrower than the current UCD position which defines design as the appearance of the whole or part of a product.

- Should unregistered designs protect aesthetic aspects of a design for 10 years? Currently they are only protected for a period of 3 years. However, bear in mind that the average duration of time which companies benefit from design protection is said to be 4 years (Haskel and Pesole, 2011). Companies will also be required to grant a licence of right after 5 years.

- Further, the focus of the Community right on 'aesthetics' was identified in the "UK designs as a Global Industry Report" as a reason why more British design companies do not register designs. It is important that UK design retains its focus on 'non-aesthetic' designs as it would provide designers with a more attractive right than that offered by the EU and could encourage more companies to base their design function in the UK.

3.2. **Qualification?** Currently based on the principle of reciprocity and protection. Member states of the EU currently qualify for UKUDR. Should that continue?
• According to the UK Designs as a Global Industry document (2012), the UK had a trade surplus in design services with all continents (including the EU) other than the USA. However it has a trade deficit in design intensive goods.

• Based on a principle of reciprocity, even if the scope of the UK right was expanded to cover 'aesthetic' aspects of a design, the UK would afford 7 years more protection to such designs than is currently afforded by the EU. This could adversely affect the freedom of UK designers to develop/use such designs. Therefore, absent a change in the length of protection to ensure reciprocity (likely to require a change by the UK reducing protection to 3 years) reciprocity would not be recommended.

• Can an exception to the principle of reciprocity be justified for EU companies/designers in circumstances where the EU is the biggest importer of UK design services and goods? Note that UK design companies would still be entitled to protection by virtue of first marketing within the EU, although it could complicate issues surrounding disclosure and product launches.

• Consider impact on definition of commonplace (discussed below) and the prospect of UK companies being able to copy unregistered EU designs with impunity.

3.3. **Commonplace**? The recent(ish) changes to UKUDR clarified that commonplace means in any qualifying country, so a commonplace design in (say) Italy does not enjoy UKUDR. Should this change?

• If there is no change, are international companies more likely to use UK design companies due to the protection they could obtain in the UK and (potentially) the EU as a result of first marketing?

• Permitting UK companies to obtain extensive unregistered design right protection may simply reduce the design freedom for UK designers. It would narrow the geographical scope companies would have to be concerned about from UK unregistered design perspective however.

• Note that UK designs would probably count as prior designs for the purposes of considering whether a Community Unregistered Design created a different overall impression.

3.4. **Duration**? Should protection for aesthetic features be extended to 10/15 years, or should shape only designs be shortened? Or somewhere between the two?

• Companies are only said to benefit from designs for an average of 4 years, although this will be industry and design specific.

• Designs are usually made available for sale within 5 years of being recorded in a design document. As such, the protection usually lasts for 10 years and is subject to a licence of right in the final 5 years.
• Removing the link between the date a design was fixed in a document and affording the design protection could be seen as a positive. Design is often iterative and calculating the length of protection based on when a particular design was recorded (which may be at an early stage of development) does not reflect the true design process and can be problematic if it comes to enforcing the design. It would be better to fix the design by the product which is made available for sale (which would reflect the approach the court takes and allow the product itself to be properly taken into account).

• Unregistered design right protection could be shortened to 5 years with the removal of the licence of right period. This would be the trade-off for broadening the scope of protection of UK unregistered design rights. There are few licence of right cases. However – consider impact on licensing of unregistered design rights by UK companies.

3.5. **Effect on existing UK unregistered designs:**

• Consider transitional period to allow existing unregistered designs to expire?

3.6. **Exclusions?** These are not precisely the same across the two unregistered design regimes - should the UK amend its list?

• Inconsistency between the UK and EU regimes would be unhelpful for business seeking to exploit the designs and those trying to create/protect designs in both markets.

3.7. **Infringement test?** Should the UK adopt the EU's informed user and the overall impression the design creates on that user?

• To do so is likely to create further uncertainty and make an assessment of purely functional/internal aspects of a design more difficult to determine as the informed user may (or probably won't in the case of internal features) consider these aspects of a design.

• Adopting the test could lead to more confusion if UK judges are not bound to follow the jurisprudence of the CJEU because designers/advisers would be faced with 2 tests which look identical but could end up being interpreted differently and diverging over the years.

• The informed user test is possibly more difficult to establish than assessing whether articles have been 'made to a design' or are commonplace.
OPTION 4: DO NOTHING – REVERT TO EXISTING LAW OF UKUDR AND COPYRIGHT

A. Would any statutory changes to UK UDR need to be made in order for scenario 4 to take effect?

4.1 Yes. Section 213(4) of the Copyright, Designs and Patents Act 1998 (CDPA) stipulates that for a design to be protected by UK UDR it must be “original” in the UK or in a qualifying country. Designs created before 1 October 2014 are denied protection if they were “common place in the design field in question”. From 1 October 2014 this has become a territorial issue, so that designs are not protected if they were “common place in any qualifying country in the design field in question”.

4.2 Currently, designs can be protected if the designer is a qualifying person (section 218 CDPA), if the designer’s employer or commissioner is a qualifying person (section 219 CDPA), or if the first marketing of the design is by a qualifying person and takes place in the UK or another member State of the EU (section 220 CDPA). A qualifying person is one who is a citizen or habitual resident of a qualifying country, or a legal body formed under the laws of or having a place at which substantial business activity is carried out in a qualifying country. A “qualifying country” includes, inter alia, the UK, and “another member State of the European Union” (section 217 CDPA).

4.3 Sections 217 and 220 will need to be amended when Britain leaves the EU. Whether EU states remain “qualifying countries” is a political decision, as discussed below, but either way, it will need amendment as the reference to “another member State” will make no sense.

4.4 Section 228 may also need to be amended. Section 228 CDPA defines the meaning of an “infringing article”. Section 228(5) CDPA contains an exception to infringement: “Nothing in subsection (3) shall be construed as applying to an article which may lawfully be imported into the United Kingdom by virtue of any enforceable EU right within the meaning of section 2(1) of the European Communities Act 1972”. This echoes the provisions relating to copyright which are set out in section 27(5) CDPA. This needs to be addressed as part of the wider issues relating to parallel importation.

4.5 References to other Community law, such as the references in 231(6) CDPA to the Community Trade Mark Regulations 2006 and the Community Design Regulations 2006, will also need to be amended appropriately.

B. Could EU businesses still take advantage of UK UDR in the event of scenario 4?

4.6 Yes, though the exact scope would depend on what changes were made to sections 217 and 220 CDPA.

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Currently, reciprocal protection is afforded to other member States, as well as to other countries specified under The Design Right (Reciprocal Protection) (No. 2) Order 1989. As discussed, sections 217 and 220 CDPA will need to be amended. Whether this level of protection is maintained must be a matter for the negotiations; it would seem sensible that this level of protection should only be maintained if appropriate reciprocal rights were granted to UK businesses.

Even if the reciprocal rights currently afforded to other EU countries under sections 217 and 220 are removed, EU companies could still potentially benefit from UK UDR under the first marketing provisions in section 220.

C. Could UK designers still take advantage of the EU regime in the event of scenario 4?

Unregistered community designs are protected if they are made available to the public “in the manner provided for” in Regulation 6/2002. To get protection, a design must, inter alia, be new (article 5), and protection is granted “for a period of three years as from the date on which the design was first made available to the public within the Community” (article 11). It is now generally believed that if a design is first disclosed outside of the EU, no unregistered Community design right arises at that point, and as novelty has then been destroyed, no unregistered Community design right can then arise in the future. So designs which are first disclosed outside the EU cannot benefit from unregistered Community design right.

In scenario 4, if there was no change to articles 5 and 11 of Regulation 6/2002, UK designers could still avail themselves of unregistered Community design right, but only if their first disclosure was within the EU as currently constituted at the point of the disclosure.

E. Would scenario 4 result in rights holders being deprived of existing rights?

Potentially. Unless specific legislation is enacted, if the UK is no longer bound by Regulation 6/2002, rightsholders will be not be able to enforce a right in the UK that had previously covered the UK. Whether this amounts to a deprivation of rights is arguable, but it is certainly unpalatable to remove rights from someone before the term of that right has expired.

END

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promoting and developing understanding of intellectual property for the benefit of the economy and society

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