



BREXIT: THE FINAL COUNTDOWN?

With Brexit looming, significant uncertainties remain about whether the UK will be able to agree a deal under which to leave the EU, and with every passing day, the risk of delays or a 'no deal' Brexit look increasingly likely.

In response to these risks, the UK Government have released further guidance¹ on its plans to mitigate and minimise any loss of protection for Intellectual Property (IP) rights holders in the event of a 'no deal' Brexit. These plans have been incorporated into legislation and draft legislation that is in the process of becoming law and due to take effect on the date the UK leaves the EU².



These latest developments are good news for rights holders, because they re-affirm (even in the event of a 'no deal' Brexit) that the UK Government intends to create equivalent protection for existing EU rights in the UK following Brexit, to ensure there is no loss of protection when the original EU rights will cease to apply in the UK³, while also providing greater clarity on how this will be done.

This article provides a summary of the expected changes to IP rights following Brexit, based on this latest guidance, as well as highlighting the wider questions that rights holders will need to consider, to ensure that their portfolios remain effective in a post-Brexit landscape.

PRE-BREXIT

Given the uncertainties regarding Brexit, it is worth re-stating that up and until the day the UK leaves the EU, the current system governing IP rights and law in the EU and UK will continue to apply.

EU rights will continue to have effect in the UK and UK rights can continue to be used to challenge the registration and validity of certain EU rights, such as trade marks and designs. Earlier UK trade mark rights can also continue to be used as a basis for seniority claims under later EU trade marks.

EU law will also continue to shape IP law in the UK and the UK will remain under an obligation to implement EU legislation, such as the recent Trade Mark Regulations 2018⁴. There is even a chance that if Brexit is significantly delayed, the UK may be required to implement the much-anticipated EU Copyright Directive, which is currently draft legislation⁵.

To the extent that any agreement is reached on the UK's withdrawal from the EU that contains a transitional period (expected to end 31 December 2020), the current system governing IP rights and law between the EU and UK will continue to apply until the end of that transitional period.

¹ United Kingdom Intellectual Property Office, 'Guidance: IP and Brexit' (22 February 2019) <www.gov.uk/government/publications/ip-and-brexit-the-facts/ip-and-brexit>

² The Intellectual Property (Exhaustion of Rights) (EU Exit) Regulations 2019 (S.I. 2019/265); The Trade Marks (Amendment etc.) (EU Exit) Regulations 2018 (DRAFT); The Patents (Amendment) (EU Exit) Regulations 2018 (DRAFT); The Intellectual Property (Copyright and Related Rights) (Amendment) (EU Exit) Regulations 2018 (DRAFT); The Designs and International Trade Mark (Amendment etc.) (EU Exit) Regulations 2019 (DRAFT).

³ United Kingdom Intellectual Property Office (n 1).

⁴ The Trade Mark Regulations 2018 (S.I. 2018/825).

⁵ European Commission, 'Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market' ((14 September 2016)

<<https://ec.europa.eu/digital-single-market/en/news/proposal-directive-european-parliament-and-council-copyright-digital-single-market>>

POST-BREXIT

Much of the future relationship between the EU and UK following Brexit has yet to be agreed. Any agreement reached, before or after the UK leaves the EU, may affect the interaction between IP rights in both jurisdictions.

Absent any agreement, both sides have provided helpful guidance on the changes that will occur following a no deal Brexit, which provides a useful contingency for a 'worst-case scenario'. A summary of these changes is set out below:

REGISTERED TRADE MARKS AND REGISTERED DESIGNS

Following Brexit (and after any transitional period), EU trade mark and design registrations (and International Registrations designating the EU) will no longer cover the UK⁶, and any seniority claimed in respect of earlier UK rights, will cease to apply⁷. UK trade mark and design registrations (and International Registrations designating the UK) will remain unaffected.

To ensure EU rights holders do not lose protection, even in the event of no deal, the UK Government intends to provide EU rights holders with a 'comparable right'⁸ in the UK, which mirrors the original EU registration that will:

- Keep the same priority date (or earlier seniority date) as the original EU right⁹;
- Be created automatically on the day the UK leaves the EU¹⁰, with 'minimal administrative burden' and at no cost to the right holder¹¹; and
- Exist as an independent right to the original EU registration, capable of being assigned, licenced, renewed (subject to payment of the UK renewal fee), enforced and challenged separately to the original EU right¹².

The comparable trade mark rights generated following Brexit, will be assigned special registration numbers to help distinguish them on the register and will consist of the prefix 'UK009' followed by the last eight digits of the original EU trade mark registration number¹³. An example of this is set out below:

Last eight digits of EU trade mark registration number		Prefix for comparable UK trade mark registrations		Comparable UK trade mark registration number
<u>000058746</u>	+	UK009	=	UK009 <u>00058746</u>
<u>002346789</u>	+	UK009	=	UK009 <u>02346789</u>

A 'comparable right' will also be generated for International Registrations designating the EU, however these will exist as a separate national UK registration¹⁴ and not as an additional designation under the original International Registration. This means the 'comparable right' would be subject to separate renewal fees and exist independently from the original International Registration.

⁶ European Union Intellectual Property Office, 'Impact of the United Kingdom's withdrawal from the European Union on the European Union trade mark and the Community design – Frequently asked Questions and Answers' (18 January 2018) 4.

<https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/news/QandA_brexit_en.pdf>

⁷ *ibid* 7.

⁸ United Kingdom Intellectual Property Office (n 1).

⁹ United Kingdom Intellectual Property Office, 'Guidance: Trade marks and designs if there's no Brexit deal' (17 January 2019)

<www.gov.uk/government/publications/trade-marks-and-designs-if-theres-no-brexit-deal/trade-marks-and-designs-if-theres-no-brexit-deal>

¹⁰ *Ibid*.

¹¹ *Ibid*.

¹² *Ibid*.

¹³ United Kingdom Intellectual Property Office, 'Notice: Numbering for comparable UK trade marks' (21 February 2019)

<www.gov.uk/government/publications/numbering-system-for-comparable-uk-trade-marks/numbering-for-comparable-uk-trade-marks>

¹⁴ The Designs and International Trade Mark (Amendment etc.) (EU Exit) Regulations 2019 (DRAFT), Article 1 Part 1 Schedule 2B.

There will also be an option to opt-out of the comparable rights system by making a written request to the UKIPO, subject to certain restrictions¹⁵. It looks likely that it will be possible to opt-out of the system even after Brexit has occurred¹⁶ (subject to the same restrictions), with the result being that the 'comparable right' is removed from the UK Register and deemed never to have been granted¹⁷.

Therefore, even in the event of a no deal Brexit, there will be no loss of protection to holders of EU trade mark or design registration that are currently in force in the UK.

PENDING TRADE MARK APPLICATIONS AND DESIGNS

Following Brexit (and after any transitional period), EU trade mark and design applications (and applications for International Registrations designating the EU) will no longer cover the UK¹⁸ and a UK 'comparable right' will not automatically be generated for these applications¹⁹. UK trade mark and design applications (and applications for International Registrations designating the UK) will remain unaffected.

Owners of EU applications that are pending on the day the UK leaves the EU, will be able to re-file the same trade mark or design application in the UK within a nine-month period, and keep the same priority date (or seniority date, if relevant) as the original EU application²⁰. However, this means paying the relevant official fee for the new UK filing and the application will then be subject to examination and publication in the UK (even if the original EU application was already examined and published by the EUIPO prior to Brexit)²¹.

It will also be possible to apply to re-file a pending application for an International Registration designating the EU in the same manner. However, rights holders should be aware that in doing so, they will obtain an equivalent national UK application separate from the original International Registration, and the UK right will be subject to separate renewal fees once registered.

After Brexit, both the UK²² and the EU²³ have confirmed that UK applicants will continue to be able to apply for trade mark and design protection in the EU, and that EU applicants will continue to be able to apply for trade mark and design protection in the UK. It will also be possible to continue to file an application in one or other jurisdiction, claiming priority from an earlier mark filed in the other²⁴.

UNREGISTERED DESIGNS

Unregistered design rights are protected differently in the EU and UK. The UK's Unregistered Design Right is not dependant on EU legislation and will therefore continue to exist unaffected by Brexit²⁵.

The EU protects unregistered designs through the 'Unregistered Community Design' ('UCD') which is a slightly broader right and provides protection for three years, from the date a design is first made available to the public in the EU. Following Brexit, UCDs will continue to apply in the remaining 27 EU Members States but will no longer have any effect in the UK²⁶.

To ensure businesses do not lose protection, the UK Government intends to ensure that all UCD's existing at the date the UK leaves the EU, will automatically continue to be protected and enforceable in the UK for the remainder of their term²⁷.

¹⁵ *ibid*, Article 2 Part 1 Schedule 2A.

¹⁶ *Ibid*.

¹⁷ *Ibid*.

¹⁸ European Union Intellectual Property Office (n 6).

¹⁹ United Kingdom Intellectual Property Office (n 1).

²⁰ *Ibid*.

²¹ *Ibid*.

²² *Ibid*.

²³ European Union Intellectual Property Office (n 6).

²⁴ *ibid* 7.

²⁵ United Kingdom Intellectual Property Office (n 1).

²⁶ United Kingdom Intellectual Property Office (n 9).

²⁷ The Designs and International Trade Mark (Amendment etc.) (EU Exit) Regulations 2019 (DRAFT), Regulation 4 Schedule 2.

Any designs made available to the public in the UK after Brexit, will be protected in the same way as a UCD, under a new 'supplementary unregistered design right'²⁸, and may also attract protection from the separate UK Unregistered Design Right, if it fulfils the necessary criteria.

Therefore, even in the event of a no deal Brexit, there will be no loss of protection for the holders of existing UCDs, and businesses in the UK will still be able to avail of equivalent protection, through the new 'supplementary unregistered design right'.

COPYRIGHT AND PATENTS

Copyright and patent protection in the UK will be less affected by Brexit, as this protection does not depend on EU law to the same extent as trade mark and design law. Key principles, such as that of mutual recognition or rights between countries, exists on the basis of international treaties, meaning rights arising in the UK will continue to be recognised and enforceable in the member states of the EU and vice versa²⁹ after Brexit.

In terms of copyright, there are some specific rights and obligations created under EU law, which will be affected by Brexit. The main changes are set out below, however it is also worth noting that other changes will affect the obligation to make portable online content available to UK customers travelling in the EU³⁰, the process for obtaining copyright clearance for satellite broadcasting across the EEA³¹ and collective rights management³².

- Database rights – following Brexit, any new database rights arising in the UK can only be owned by UK individuals or businesses³³. Any database rights that arose prior to Brexit will continue to exist (irrespective of whether they are held by UK or EEA individuals or businesses)³⁴, however UK individuals and businesses will no longer receive protection for existing database rights previously held in the EEA.³⁵
- Orphan Works – EU provisions allowing 'cultural heritage institutions' such as libraries and museums to make orphan works available online across the EEA without permission of the right holder will cease to apply following Brexit³⁶. Any cultural heritage institutions wanting to continue to make these orphan works available, will need to do so under the basis of the UK's orphan works licensing scheme³⁷.

Patents granted by the European Patent Office will also continue to cover the UK following Brexit³⁸ and the UK Government intends to incorporate existing EU regulations relating to the granting of Supplementary Protection Certificates into national UK legislation³⁹. This will ensure that the existing regime for Supplementary Protection Certificates continues to apply as it has done previously.

The UK Government also intends to remain a member of the unitary patent system and Unified Patent Court following Brexit⁴⁰, however it remains to be seen if this is possible, because membership is currently conditional upon being a member of the EU⁴¹.

²⁸ *ibid*, Regulation 3 Schedule 1.

²⁹ United Kingdom Intellectual Property Office, 'Guidance: Changes to copyright law in the event of no deal' (26 October 2018) <www.gov.uk/government/publications/changes-to-copyright-law-in-the-event-of-no-deal/changes-to-copyright-law-in-the-event-of-no-deal>

³⁰ *ibid*, section 5.

³¹ *ibid*, section 7.

³² *ibid*, section 8.

³³ *ibid*, section 6.

³⁴ *ibid*.

³⁵ *ibid*.

³⁶ *ibid*, section 9.

³⁷ United Kingdom Intellectual Property Office, 'Guidance: Copyright: orphan works' (25 February 2019)

<www.gov.uk/guidance/copyright-orphan-works>

³⁸ United Kingdom Intellectual Property Office, 'Guidance: Patents if there's no Brexit Deal' (24 September 2018)

<www.gov.uk/government/publications/patents-if-theres-no-brexite-deal/patents-if-theres-no-brexite-deal>

³⁹ *ibid*.

⁴⁰ *ibid*.

⁴¹ United Patent Court, 'About the UPC'

<www.unified-patent-court.org> accessed 26 February 2019.

DOMAINS

Domain ownership and registration will generally remain unaffected by Brexit as these rights don't tend to be conditional upon the nationality of the right holder. The major exception to this is .eu domains.

These domains can only be registered, held and renewed by individuals or businesses who have a registered office, central administration or principle place of business within the EU, or are otherwise established or reside in the EU⁴².

For any UK owner where this is no longer the case following Brexit, their application to register or renew a .eu domain will be refused⁴³, and the domain may be revoked prior to the next renewal date⁴⁴. UK individuals and business will also find it difficult to rely on UK trade mark rights to prevent the registration of an identical or confusingly similar .eu domain, as these rights will no longer have any effect in the EU, following Brexit⁴⁵.

Therefore, UK businesses that own .eu domains but will no longer have a principle place of business or be established in the EU following Brexit, need to strongly consider:

- assigning these domains to an affiliated company based in the EU, before Brexit, to avoid the risk that the domain is revoked; or
- register alternative (non .eu) domains so that their websites can be migrated to the new domain, before the .eu domain is either revoked or lapses for non-renewal.

ENFORCEMENT OF RIGHTS

While Brexit will not prevent the owners of UK and EU rights from enforcing their rights in the respective jurisdictions, they will no longer be able to enforce EU rights in the UK or enforce UK rights against EU applications, after the UK has left the EU.

After Brexit, any opposition, invalidation or infringement proceedings in the EU will need to rely on EU rights (or national rights from remaining member states) and be filed before EU courts (or the court of a member state where appropriate). Likewise, any proceedings filed in the UK will need to be on the basis of UK rights before UK courts. Any decisions in proceedings issued in the EU will no longer automatically apply in the UK, except and unless the UK specifically legislates for this to be the case⁴⁶.

Where proceedings have been filed in the EU prior to Brexit and involve UK national rights, these national rights will no longer have any effect on a decision in those proceedings, if the decision is issued after the date the UK withdraws from the EU⁴⁷. This is because, on the date the decision is issued, the UK national rights will no longer have any effect in the EU and so cannot be a valid basis to support the proceedings⁴⁸. However, where a decision was issued prior to Brexit and has been appealed (and the appeal is ongoing after Brexit), any UK rights that form part of those proceedings will continue to be taken into consideration, because they were valid at the time the original decision was taken.

It is unclear if the same position will be true in respect of proceedings filed in the UK prior to Brexit which rely on EU rights. While further clarification is required from the UK Government, it would seem nonsensical for the 'comparable rights' granted to EU rights holders to be ignored in the proceedings, because otherwise this would undermine much of the purpose and value in granting the comparable rights.

⁴² Council Regulation (EC) 733/2002 of 22 April 2002, Article 4(2)(b) on the implementation of the .eu Top Level Domain [2002] OJ L113/1.

⁴³ European Commission, 'Notice to Stakeholders Withdrawal of the United Kingdom and EU Rules on .eu Domain Names' (28 March 2018) 2 <www.ec.europa.eu/digital-single-market/en/news/notice-stakeholders-withdrawal-united-kingdom-and-eu-rules-eu-domain-names>.

⁴⁴ *ibid.*

⁴⁵ *Ibid.*

⁴⁶ European Union Intellectual Property Office (n 6) 5.

⁴⁷ *ibid* 9.

⁴⁸ *Ibid.*

VALIDITY OF RIGHTS

Following Brexit, UK applicants will still be able to apply for, register and own EU rights (such as trade marks and designs) as will EU applicants in respect of UK national rights⁴⁹. These rights will remain subject to any validity or maintenance criteria applicable in the relevant jurisdiction.

Trade mark registrations in the EU and UK become vulnerable to cancellation for non-use once they are over five years old and to avoid being cancelled for non-use, it is necessary to demonstrate that genuine use of the mark has been made in the relevant jurisdiction, in respect of the goods and/or services covered.

Following Brexit, any use of an EU mark made in the UK, cannot be used as evidence that the mark has been used in the EU, because the UK will no longer be a member of the EU⁵⁰. However, the EUIPO has confirmed that evidence of use of the mark in the UK that pre-dates Brexit, may still be taken into account, provided this falls within the relevant five-year window in which use must be shown⁵¹.

For EU rights holders that obtain a new UK 'comparable right', the extent to which evidence of use of the original EU right (in the UK or EU) can be used to show use of the new UK right remains to be clarified. However, it would seem sensible that any use prior to Brexit should be taken into account (provided it is within the correct five years period) and that any use of the mark in the EU following Brexit, will not be taken into account.

Therefore, following Brexit, UK and EU trade mark owners will need to consider whether they are making sufficient use of their rights in these respective territories to support any registrations they own. If there are concerns about not marks in the relevant jurisdiction, they will need to consider making greater use of these marks, or otherwise re-filing them to guard against possible cancellation.

CUSTOMS AND EXHAUSTION OF RIGHTS

Currently the UK is a member of the EU-wide customs system, which allows owners of EU rights to set up a customs recordal across the entire EU and stop unauthorised third-party shipments of goods bearing their rights from entering the EU, anywhere across the 28-member states.

Currently, these recordals can be set up and maintained through HMRC in the UK. In the event of a no deal Brexit, the UK will no longer be a member of this customs system, and while UK owners of EU rights will still be able to set up and maintain these customs recordals, they will need to do so through a relevant organisation in another EU member state, and not through HMRC.

Similarly, a no deal Brexit will have a number of implications for the principle of the exhaustion of IP rights. Normally, the owner of IP rights has certain exclusive rights to use their IP and to prevent others from doing so. However, once a product bearing their IP has been placed on the market, by them or with their permission, the owner of the IP rights loses their rights to control the distribution and re-sale of that product, across the territory of that market⁵².

Currently, in both the EU and UK, the relevant market is defined as the EEA and the UK government has confirmed that it intends to continue to observe this boundary immediately following Brexit⁵³. This will ensure that the current regime in respect of exhaustion of rights and parallel imports coming into the UK remains unaffected following Brexit.

⁴⁹ United Kingdom Intellectual Property Office (n 1); European Union Intellectual Property Office (n 6).

⁵⁰ European Union Intellectual Property Office (n 6) 5.

⁵¹ European Union Intellectual Property Office (n 6) 6.

⁵² United Kingdom Intellectual Property Office, 'Guidance: Exhaustion of intellectual property rights if there's no Brexit deal (24 September 2018)

<www.gov.uk/government/publications/exhaustion-of-intellectual-property-rights-if-theres-no-brexite-deal/exhaustion-of-intellectual-property-rights-if-theres-no-brexite-deal>

⁵³ *ibid.*

However, if the UK leaves the EU without a deal and is no longer a member of the EEA, products sold in the UK may no longer be treated in the same way by the EU⁵⁴. Products put on the market in the UK bearing IP rights protected in the EU, will not exhaust those EU rights, and entities importing products from the UK into the EU will need to get the consent of EU rights holders, or else risk infringing those rights.

Where the entity selling/importing the products from the UK to the EU also owns the EU rights, there will be little issue caused by these changes. However, if the entities are not the same, individuals and businesses need to ensure they have the permission of the EU rights holder to import and/or sell the products in the EEA, or else risk infringing these EU rights⁵⁵.

REPRESENTATION

Currently, legal practitioners based in the UK can represent their clients in IP matters before the relevant bodies and institutions of the EU. Following Brexit, and in the event of no deal, this position is likely to change significantly.

In the event a deal is agreed, and this includes a transition period (currently expected to last until 31 December 2020), UK representatives will continue to be able to represent their clients in respect of new and existing matters and proceedings before the IP bodies and institutions of the EU, until at least the end of the transition period and possibly beyond subject to the nature of the deal⁵⁶.

In the event of no deal, UK representatives will lose their right to represent their clients in matters or proceedings before these IP bodies and institutions, on the 29 March 2019⁵⁷. Under existing regulations, rights holders would have a minimum of two months to appoint a new representative for these matters⁵⁸. To mitigate this risk, many UK firms are exploring the option of maintaining their presence in remaining EEA countries, through affiliated offices already existing in these countries, or by establishing new offices.

UK nationals may be able to continue to act on behalf of their clients, provided they can show they are: (i) a qualified legal practitioner in one of the countries in the EEA; (ii) are established in the EEA; and (iii) are entitled to act as representative for trade mark matters in that EEA country⁵⁹.

It may be possible for UK representatives to continue to represent their clients in respect of ongoing proceedings initiated before Brexit, until these have been completed, however this is yet to be confirmed⁶⁰.

Finally, in respect of UK matters, the UK Government has confirmed that representatives from the EEA will continue to be able to act in these cases⁶¹ and any new comparable rights that automatically arise in the UK⁶².

SUMMARY

Clearly, the latest guidance and legislation from the UK Government provides re-assurance that EU rights holders will not lose protection following Brexit, even in the event of no deal. The fact that comparable or equivalent rights will be granted in the UK with minimal administrative burden and at minimal cost to the rights holder, is also another positive step.

⁵⁴ *ibid.*

⁵⁵ *ibid.*

⁵⁶ The Chartered Institute of Trade Mark Attorneys (CITMA), 'EUIPO rights of representation – what we know' (18 February 2019) <www.citma.org.uk/resources/euipo-rights-of-representation-what-we-know.html>

⁵⁷ *ibid.*

⁵⁸ *ibid.*

⁵⁹ European Union Intellectual Property Office (n 6) 6.

⁶⁰ The Chartered Institute of Trade Mark Attorneys (CITMA) (n 56).

⁶¹ The Chartered Institute of Trade Mark Attorneys (CITMA) (n 56).

⁶² The Chartered Institute of Trade Mark Attorneys (CITMA) (n 56).

However, there will still be a number of other changes that rights holders will need to consider in the run up to Brexit, to ensure their portfolios remain effective post-Brexit. Rights holders will need to consider:

- Whether they need to transfer the ownership of any .eu domains to an affiliated EU based entity, or look to register an alternative domain, to avoid their .eu website going down after Brexit.
- Which entity will be the most appropriate to own existing EU rights and any new comparable/equivalent UK rights, once these come into force. This will have an impact on their ability to use these rights as a basis for International Registrations and claiming a foreign use filing basis in Canada or the US.
- Whether there any assignments, licences or security interests that need to be recorded against existing EU rights or the new comparable/equivalent UK rights, once they come into force.
- Whether any agreements they have that relate to IP rights in the EU/UK will need to be amended to reflect any new rights granted in the UK and to avoid possible issues if products are intended to be imported and distributed from the UK to the EU, following Brexit.

If you would like any further advice on anything mentioned in our article, please do not hesitate to contact us.