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EU sets out its stall on IP rights after Brexit

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IP analysis: On 6 September 2017 the European Commission issued a suite of papers setting out its position to the Council of Ministers as to what should happen after Brexit. One of those papers concerns EU intellectual property (IP) rights and the arrangements as the UK withdraws from the EU to ensure holders of such rights are unaffected. Graham Burnett-Hall and Will Jensen of Marks & Clerk, and Paul England of Taylor Wessing comment on this EU position paper and what the UK response is likely to be.

Original news

Commission position paper discusses intellectual property rights following Brexit, LNB News 07/09/2017 164

The European Commission has published a position paper which sets out its thoughts on how to deal with intellectual property (IP) rights following Brexit. The paper contains the main principles of the EU position in this regard, which will be presented to the UK in the context of the Brexit negotiations.

What is the EU's position on the uncertainties that should be dealt with in the withdrawal agreement?

Graham Burnett-Hall/Will Jensen (GBH/WJ): The EU's position is that Brexit will create uncertainty for all EU stakeholders in relation to the scope of protection in the UK of IP rights, to the treatment of applications for those rights and to the exhaustion of rights conferred by IP rights. The EU believes that this uncertainty will significantly affect the continued circulation of goods that are placed on the market in the EU before the date of Brexit.

The EU's position is that the UK's withdrawal agreement should ensure these five things:

- the protection enjoyed in the UK before the date of Brexit on the basis of EU law by holders of intellectual property rights having 'unitary character' within the EU will not be undermined by the UK's withdrawal from the EU
- procedure-related rights (such as a right of priority) in relation to an application for an IP right having unitary character within the EU still pending on the date of Brexit will not be lost when applying for an equivalent UK IP right
- applications for 'supplementary protection certificates' or for the extension of their duration in the UK on-going before the date of Brexit are completed in accordance with the conditions set out in EU law
- EU or UK databases UK continue to enjoy protection after Brexit
- exhaustion of IP rights before the date of Brexit will not be affected by Brexit

What main principles does the EU think should apply in relation to intellectual property rights following Brexit?

GBH/WJ: The EU has the following main principles:

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IP rights with 'unitary' character—the holder of any granted IP right with 'unitary' character (for example an EU trade mark or a registered Community design) should, after Brexit, be recognised as the holder of an enforceable IP right in the UK, comparable to the IP right provided by EU law, if need be on the basis of specific domestic legislation to be introduced. This principle should also include the adaptation of 'genuine use' requirements and 'reputation' rules to the specific situation under consideration and should not result in any financial costs or excessive administrative burden to the IP rights holders. In the specific case of protected geographical indications, protected designations of origin and other protected terms in relation to agricultural products ('traditional specialities guaranteed' and 'traditional terms for wine') protected under EU law before Brexit, the EU's position is that the UK should put in place the necessary domestic legislation to provide for their continued protection, which protection should be comparable to that provided by EU law

- applications for IP rights with unitary character—where an IP right application has been submitted before an EU body before Brexit and the administrative procedure for its grant remains on-going on that date, the applicant should be entitled to keep the benefit of any priority date
- applications for supplementary protection certificates—after Brexit, a person should continue to be entitled to obtain in the UK a supplementary protection certificate (or an extension of its duration) where such a rights holder had before Brexit submitted an application for this and the administrative procedure for its grant remains on-going at the date of Brexit
- legal protection of databases—Databases makers or right holders protected under art 7 of Directive 1996/9/EC before Brexit should continue to enjoy protection afterwards in both the EU and UK for those databases. The requirements of art 11(1) & (2) should be waived in the EU in respect of UK persons or undertakings and the UK should not exclude EU nationals or companies from legal protection of databases in the UK on nationality or establishment grounds
- exhaustion of rights—Rights conferred by IP rights which were exhausted in an EU territory before Brexit should after that date remain exhausted in both the EU and the UK. The conditions for exhaustion should remain those defined by EU law. As regards trademarks, the rights conferred by a trade mark to prohibit its use in relation to a good are exhausted when such goods were put on the market in the EU before Brexit by either the proprietor of the trade mark or with its consent

Are these principles likely to be acceptable to the UK?

GBH/WJ: The UK is likely to be happy with the general thrust of these proposals, which will serve to benefit the rights of UK proprietors of IP rights as much as holders of such rights in the rest of the EU. For example, producers of Scotch whisky, Melton Mowbray pork pies and West Country Farmhouse Cheddar will all want to see protection for their designations continue in the remaining EU27 as well as the UK post Brexit.

Issues may arise over whether the UK government is happy to ensure that the cost of the administration required to secure these objectives is borne entirely by the UK government and indirectly by the UK taxpayer. The UK position may be that the holders of the relevant IP rights should bear some or all of the costs.

Potentially more problematic will be how the conditions for the grant, enforcement and revocation of these IP rights develop after Brexit, for example:

- on the one hand the UK is unlikely to want to have to agree to continue to apply every letter of EU law, as it will want to be able to develop its own policies following Brexit
- on the other hand, if the UK desires the freest possible trade with the remaining EU members, it will no doubt need to ensure that complimentary levels of protection for IP rights remain in place.

Dr Paul England (PE): On supplementary protection certificates (SPCs), the Commission is saying that it wants existing SPC applications (and paediatric extensions of SPCs) to be honoured to grant.

The paper does not seem to be asking the UK to continue the SPC system for new applications. However the effect of the European Union (Withdrawal) Bill 2017 (if enacted in its present form) will be that the SPC Regulation 469/2009 is transcribed into UK law and it will still be possible to obtain SPCs after exit day. Therefore the UK is already committed to doing more than is being asked by the Commission.

What measures will need to be taken by the UK in order to comply with the EU's position if it is adopted?

GBH/WJ: The stated intention of the UK's European Union (Withdrawal) Bill 2017 is to transpose into UK law all existing EU law as it stands on the date of Brexit (including, for the first time in UK domestic law, legislation on the protection of geographical indications and related rights). Inevitably further legislation will be required, most likely under the transitional provisions of this Bill, to provide for the continued subsistence and legal effect of existing Community-wide rights.

Practically speaking, if the UK is to register the 'new' UK IP rights (comparable to the current EU rights), there would need to be a significant amount of work done on the infrastructure of the relevant registries to ensure that systems can cope with the volume of registrations on the day of Brexit.

Are there any notable omissions from this paper?

PE: Patents are not EU rights and so the Commission paper has little impact on them. There is mention of unitary rights in the paper, but the relevance of this to the Unitary Patent is limited. Due to a current stay of ratification of the Unified Patent Court (UPC)/Unitary Patent system by the German Constitutional Court, and depending on how long that stay is, the patent may not be available until after exit day. In any case, Unitary Patents are applied for through the European Patent Office system and so we would expect a UK (EP) patent counterpart to a Unitary Patent to take the priority date of the unitary patent even if the UK were to end up not participating in the Unitary Patent system (although we expect that it will participate).

Graham Burnett-Hall, Partner and Will Jensen, Managing Associate both specialise in intellectual property law at Marks & Clerk Solicitors LLP in London.

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Interviewed by David Bowden of David Bowden Law

The views expressed by our Legal Analysis interviewees are not necessarily those of the proprietor.