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# Brexit Briefing: Impact on Intellectual Property Rights

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# Brexit Briefing: Impact on Intellectual Property Rights

## Executive Summary

- UK intellectual property (“IP”) laws are closely integrated with EU laws so Brexit will impact a number of IP rights
- There is no immediate impact to UK IP rights following the EU referendum result but there will likely be changes in the medium and long term
- Organisations that hold EU-wide registered IP rights (such as EU Trade Marks and Registered Community Designs) should assess whether additional registrations need to be sought in advance of Brexit
- Organisations that rely on copyright and patents to protect their intangible assets should monitor the divergence of laws in these areas following Brexit

## Introduction

Many UK intellectual property (“IP”) laws derive from, or are closely integrated with, EU laws. Although the UK has an independent system of administering national IP registrations through the UK Intellectual Property Office (the “UK IPO”), EU-wide IP rights such as the EU Trade Marks (“EUTM”) and Registered Community Designs (“RCD”) (which offer protection across all 28 EU Member States) are found in the IP portfolios of many UK organisations. For such UK organisations, it is important to be aware of what Brexit may mean in respect of their registered IP portfolios.

Many of the EU laws (e.g., Regulations and Directives) on which UK IP laws are based apply equally to countries in the EEA (being the EU Member States plus Norway, Liechtenstein and Iceland). If the UK joins the EEA in its own right post-Brexit (*i.e.* adopting the so-called “Norway” model), it will still have to comply with EU IP laws. If it does not re-join the EEA in its own right, then certain UK IP laws may change. As it is currently unclear what relationship the UK will have with the EU in the future, the outlook with respect to IP laws is uncertain. In addition to having scope to amend UK IP laws (should the UK not re-join the EEA), the UK courts and UK IP laws will no longer be informed by and required to follow the jurisprudence of the EU courts (including the Court of Justice of the European Union).

In any event, it is likely that the UK would seek to retain or implement new laws that mirror the existing regimes as far as possible, so the existing IP legal framework in the UK may not change significantly following Brexit. Certain matters for you to consider in day-to-day practice as this situation evolves are discussed below.



## 1. Trade Marks and Registered Designs

### a) What will happen to these IP rights on Brexit?

Currently, UK organisations can register trade marks or registered designs in different ways. They can obtain national rights (effective in the UK only) and they can also apply for EU-wide rights in the form of a EUTM or RCD, which provide a cost and time effective means of obtaining protection across both the UK and the other 27 EU Member States.

While owners of EUTMs and RCDs have not immediately lost protection now that the UK has voted to leave the EU, it is likely that EUTMs and RCDs will eventually cease to have effect in the UK (unless it is negotiated otherwise).

In any event, it is likely that the UK Government would need either to legislate for successor rights (for example, through the automatic conversion of EUTMs and RCDs into UK national rights), or otherwise require UK organisations to register separately for new rights via the UK IPO and incur the resultant costs. Ultimately, we expect that the UK Government is unlikely to allow EUTM and RCD holders to lose protection in the UK without there being a mechanism to safeguard their rights in the UK.

We understand that the UK Government and UK IPO will be consulting users of the IP system (including IP owners, IP practitioners and industry bodies) about the best way forward. If you rely on EUTMs or RCDs, this would be an opportunity to provide your input to this consultation process.

Post-Brexit, you will still be able to register EUTMs or RCDs, which will cover all EU Member States.

### b) What should you be doing now?

You should consider reviewing your registered design and trade mark portfolios to identify:

- i. any designs or brands which only have EU wide protection and not separate UK protection; and
- ii. any EUTMs that have predominantly been used in the UK rather than the rest of the EU. However, as it is currently unclear what transitional or grandfathering arrangements will be put in place to ensure UK protection for legacy EU-wide rights, the best immediate response is to “watch this space” for developments.

#### Designs and brands with EU protection only

Post-Brexit, RCDs and EUTMs may not extend protection to the UK. If a UK organisation does not already have separate UK national trade marks and designs, and no transitional or conversion measures are put in place to offer equivalent UK



rights from legacy EUTMs and RCDs, the cost to brand owners could increase if they are required to make a separate application to secure protection in the UK.

If you hold EUTMs and RCDs but no corresponding registrations for UK national rights, in advance of Brexit and depending on the importance of the brand or design, it may be safer to file both EUTMs or RCDs and UK rights in parallel. However, this will incur additional costs and we consider it unlikely that no arrangement will be put in place to safeguard against organisations losing protection in the UK once their EUTMs and RCDs cease to have effect in the UK. We therefore recommend undertaking a cost-benefit analysis to assess the relative value of adopting a parallel filing strategy.

In the meantime, developments should be closely monitored as organisations that are reliant on EUTMs or RCDs will need to be swift to respond to changes in this area.

#### EUTMs predominantly used in the UK

Where a EUTM is predominantly or only being used in the UK rather than in the rest of the EU, following Brexit the EUTM may be at risk of revocation for non-use (because use in the UK would not be recognised as use in the EU). As such, you should ensure you begin to strategise use of any registered EUTMs across the EU (and not only in the UK) to protect against revocation post-Brexit.

## 2. Copyright

### **a) What will happen to these IP rights on Brexit?**

As copyright is a territorial right and is not the subject of a registration regime in the UK or throughout the EU, it is likely to be the area of IP law least affected by Brexit.

On Brexit (and assuming the UK will not be a part of the EEA), the UK will not be bound to implement future EU Directives or Regulations and it will also not be bound by post-Brexit decisions of the Court of Justice of the European Union (CJEU). As such, the key impact on copyright will be that, over time, there is likely to be a divergence between UK and EU copyright laws, especially in respect of any judgments of the respective courts. This may dismay those in creative and content-rich industry sectors, who have lobbied for greater harmonization of copyright law across the EU (to address the time and costs required to launch initiatives across the EU).

### **b) What should you be doing now?**

There is not much that can be done now. If you are in the creative and content-rich sectors, you should keep an eye on developments and be prepared to lobby the UK Government if the divergence in laws could impact your ability to trade across the EU or undermine the UK's ability to compete in these sectors within the EU.



### 3. Patents

#### a) What will happen to these IP rights on Brexit?

Brexit is likely to have a limited effect on existing patents or their effectiveness in the UK because the current patent registration system has been established largely as a matter of national law and international treaty, rather than EU legal order. For example, the European Patent Office (“EPO”) is not an EU institution but rather the result of the European Patent Convention. As a result, the European Patent Convention and role of the EPO in receiving and examining classic European patent applications (which are, in essence, a bundle of national patents that must be enforced with separate litigation in each country) will not be compromised by Brexit. Similarly, existing patents and pending patent applications (whether under the national route or EPO route) will be largely unaffected.

The EU referendum result cast into doubt the plans for a unitary patent and Unified Patent Court (the “UPC”), which proposes to implement a single EU-wide patent. The new unitary patent, issued by the EPO, will offer protection across 25 EU countries, and infringement disputes will be adjudicated in a single case at the UPC. The UPC is designed to have three divisions, with one located in London focused on pharmaceutical and chemical cases. There was widespread speculation that, if the UK opted not to participate in the UPC, the London branch would be moved to Italy.

Following the EU referendum result, many commentators expected that the unitary patent system, which is designed to include only EU countries, would have to be reconfigured without the UK. However, on 28 November 2016, the UK Government announced that it is proceeding with plans to ratify the UPC agreement in the coming months while the UK is still part of the EU, so the court can be brought “*into operation as soon as possible*”. This announcement means that the UPC may be able to begin operations next year; however, the UK’s continued participation post-Brexit will likely be subject to the Brexit negotiations between the UK and the EU.

#### b) What should you be doing now?

If you hold patent registrations and applications, you should monitor developments in this area, and in particular, the impact of Brexit negotiations on the long-awaited introduction of the unitary patent and UPC. Particularly in light of the UK Government’s recent announcement that it plans to ratify the UPC agreement, the Brexit vote is not necessarily fatal to the UPC and the entire unitary patent reform project. There are possible means, through bilateral agreements, for example, by which the UK may still participate in this system.



#### 4. Will Brexit impact the enforcement of IP rights?

Post-Brexit, UK courts will no longer be able to grant pan-EU injunctive relief for infringement of pan-European IP rights (e.g. the EUTM or RCD). Separate enforcement proceedings will need to be brought in the UK and the EU, which will increase costs. The effect on existing pan-EU injunctions is currently unclear, and may need to be supplemented by a UK-specific injunction.

#### 5. What about agreements covering pan-EU IP rights?

If your agreements (e.g. licences and security agreements) cover pan-European rights (e.g. EUTMs and RCDs), you may want to review any grant of a security interest or licence, etc. which is tied to a concept of pan-European rights. It is worth considering whether and how the security interest or licence would extend to UK rights which may (if the law provides) arise from such pan-European rights. Provisions addressing that issue can be included in such agreements where appropriate. The treatment of such UK national rights which may arise from pan-European rights under current agreements, however, is less certain.

#### 6. Will Brexit impact the concepts of 'exhaustion of rights' and 'parallel imports'?

If trade-marked or patented goods are placed on the market within the EEA by or with consent of the owner, the owner cannot object to further dealing with such goods as the trade mark or patent rights will have been 'exhausted'. 'Exhaustion' and parallel imports will be affected if, in addition to leaving the EU, the UK does not re-join the EEA in its own right. That is currently unknown.

### Checklist of Key Action Points

- ✓ **Registered Designs and Trade Marks** - Consider adopting a parallel filing strategy to acquire both national UK registrations and EUTMs or RCDs. Consider strategising use of EUTMs across the EU (rather than predominantly in the UK) to avoid revocation following Brexit.
- ✓ **Copyright and Patents** - If you rely on copyright and patents to protect your intangible assets you should continue to monitor the divergence of laws in these areas following Brexit.



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