

Brexit: EU27 Position Paper on Intellectual Property

Position paper transmitted to EU27 on Intellectual property rights (including geographical indications), 6 September 2017 https://ec.europa.eu/commission/sites/beta-political/files/position-paper-intellectual-property-rights_en.pdf

The EU27 Position Paper on Intellectual Property sets out the EU Member States' starting position in relation to pre-existing IP rights as part of the Brexit negotiations.

Legal context

Following a referendum held in June 2016, where the people of the UK voted to leave the European Union, the UK is expected to leave the EU on 29 March 2019, two years after Article 50 was triggered. During the two year period from March 2017 to March 2019, the UK and EU will be negotiating the terms of the EU's exit. Given the move towards harmonisation of IPRs across Europe, and the creation of unitary rights, particularly in the field of trade marks and designs, protection of IPRs can be expected to be an important part of the Brexit negotiations. Holders of EU rights will be keen to ensure that their rights remain protected in the UK after Brexit and conversely, UK businesses will want to ensure that they retain protection. Additionally, the UK's Prime Minister, Theresa May, has indicated that her Government intends to pursue a 'hard Brexit', which would mean that the UK would leave the Single Market. The EU's rules on the exhaustion of intellectual property rights when goods enter the market are designed to facilitate the existence of this single market. If and when the UK leaves the Single Market, it is not obvious whether the UK will recognise exhaustion in relation to goods originating from EEA Member States and vice-versa.

Facts

The Position Paper, published on 6 September 2017 and discussed at the Article 60 Council Working Party meeting on 7 September, sets out the main negotiating principles pursued by the remaining 27 EU Member States.

The Paper begins by highlighting the uncertainty that Brexit will create for both UK and EU27 IPR holders, particularly in relation to unitary rights, applications for rights that are pending on Brexit Day and in relation to the exhaustion of IP rights.

The basic principles laid out are:

Those who hold unitary rights should not have their protection compromised by Brexit

This means that any holder for unitary IPR pre-Brexit should be recognised as the holder of a UK right post-Brexit. Unitary rights are defined as EU trade marks, registered and unregistered Community designs, Community plant variety rights, protected geographical indications, protected geographical designations of origin and geographical indications pertaining to spirit drinks and aromatised wine. This right needs to be ‘comparable’ to that provided by EU law. If necessary, domestic law must be put in place to facilitate this. In the case of geographical indications, domestic law *must* be put into place, as the current scheme is based on EU Regulations which will cease to have effect on Brexit. The ‘transformation’ process must be, automatic and free to IPR-holders and must impose the minimum administrative burden possible. It must also take into account the determination of renewal dates and adapted genuine use and reputation rules and must respect priority and seniority as appropriate.

Procedural rights relating to unitary rights pending on Brexit day should not lose those rights when applying for an equivalent IPR in the UK

Where an application for a unitary right is pending on Brexit day, the applicant should retain the priority date arising from that application in any application for an equivalent UK right post-Brexit.

Applications for supplementary protection certificates or their extension pending prior to Brexit should be completed as per EU law

Where an applicant has submitted a valid application for an SPC or extension of an SPC before a competent UK authority pre-Brexit and the administrative process is ongoing at the time of Brexit, the

applicant should remain entitled to obtain that SPC or extension. Any protection granted under this procedure should be equivalent to that offered by EU law.

Databases protected in the EU 27 and UK prior to Brexit should retain that protection after Brexit

Where a database has been made prior to Brexit, makers from the EU 27 should continue to enjoy protection in the UK, and UK makers should continue to enjoy protection in the EU 27. This is in spite of the fact that Art.11 of the EU Database Directive limits protection to natural or legal persons with a base in the EU.

Rights which were exhausted before Brexit day should remain exhausted post-Brexit

Where IP rights have been exhausted pre-Brexit, they should remain exhausted post-Brexit both in the UK and in the territory of the EU 27. The exact conditions for exhaustion depend on the IP right, but in the case of trade marks, this means that if the goods have been put on the market pre-Brexit, they will remain exhausted after Brexit.

Data transfer

There must be adequate cooperation for the transfer of data between the relevant registries in order to achieve the objectives outline above.

Analysis

In many ways, there are no surprises here. The EU 27 has called for strong and continued IP rights for those who already hold unitary rights. This will benefit EU 27 citizens and IPR holders, but will also ensure continued protection for the many UK citizens and companies that hold EU unitary rights.

What this position paper does is to set out attitudes towards rights and situations that existed *prior* to the Brexit date. The elephant in the room is what will happen post-Brexit, particularly in relation to the parallel importation of between the EU 27 and the UK. This though is part of the wider politically loaded negotiations on free movement of goods. Another key aspects of Brexit not covered in the position paper is the future of the Unitary Patent Court.

Practical significance

Ultimately, the practical significance of the Position Paper will be determined by the response of the UK (hitherto undisclosed) and the subsequent negotiations. Clearly though, one outcome of the proposals, if accepted, will be a significant burden for the UKIPO in administering the continued recognition of the pre-existing unitary rights. Domestic legislation may be necessary to put this in place. The passing of national legislation will also be necessary (as noted by the Position Paper) for the protection of geographical indications as there is currently no national system for their protection, save perhaps for the protection afforded by passing off. Thinking more long-term, it is predicted that call for 'comparable rights' may result in continued convergence between specific and EU and UK IP laws where there are unitary rights. If holders of pre-Brexit unitary rights are getting such rights, no doubt UK rights holders will expect their IPRs to be protected to the same extent. In the case of trade marks, this could continue indefinitely, because there is no limit on the duration of the EU trade marks. Finally, the treatment of goods places on the market prior to Brexit throws up difficult practical problems. Rights will be exhausted where the goods have been placed on the market prior to Brexit, but not necessarily after (depending on the outcome of the free trade negotiations). However, the physical goods will generally look the same, and it will be impossible for third parties to be able to tell by looking at the goods whether any specific batch was put on the market pre or post-Brexit. This could make it very difficult for resellers to comply with the law because it will be tricky for them to tell which goods are exhausted.

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