Policy Paper PP 7/18

EU Justice Sub-Committee – Intellectual property and the Unified Patent Court

The IP 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. As such the IP Federation wishes its position on the matters discussed in evidence on 23 and 30 October 2018 to be noted.

The IP Federation broadly supports and endorses what was said by those giving evidence. The European IP system works well and, whilst many aspects of the IP system (most importantly patent rights) will not be affected by Brexit, a number of other rights *will* be affected, and the IP Federation seeks certainty continuity to the maximum possible extent. This is reflected in points 1-3 of our Brexit policy statement (Policy Paper 1/17) attached. In short, there should be no loss of existing IP rights as a result of Brexit by conversion of EU rights into UK national rights; and equivalent national rights should be available to apply for after Brexit. Further detail about trade mark rights and design rights are explained in Policy Papers 2/17 and 3/17 respectively (also attached).

In terms of future developments of the IP system, the most important on the horizon is the unitary patent / Unified Patent Court system. The simplification of the pan-European patent system which the new system will achieve is something the UK (and the IP Federation) has supported strongly for decades, and even since before the UK joined the EEC (as it was then known). In particular, UK based industry would like to have the opportunity to be part of a unified court system as it sees benefits in having this option for protecting and enforcing its rights. The UK took the decision in November 2016 to ratify the UPC agreement notwithstanding the Brexit referendum decision. The new system will be of benefit both to UK industry and the UK legal professions. It was for that reason that the Federation wrote its letter to the then new IP Minister, Sam Gyimah MP, of 26 February 2018, attached, calling for the UK to complete its ratification. The Federation is pleased that since that letter, the UK has indeed completed its ratification procedure. It is a source of frustration, however, that a constitutional challenge in Germany continues to hold up commencement of the new system, meaning that is cannot now start before Brexit. However, this fact is not a bar to UK participation. The IP Federation was one of three groups which commissioned an opinion of Counsel (known as the Gordon-Pascoe opinion) which concluded that there was no bar to the UK continuing to participate in the UPC post-Brexit. Further, the IP

Federation has no concerns about the very limited role of the CJEU in the UPC system. Accordingly, the Federation encourages the UK to maintain its commitment to the project whether or not there is an agreement on the terms of Brexit between the UK and the EU. The system would be significantly devalued were the UK not to participate: the UK legal professions would be excluded from representing clients in the new court system to the detriment of UK users as well as the legal professions themselves. Further the consequent absence of UK judicial expertise would be a significant loss to the system and from the perspective of UK users in particular.

In relation to other matters touched upon in evidence:

- the Federation supports the UK seeking to continue participation in the European Union Intellectual Property Office (EUIPO);

- the Federation also supports UK participation in a regime for mutual recognition and enforcement of judgments such as by adopting the "Danish model" for membership of the regime of the Brussels Regulation (EC1215/2012) (as recommended by the London Solicitors Litigation Association (LSLA) in its 27 January 2017 paper, also attached) or by joining the Lugano Convention, it being noted that participation in one or other of these regimes is also of importance to participation in the UPC system; and

- the Federation draws attention to the issues highlighted in its Policy Paper 6/18 (also attached) relating to the Consultations on CPTPP and FTAs with USA, Australia and New Zealand.

IP Federation
12 November 2018

Attachments:

IP Federation Policy Paper 1/17
IP Federation Policy Paper 2/17
IP Federation Policy Paper 3/17
Letter to Sam Gyimah MP of 26 February 2018 (Policy Paper 1/18)
IP Federation Policy Paper 6/18
LSLA paper of 27 January 2017

IP Federation members 2018

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
Eisai Europe Limited
Eli Lilly & Co Ltd
Ericsson Limited
ExxonMobil Chemical Europe Inc.
Ford of Europe
GE Healthcare
GKN plc
GlaxoSmithKline plc
HP Inc UK Limited
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia Technologies (UK) Limited
NEC Europe
Ocado Group plc
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
RB
Renishaw plc
Rolls-Royce plc
Shell International Ltd
Siemens plc
Smith & Nephew
Syngenta Ltd
UCB Pharma plc
Unilever plc
Vectura Limited
Vodafone Group

Policy Paper PP 1/17

IP Federation Brexit Policy Position
(Updated 20 January 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
20 January 2017

* Numbering of paragraphs is for ease of reference only, and does not denote order of importance.

Registered Office 5th floor, 63-66 Hatton Garden, London EC1N 8LE

Email: admin@ipfederation.com | Tel: 020 72423923 | Fax: 020 72423924 | Web: www.ipfederation.com

IP Federation members 2017

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

Policy Paper PP 2/17

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:

Option	How it would work	Certainty	Rights pre-served	Other considerations
'Jersey'	Allow EUTMs to be en-forced in the UK by means of national legislation with-out any amendment of the EUTMR. This is similar to the enforcement of EUTMs in Jersey, which is not a part of the EU.	Low.	Yes. UK would treat EUTMs as having au-tomatic pro-tection in the UK.	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 conflict-ing marks.
'Monte-negro'	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 separ-ated from the Serbian system.	High	Yes	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 & duplication. Integrity of register: how to deal with declaration of intention to use.

Option	How it would work	Certainty	Rights preserved	Other considerations
'Tuvalu'	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.	High	Yes – provided owners opt-in.	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.
'Veto'	As for Tuvalu save that the UK IPO will examine each request and retain a power of veto.	Low	Not necessarily	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.
'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 on to the register of UKTMs. Similar to the system used when the Irish trade mark system separated from the UK system.	Medium	Yes, until renewal, then conditional upon opt-in.	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.
'Conversion'	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.	Low	No guaranteed continuity of rights.	High cost. High administrative burden on IPO. Consistency of examination, given likely volumes involved.

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

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) 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

Policy Paper PP 3/17

IP Federation Brexit policy position – design rights

Introduction

The IP Federation represents IP intensive companies in the United Kingdom – a list of members is attached. Our members 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 IP Federation position on design rights vis-à-vis Brexit is as follows:

- We recognise the extreme practical difficulties in securing a suitable bilateral arrangement with the EU which would effectively keep the UK in the Community design system after Brexit.
- Assuming therefore that Community designs will cease to have effect in the UK at Brexit, our strong preference is for all RCDs automatically to be transferred across to the UK register at the time of Brexit.
- On unregistered designs, we acknowledge that the loss of UCD is a particular concern for certain sectors of the UK design industry. A new Community-style UK UDR which 'mirrors' the existing UCD would go part way to addressing those concerns.
- Existing UK UDR should nonetheless be maintained on Brexit. UK UDR is a well-established and valuable IP right.
- Any newly-created Community-style UK UDR should sit alongside the existing UK UDR and should mirror the existing UCD exactly. The 3 year term of protection for UCDs should <u>not</u> be increased in the UK.
- The UK should make it a priority to secure an agreement with the EU that disclosure in the UK after Brexit would still qualify for UCD in the remaining states of the EU.
- Any potential wider review of the UK law on unregistered design should only be undertaken <u>after</u> Brexit.
- Brexit should not be seen as a reason to introduce criminal sanctions for infringement of unregistered design rights. We strongly oppose such sanctions.

Commentary

The European Community design right is a unitary design right created by EU legislation which covers the whole of the European Union, therefore currently including the United Kingdom. The Community Design Regulation provides for both a Community *registered* design right (RCD) and a separate, Community *unregistered* design right (UCD). Following Brexit, it appears that existing Community design rights – both RCDs and UCDs – will cease to have effect in the United Kingdom.

In relation to Brexit, there are the following three options for dealing with design rights:

Option 1 Do nothing and allow the owners of Community design rights (both registered and unregistered) to lose their existing rights in the UK.

Option 2 Negotiate a bilateral arrangement with the EU under which the UK remains part of the Community design system after Brexit.

Option 3 Enact national legislation to enable owners to continue to own effective design rights in the UK.

The IP Federation's basic position is as previously stated in 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.

Option 1:
We oppose this option in the strongest possible terms. It would result in the irretrievable loss of significant and valuable IP rights, which would impact the ability of the design industry to take appropriate action to stop design infringement in the UK.

Option 2:
In theory this would be our preferred option. However, in practical terms we accept that there are very significant political and legal challenges to overcome if this is to be achieved. In particular it would require on-going deference to the CJEU: which may politically be very unpopular. If it *could* be achieved, then it may present an opportunity for other non-EU countries e.g. Switzerland to join an enlarged 'Community' design system in the future, which may in turn benefit UK design rights owners.

Option 3:
Assuming that Option 2 cannot realistically be achieved before Brexit, the UK must work to mitigate the loss of both RCDs and UCDs in the UK.

Registered Designs

On registered designs, the key priority is that existing RCDs are preserved in the UK.

Preservation of registered design rights must be straightforward and low-cost for rights holders. We think this would be best achieved by automatically entering all RCDs onto the UK Register at the time of Brexit (analogous to the so-called "Montenegro option" put forward in relation to EU TMs – see IP Federation policy paper PP 2/17.

Automatic preservation also has the benefit that it would eliminate the risk of any inadvertent loss of registered rights through inaction on the part of rights owners.

Transitional provisions will need to be carefully considered – particularly in relation to RCDs for which publication has been deferred. We suggest that the longer period of deferment afforded to RCDs should be preserved in relation to RCDs automatically entered onto the UK register.

Following Brexit, designers will continue to be able to secure adequate registered design protection by registering designs separately at the UK IPO and the EUIPO.

Unregistered Designs

On unregistered designs, the focus for Brexit should be on plugging the gaps.

No abolition of UK UDR

UK Unregistered Design Right (UK UDR) must be retained at Brexit.

Replacing or abolishing UK UDR in time for Brexit would require enactment of primary legislation. This would inevitably take up some time and effort which, pre-Brexit, would be an unnecessary distraction.

UK UDR is a well-established and valuable IP right. It can protect designs not otherwise protectable by way of copyright, registered design or UCDs e.g. functional designs

To abolish UK UDR would be to spend effort in order to deny rights- holders some of the useful protection that they currently enjoy in the UK.

Retain UCD in the UK

We acknowledge that preserving UCD in the UK post-Brexit is a key priority for certain sectors of the UK design industry.

This could be achieved by unilaterally treating UCDs as applying to the UK, although this would require deference to the CJEU and so may be politically unpopular.

A better way to achieve a similar result may be to create a new Community-style UK UDR which 'mirrors' UCD and which sits alongside the existing UK UDR. Transitional provisions may deal with UCDs already in existence at the time of Brexit.

Whether or not disclosures in the UK after Brexit would qualify for UCD should be a matter for negotiation with the EU. It would clearly be advantageous to UK business if disclosure in the UK after Brexit still qualified for UCD. The creation of a Community-style UK UDR, which could be made accessible to EU entities, would hopefully assist with negotiation on this issue.

Community-style UK UDR must mirror UCD

Mirroring of the UCD in the UK should be absolute: such as is required only to preserve the existing right in the UK.

If a new Community-style UK UDR is created, to sit alongside existing UK UDR, then it should not cherry-pick only certain features of existing UCD.

In particular, the term of protection of any Community-style UK UDR should match the three-year term of protection afforded to UCDs.

Existing UK UDR is distinguishable from UK Registered Design in many respects: they are quite different rights. UCDs in the UK, however, are distinguishable from UK Registered Designs primarily with reference to the term of protection. The scope of the right is essentially the same. It follows that any enhanced term of protection for a Community-style UK UDR would narrow the gap between registered design rights and unregistered design rights in the UK. This would potentially negatively impact the take-up of design registration in the UK, which would inevitably reduce legal certainty for both rights holders and third parties.

A term of protection of 10-15 years for any Community-style UK UDR would carry the very real risk of significantly devaluing registered designs in the UK.

Any shift away from registration of designs in the UK is entirely the wrong direction of travel.

No criminal sanctions for UDRs

There should be no introduction of criminal sanctions for UDRs. Brexit should not be seen as an opportunity to revisit this issue. We oppose this in the strongest possible terms - see IP Federation policy paper PP 1/14 in relation to criminal sanctions for existing UK UDR: many of the same concerns would inevitably apply to a Community-style UK UDR.

Designers can already now obtain access to criminal remedies at low cost by initially registering the design.

Review of the UK law on unregistered design

Any comprehensive review of the law on unregistered designs in the UK should be undertaken after Brexit: away from the pressures of the Brexit negotiation.

It is absolutely critical that the UK IPO consults widely on any proposed changes in this area.

IP Federation
17 March 2017

IP Federation members 2017

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) 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

FEDERATION

Sam Gyimah MP
Department for Business, Energy & Industrial Strategy
1 Victoria Street
LONDON
SW1H 0ET
via e-mail to: mpst.gyimah@beis.gov.uk

26 February 2018

Dear Mr Gyimah

UK ratification of the Unified Patent Court Agreement

The IP Federation represents the IP interests of a significant number of companies having research and development facilities in the United Kingdom. You will be aware that on 28 November 2016 one of your predecessors announced that the UK was preparing to ratify the Unified Patent Court Agreement (UPCA). We therefore welcome the entry into force of Privileges and Immunities Order, which was the last legislative step needed to enable the UK to ratify the UPCA.

Our members are looking forward to the benefits of having a single patent court and single patent right covering most of Europe and the UK, both in the near future and after Brexit. The system will greatly reduce the cost for UK companies who wish to obtain a patent covering most of Europe, and it will dramatically simplify enforcing rights in a consistent and fair manner across the major European economies.

We particularly welcome having the chemical/life sciences branch of the Unified Patent Court (UPC) in London. This will be a significant forum for litigation, and we expect that this branch and the whole UPC system will benefit from the contributions of UK lawyers, judges and patent holders.

We are keen that the UK should ratify the Unified Patent Court Agreement as soon as possible, and before the EU Summit of 23 March. This will enable negotiations to commence rapidly to secure the legal basis on which the UK can stay in the UPC, and if possible in the Unitary Patent (UP) also, after Brexit for the long term. This would include retaining the chemical/life sciences court in London. In these negotiations the Government should ensure transitional provisions are in place to enable the UK to leave the UPC and UP on Brexit if attempts to keep the UK in are unsuccessful. These provisions should include addressing the position of litigants in ongoing proceedings at the UPC and rights accrued in UPs. Early certainty in the negotiations is important to UK industry.

We assume you will be working closely with the UK IPO to ensure the FCO is provided with all the material they need so that the Foreign Secretary can sign the instrument of ratification next month.

I realise we have a meeting arranged on 29 March, but I would be more than happy to meet with you to discuss the views of UK industry towards the UPC and UP in more detail so that ratification can occur before then if you would find that helpful.

Yours sincerely

James Horgan
President, IP Federation

c.c.: Tim Moss (IPO)

IP Federation members 2018

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
Cummins Ltd.
Dyson Technology Ltd
Eli Lilly & Co Ltd
Ericsson Limited
ExxonMobil Chemical Europe Inc.
Ford of Europe
GE Healthcare
GKN plc
GlaxoSmithKline plc
HP Inc UK Limited
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia Technologies (UK) Limited
NEC Europe
Ocado Group plc
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
Renishaw plc
Rolls-Royce plc
Shell International Ltd
Siemens plc
Smith & Nephew
Syngenta Ltd
UCB Pharma plc
Unilever plc
Vectura Limited

Policy Paper PP 6/18

Consultations on CPTPP and FTAs with USA, Australia and New Zealand

1. The IP Federation represents the views of UK Industry, in both IP policy and practice matters within the EU, the UK, and internationally. Its membership comprises the innovative and influential companies listed at the end of this paper. It has wide experience of how the IP law, including patent litigation, works in practice in the UK, Europe, and internationally.

2. The Department for International Trade (DIT) has launched public consultations on trade negotiations with the USA, Australia and New Zealand, and on potential accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The deadline for responses is **26 October 2018**.

3. This paper sets out the IP Federation's views on the proposals of the DIT (insofar as they concern intellectual property rights) (i) to seek to accede to the CPTPP, and (ii) to begin negotiating free trade agreements (FTAs) with the USA, Australia and New Zealand.

4. The members of the IP Federation have interests not only in non-intellectual-property aspects of the DIT proposals referred to in 3. above but also in the EU withdrawal agreements and in the "rollovers" of EU-country *X* FTAs into UK-country *X* FTAs. These interests may be of greater importance than the purely IP matters discussed here.

Comments on CPTPP

5. Some of the provisions of CPTPP as they stand, for example the provision requiring a grace period, appear to be incompatible with the European Patent Convention (EPC) and the Unified Patent Court (UPC). Further, there are ongoing discussions at an international level aiming to agree a harmonised form of grace period. We would therefore support negotiation of a "carve-out" in the CPTPP to address this apparent incompatibility or, at least, deferment of any obligation to introduce one.

6. CPTPP Article 18.78, para 2 requires that contracting states should implement criminal provisions for infringement of rights in trade secrets. Present UK law provides (like the CPTPP in Article 18.77) for criminal penalties for trademark counterfeiting, registered design piracy, and copyright piracy, but not for infringement of other intellectual property rights such as patents and trade secrets. We would therefore urge HMG to understand precisely any commitments to introducing criminal penalties outside trademark counterfeiting, registered design piracy, and copyright piracy (whether under Article 18.78 CPTPP or under other provisions

including suspended ones), and to negotiate a carve-out sufficient to prevent abuse. (Existing UK laws on computer crime and the like could be relevant.)

Comments on UK-USA, UK-Australia and UK-New Zealand free trade agreements

7. It is likely that these countries will suggest provisions in an FTA closely aligned to those in the CPTPP, and so the considerations above also apply to such agreements.

8. There should be no extension to the general requirement for national treatment already provided for under Article 3 of TRIPS, so that (for instance) the present arrangements for unregistered design right under SI 1989 Nos 1100 and 1294 would be undisturbed.

9. Exhaustion is an extremely complex area, and will interact with any agreement between the UK and the EU27, and it ought to be left out of trade agreements.

Closing remarks

10. The IP Federation is at the disposal of the Department for International Trade if further information is required on any of the above.

IP Federation
26 October 2018

IP Federation members 2018

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
Eisai Europe Limited
Eli Lilly & Co Ltd
Ericsson Limited
ExxonMobil Chemical Europe Inc.
Ford of Europe
GE Healthcare
GKN plc
GlaxoSmithKline plc
HP Inc UK Limited
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia Technologies (UK) Limited
NEC Europe
Ocado Group plc
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
Renishaw plc
Rolls-Royce plc
Shell International Ltd
Siemens plc
Smith & Nephew
Syngenta Ltd
UCB Pharma plc
Unilever plc
Vectura Limited
Vodafone Group

LSLA

The UK's future economic relationship with the EU

This submission to the Treasury Committee's inquiry on the UK's future economic relationship with the EU is made by the London Solicitors' Litigation Association (the LSLA). The LSLA is a body representing civil and commercial litigators working at the centre of UK and International dispute resolution, with over 1,200 members working in major international practices, national law firms or as sole practitioners.

Our response to the inquiry is focused upon the impact of Brexit and transitional arrangements upon the dispute resolution industry in the UK, and in particular in London, where most international cases are heard. The current arrangements for reciprocal recognition of civil justice measures within the EU are complex and the result of a long period of development and improvement. It is possible that arrangements between the UK and the EU to replace these may take longer than the 2 years permitted by Article 50.

Legal services have been a major success story for the UK. Several separate studies have confirmed the fact that the UK has established itself as the premier hub for legal services outside the US. IRN's UK Legal Services Market Report 2016 estimated the value of UK legal services at £32.1bn in 2015. A report by TheCityUK in July 2016 found that the sector's trade surplus has nearly doubled over the past decade to £3.4bn in 2015, while the sector's contribution to the UK economy represented 1.6% of GDP. It also found that the UK accounts for 10% of the global market for legal services and 20% of legal services in Europe. International litigation is a significant contributor to the UK's legal market and international confidence in the English courts underpins the common choice of English law by international parties, which is the basis for the export of legal services.

Many jurisdictions in the European Union have long envied the income that the UK derives from exporting English law. The outcome of the referendum of 23 June 2016 creates uncertainties that have the potential to damage London as a global centre for litigation if not proactively managed and addressed. Naturally, other litigation hubs will seek to capitalise and, in a bid to attract work, highlight any challenges litigants in London may now face. Articles have already appeared from notable voices on the continent and elsewhere suggesting that commercial parties should avoid choosing the English courts as the forum for resolving their disputes.[1] They argue that this raises the possibility of contractual clauses choosing the jurisdiction of the English courts not being enforced by courts in the EU, leading to parallel proceedings and even mutually contradictory judgments.

The reasons why so many international litigants choose to have their disputes resolved in London are numerous and remain almost entirely unaffected by Brexit. The English courts' record of impartiality, the world's best commercial judiciary, a large pool of legal talent and a legal system almost uniquely attuned to the realities of international commerce and finance will continue to attract court users.

---

[1] For example see the article by Professor Burkhard Hess in IPRax Volume 36 Issue 5, entitled "BREXIT and European International and Private and Procedural Law"

English contract law is largely unaffected by Brexit and likely to continue to be widely used. But the more uncertainty there is about whether the remaining Member State Courts will continue to recognise and enforce English jurisdiction clauses and/or judgments of the Courts of England and Wales, the more likely it is that clients will become nervous about using an English jurisdiction clause in their commercial agreements. That, in turn, could lead to a gradual decline in workflows for the English courts and for those who practise in them over the coming years. There is too much at stake to be complacent[2].

This note sets out the London Solicitors Litigation Association's position in relation to the potential impact of Brexit on London as a litigation hub, and identifies the steps, which the LSLA urges the UK Government to take in its negotiations with the remaining EU Member States in relation to these issues. The LSLA considers it imperative that the Government acts quickly and has in mind the need to establish certainty, if necessary through transitional arrangements, in this area. Parties choose, in their commercial agreements, the courts to have jurisdiction over disputes that may happen years in the future and parties are therefore looking for certainty not just in the next two years but beyond.

Jurisdiction

For proceedings commenced on or after 10 January 2015, the issue of jurisdiction within the EU is governed by the Brussels I Regulation Recast ("the Recast Regulation"[3]). Where proceedings concern EFTA Member States, the issue of jurisdiction is governed by its sister convention, the Lugano II Convention[4]. Those rules have priority; it is only when the EU or EFTA rules do not apply that national rules on jurisdiction become relevant. In England, those rules are the traditional common law rules.

The primary rule as to jurisdiction under the Recast Regulation is found in Article 4(1), which states that "*persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State*". However, this is subject to various exceptions, the most important of which, in the commercial context, is the existence of an agreement between the parties conferring jurisdiction on the courts of an EU Member State.[5]

Unless the Recast Regulation is replaced with another governing instrument, then upon the UK's departure from the EU, the English courts will no longer be courts of an EU Member State and the regulation will cease to apply to English jurisdiction clauses.

A court in an EU Member State would no longer be obliged to stay proceedings commenced before it until the English court had decided whether it had jurisdiction. Instead, it would apply its own domestic rules to that issue. This could well lead to a resurgence in instances of parallel proceedings, where multiple courts are seized of a dispute. This would run counter to the

[2] IRN's UK Legal Services Market Report 2016 estimated the value of UK legal services at £32.1bn in 2015. A report by TheCityUK in July 2016 found that the sector's trade surplus has nearly doubled over the past decade to £3.4bn in 2015, while the sector's contribution to the UK economy represented 1.6% of GDP, more than agriculture. It also found that the UK accounts for 10% of the global market for legal services and 20% of legal services in Europe.

[3] Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) [2012] OJ L351/1

[4] The Lugano II Convention covers the EU countries (including Denmark), Iceland, Norway and Switzerland. In 2007 the Lugano II Convention was entered into so as to align with the original Brussels I Regulation, though it has not been updated again to align with the revised provisions of the Recast Regulation.

[5] Articles 24 and 25 of the Recast Regulation

objectives of the Recast Regulation, which specifically introduced changes to the previous regime to curtail the ability of litigants to bring abusive parallel proceedings in several jurisdictions.

Enforcement of judgments

The Recast Regulation also governs the automatic enforcement of judgments of Member State courts throughout the EU. After the UK leaves the EU, an English judgment might still be enforceable in EU Member States, but again, this would depend upon the domestic law of each Member State. Enforcement would require those local rules to be investigated for each individual Member State in which enforcement was sought and inevitably the process would be slower, more costly and less certain than enforcement under the uniform rules of the Recast Regulation.

While enforcement of judgments out of the jurisdiction in which they are given is less common than domestic enforcement, the threat of being able to do so is often a powerful incentive for parties to resolve litigation and comply with judgments without the need to resort to coercive measures.

Service of legal documents

The Service Regulation[6] will cease to be effective when the UK departs from the EU. While this instrument is far from perfect, it nonetheless provides a uniform methodology for serving proceedings within the EU. Service of proceedings out of the jurisdiction occurs far more frequently than cross-border enforcement, and any added complexity in doing so may, in the long term, have a negative impact on the standing of the English courts as a choice of jurisdiction.

Choice of law

The Rome I and II Regulations[7], which govern parties' choice of law for their disputes, apply across the EU regardless of whether or not the chosen law is that of an EU Member State. Irrespective of the UK's departure from the EU, the remaining Member State Courts will still be obliged to recognise and enforce a contractual choice of English law.

However, that leaves the question of how the English courts will decide which law governs parties' obligations, both contractual and non-contractual. Steps will be needed to ensure continuity of the approach set down by the Rome Regulations, which will no longer apply directly in the UK. This point is addressed below.

Markets in Financial Investments Regulation ("MiFIR")[8]

A further threat is posed by the wording of Article 46 of MiFIR, which compels parties offering financial services from outside the EU to a party within the EU to offer to have disputes resolved by the courts of, or in an tribunal seated in, a Member State. UK-based financial institutions will have to comply with this. If both parties want the English courts to hear any disputes, this will not be a barrier. However, it may lead to a decrease in the use of English jurisdiction clauses where

[6] Council Regulation (EC) 1393/2007 of 13 November 2007 on the service in the member states of judicial and extrajudicial documents in civil or commercial matters

[7] Rome I Regulation (Regulation (EC) No 593/2008 on the law applicable to contractual obligations and Rome II Regulation (EC) No 864 on the law applicable to non-contractual obligations

[8]Regulation (EU) No. 600/2014

counterparties based in an EU Member State would prefer a jurisdiction within the EU.

Of greater concern, this may prove to be the start of a more protectionist trend by the EU, where EU Regulations specify that all disputes concerning matters of EU law or regulation *have* to be resolved in the courts of a Member State. It is conceivable that the EU will deliberately legislate to reduce the role of the UK in commercial dispute resolution. This in turn would be likely to lead to a reduction in the use of English law by commercial parties, as parties will not want an English law dispute decided by a court unfamiliar with that law.

What steps can the Government take to seek to avoid these outcomes?

There must be a real risk that the issues facing the London litigation market will not be at the top of the Government's list of issues that have to be addressed in light of the vote. The LSLA's position is that they <u>should be</u>; there is no question that international litigation conducted in London generates significant tax and other revenues for the UK, as does the use of English law.

The LSLA urges the Government to take the following steps.

<u>Jurisdiction and enforcement of judgments</u>

The Denmark Model

To protect the jurisdiction of the UK courts, the most preferable option is for the UK Government to conclude a treaty with the EU and with Denmark that tracks the provisions of the Recast Regulation, using the jurisdiction agreement between the European Community and Denmark (i.e., [2005] OJ L/ 299/62) as a precedent. This agreement is often referred to as the "Denmark Agreement" or "Denmark Model".

The only deviation necessary from that precedent would be a provision that the UK, as a non-EU Member State, would pay due account to (rather than be bound by) decisions of the CJEU interpreting the equivalent provisions in the Recast Regulation. This point should not be controversial for the UK Government (if properly understood by those responsible for negotiating any such agreement with the EU) since it is unlikely to have any practical (or material) impact on the sovereignty of the courts of England and Wales. It remains unclear, however, whether the EU will accept a system in which there is no final arbiter on the meaning of the replacement convention.

This would provide certainty and continuity for all parties, as the same rules for the allocation of jurisdiction and the mutual recognition and enforcement of judgments would continue to apply, albeit by way of international treaty rather than directly applicable EU regulation.

Sign and ratify the Lugano II Convention

In order to preserve the present position with the EFTA Member States of Norway, Iceland and Switzerland, who are not part of the Brussels Regulation (Recast) regime, the UK would also need to sign and ratify the Lugano II Convention.

The UK is currently bound by that treaty only by virtue of its membership of the EU. It would need to become a Contracting State in its own right. It might be thought that becoming a Contracting

State to the Lugano II Convention could resolve the issues relating to the EU as well, given that the EU is a party. However, the Lugano II Convention contains provisions that have been superseded by improvements in the Recast Regulation and therefore relying upon it to govern matters between the UK and the EU, as well as the EFTA Member States, would not be the best outcome.

Sign and ratify the 2005 Hague Convention on Choice of Court Agreements

One step that the UK Government can take without requiring the consent of the EU Member States is to sign and ratify the 2005 Hague Convention on Choice of Court Agreements. This Convention came into force in 2015 and has to date been ratified by the EU, Mexico and Singapore. It is likely that it will be ratified by a large number of other states over time.

The Convention creates an international legal regime to ensure the effectiveness of exclusive jurisdiction agreements (and only exclusive jurisdiction agreements) in favour of its Contracting States. It also provides for the recognition and enforcement of judgments emanating from proceedings based on those agreements. It would serve as a fall-back measure to ensure the enforceability of exclusive jurisdiction agreements in favour of the English courts, should negotiations over a UK/EU Treaty prove difficult.

It would also provide some comfort pending those negotiations that exclusive jurisdiction clauses in favour of the UK courts will be recognised across the EU in the future, regardless of the outcome of negotiations over a UK/EU treaty.

Again, the UK is presently bound by the Hague Convention only through its membership of the EU and would need to ratify the treaty in order to continue to be bound by it. The UK Government may wish to consider making a declaration or reservation at the time of ratification to ensure that there is no gap in its temporal application.

None of the steps outlined above would be completely effective in isolation. A stand-alone agreement with the EU will not deliver any arrangements with regard to the Lugano Contracting States. Becoming a Contracting State to the Lugano II Convention would only deliver an out-of-date version of the presently applicable jurisdictional regime with respect to EU Member States. Ratifying the Hague Convention would only apply to exclusive jurisdiction agreements within the scope of that treaty. Falling back on common law rules would not be realistic, as it would offer the least certainty and most complexity.

<u>Service of legal documents</u>

As the Service Regulation will cease to be effective when the UK departs from the EU, the UK Government should aim to conclude a treaty with the EU and with Denmark, using the service agreement between the European Community and Denmark (i.e., [2005] OJ L/ 300/55) as a template. This option has the same benefits as the adoption of a treaty tracking the provisions of the Denmark-EC jurisdiction agreement, in that it creates certainty, continuity and flexibility.

<u>Choice of law</u>

The Rome I and II Regulations, which govern parties' choice of law for their disputes, apply across the EU regardless of whether or not the chosen law is that of an EU Member State. This means that EU Member States will continue to give effect to contractual choices of English law after the UK leaves the EU. For the purposes of maintaining certainty and continuity, we believe that the UK Government should legislate to create a domestic law mirroring the terms of the Rome I and Rome II Regulations to ensure the UK courts approach the selection of other governing laws in the same way that they do now, though small modifications would be possible.

<u>Transitional arrangements</u>

The most preferable option is for the UK Government to adopt specific arrangements to clarify the date on which various features of any new regimes come into operation and ensure that these arrangements take effect immediately upon the UK's departure from the EU. There needs to be a seamless transition between the existing and the new regimes. The object should be to preserve the current position until the steps set out above are finalised.

We have previously urged a public statement as to the Government's intentions to be made at an early stage to promote confidence in the continued use of English jurisdiction clauses during the negotiation of the UK's exit from the EU. Comments from the Lord Chancellor have gone some way towards this, but the need for transitional measures can only be assessed once the EU's attitude to the UK having a long-term parallel arrangement to the Brussels Regulation Recast is known.

Conclusion

There is little doubt that Brexit will present challenges for UK Litigation in the longer term unless the steps recommended in this submission are taken forward by the UK Government. As this note has identified, there are clear legal routes that can be taken to maintain the status quo, provided the political goodwill exists on both sides (the UK and EU) to achieve this. These would ideally be permanent solutions, but if more time is needed to negotiate arrangements, there is a strong case for transitional measures to ensure the current civil justice arrangements continue until such new arrangements have been finalised. Any lack of clarity on the future recognition of jurisdiction clauses and enforcement of judgments will have an impact upon commercial dealings in Europe and beyond.

If the UK wishes to adopt the Denmark Model and to ratify the Lugano II Convention, the remaining EU Member States will have to be persuaded that maintaining uniformity and reciprocity in this area is mutually beneficial for all participating States, and not just the UK. The LSLA believes that politics and sentiment aside, there are strong legal and commercial reasons why the continuation of such arrangements is in the interests of both the UK and the EU. The practical issues raised by Brexit for jurisdiction, service and enforcement apply equally to parties within the remaining EU Member States (who may be seeking to enforce rights in the UK) as they do to UK parties (seeking to enforce rights in the EU).

Even without the EU's cooperation, there some "quick wins", which will address many of the practical issues identified by this note; such as signing up to the Hague Convention on Choice of Courts Agreements (which will ensure the continued recognition and enforcement of exclusive jurisdiction agreements between convention states) and enacting the provisions of Rome I and Rome II into domestic legislation. Neither requires consent from the remaining EU Member States.

London Solicitors Litigation Association

27 January 2017