



ADVANCING INDUSTRY'S VIEW ON INTELLECTUAL PROPERTY SINCE 1920

# TRENDS & EVENTS

Intellectual Property:  
Current Events and  
Future Prospects

August 2017



*The IP Federation was founded in 1920 as the Trade Marks, Patents and Designs Federation (TMPDF) in order to coordinate the views of industry and commerce in the United Kingdom, and to make representations to the appropriate authorities on policy and practice in intellectual property (IP) matters.*

### **Aims**

The IP Federation's aim is to bring about improvements in the protection afforded by intellectual property rights throughout the world, to the advantage of inventors, manufacturers and consumers alike. Today the Federation has over 40 IP-intensive member companies operating in a wide range of sectors and product groups, among which are many of the largest companies in the UK, as well as smaller companies. [For a list of full members see back cover.]

Most if not all industrial and commercial firms use or are affected by intellectual property rights, even if they are not particularly concerned with innovation protected by patents and designs. Nearly all firms own trade marks and copyright material. All are affected by competition law and the rights of others. The work of the Federation is therefore of value to everyone. While many firms leave day-to-day matters concerning the acquisition, defence and enforcement of rights to professional attorneys, it is still important to take a direct interest in the policy background, to ensure that proper rights are available, and that they can be secured in a straightforward and efficient way and litigated without unnecessary complexity and expense.

### **Activities**

The IP Federation initiates proposals and follows developments at national, European and international levels across all fields of intellectual property. It has a close relationship with the Confederation of British Industry (CBI) and provides professional input on intellectual property matters to the CBI, as well as representing it in certain meetings of BusinessEurope (the Confederation of European Business) concerning intellectual property. The IP Federation is also an invited observer at diplomatic conferences and meetings of standing committees of the World Intellectual Property Organization (WIPO).

### **Contacts**

The IP Federation maintains good contacts with the UK Intellectual Property Office (IPO), and members of its council and committees participate in several focus groups and practice working groups which provide expert opinion to the UK Government and its agencies on intellectual property matters. It also has good contacts with the European Patent Office (EPO) and is represented on bodies which advise the EPO.

It is represented on the UK user committees of the Intellectual Property Enterprise Court (IPEC) and Patents Court, and is on the IPO's list of consultees in relation to references to the Court of Justice of the European Union (CJEU).

The IP Federation also maintains contacts with parliamentarians both in Westminster and in the European Parliament. In the UK, it has close contacts with the Chartered Institute of Patent Attorneys (CIPA), the Chartered Institute of Trade Mark Attorneys (ITMA) and FICPI-UK, the UK association of the International Federation of Intellectual Property Attorneys, and is a member of IPAN (the IP Awareness Network). Internationally, the IP Federation exchanges views and maintains good contacts with similar IP user organisations in other countries.

### **Membership**

The IP Federation has a council, which meets monthly to agree Federation policy, a governance committee, and a number of technical committees, to which detailed consideration of issues may be delegated. Most members pay a fee that entitles them to a council seat, as well as on any or all of the committees. Some members pay a lower fee that allows them to join any or all of the committees. All members may vote at the AGM at which (*inter alia*) the president of the Federation, any vice-presidents, and the governance committee are elected. If you would like to join the Federation, please contact the Secretariat at the address which follows.

### **Company Details**

Registered Office: Fifth Floor, 63-66 Hatton Garden, London EC1N 8LE, UK.

Telephone +44 20 7242 3923. Email: [admin@ipfederation.com](mailto:admin@ipfederation.com)

Website: [www.ipfederation.com](http://www.ipfederation.com) Limited by guarantee. Registered in England no. 166772



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## **PRESIDENT'S INTRODUCTION**

It's a great pleasure to introduce the July 2017 edition of *Trends and Events*, the annual journal of the IP Federation.

The last year or so has been a turbulent and unpredictable one in world politics, with a narrow majority of UK voters choosing to leave the European Union in June 2016, and the election of President Trump in the US in November 2016.

The IP Federation Council meeting in July 2016 saw an extraordinary coming together of member representatives and solicitor associates to brainstorm a Federation policy position on Brexit (described in more detail below) in a single meeting, and this spirit of working together to find the best way forward for IP in the UK and Europe post-Brexit has pervaded every meeting since. I am tremendously grateful for the co-operative and collegiate way in which our discussions have taken place at Council meetings each month.

The magnitude of the potential impact of Brexit on EU trade marks and EU designs necessitated the revitalisation of the Federation's Trade Mark Committee and Copyright & Design Committee, so that sufficiently detailed consideration could be given to these important issues outside of Council meetings. I thank Tom Hannah and Simon Forrester for taking on the task of chairing those committees respectively, which resulted in detailed Federation policy positions in each area.

The Federation has also made some changes of its own this year. Instead of a two-year presidential term, we have moved to a one-year presidential term. In addition, each AGM will elect not only a president, but also a vice-president (expected to be the following year's president). Together with the retiring president, we will then have a presidential troika, working to support the current president, and allowing the future president to prepare for the role. My best wishes go to our new president, James Horgan, and to our new vice-president, Belinda Gascoyne.

An important innovation for the Federation this year has been the establishment of connections with sister organisations in other European states. This resulted in constructive meetings with MEDEF (from France), BDI (from Germany) and Confindustria (from Italy), and further meetings with organisations from other countries planned. Together with our regular meetings with MEPs, the European Patent Office (EPO) and the EU Commission, the Federation is meeting its goal of spreading its message beyond the UK.

There were also changes in the small secretariat of the Federation. In October 2016, we said goodbye to Clare Mares as admin assistant, and welcomed Helen Georghiou into that role. Many thanks go to our company secretary, David England, for keeping the Federation running smoothly during this transition, and throughout the year.

In view of the ever-increasing rate of change in the IP world, the Federation decided to publish *Trends and Events* articles electronically (in addition to a collated paper version annually at the end of the presidential term each July). In this way, it is hoped that articles can be published as timely as

possible. I would like to thank the following contributors to this edition for giving up their time to pass on their expertise:

- David England
- Simon Forrester
- Thomas Hannah
- Scott Roberts

and also from our solicitor associates:

- Ailsa Carter and David Barron  
of Gowling WLG
- Alan Johnson of Bristows
- Paul Keller and Sue Ross of  
Norton Rose Fulbright US

I hope you will find *Trends and Events* useful and informative, and if your company is not currently a member, it will prompt you to consider joining the Federation and playing a part in shaping the future of IP. After all, if we do not shape the future, it may be shaped for us, and in a way we do not want.

James Hayles  
IP Federation President (July 2016 to July 2017)  
Tyntesfield, 31 July 2017

## IP FEDERATION

### The Federation's activities

One of the IP Federation's chief lobbying tools is its policy papers. These are all available on the website at:

[www.ipfederation.com](http://www.ipfederation.com)

The policy papers on the website represent the views of the innovative and influential companies which are members of the Federation. Members are consulted on their views and opinions and encouraged to debate and explore issues of practice and policy. Only after consensus is achieved are external bodies informed of the collective views of industry via the Federation.

The policy papers are also submitted to the relevant third party consultative bodies, e.g. the Standing Advisory Committee before the European Patent Office (SACEPO), and the Patent Practice Working Group (PPWG), at the:

- European Patent Office (EPO)
- European Union Intellectual Property Office (EUIPO)
- World Intellectual Property Organization (WIPO)
- UK Intellectual Property Office (IPO)

as well as, in appropriate cases:

- BusinessEurope
- European Commission
- Ministers
- Judges

#### **Policy papers 2016-2017**

Policy papers submitted in 2016 and the first half of 2017 are as follows:

**PP 1/16 Consultation on proposal for changes in registered design fees**  
IP Federation response to consultation on proposal for changes in registered design fees

**PP 2/16 Group B+ questionnaire regarding cross-border aspects of client / patent attorney privilege**  
IP Federation response to Group B+ questionnaire regarding cross-border aspects of client / patent attorney privilege

**PP 3/16 *Amicus curiae* brief on the questions referred to the Enlarged Board of Appeal pending as case G1/15**  
IP Federation observations on the questions referred to the Enlarged Board of Appeal of the European Patent Office on case G1/15 (Partial priority)

**PP 4/16 Consultation - proposed changes to the Patents Rules**  
IP Federation response to IPO consultation dated 29 February 2016 seeking views on proposed amendments to the Patents Rules 2007

**PP 5/16 Commission consultation on IP enforcement**  
IP Federation response to consultation which closed on 15 April 2016 to help assess the functioning of Directive 2004/48/EC on the enforcement of intellectual property rights (IPRED) in the online environment, with a view to identify the possible need for adapting such provisions and to propose corrective measures

**PP 6/16 BIS open consultation - National Innovation Plan: call for ideas**  
Response to the Department for Business, Innovation and Skills open consultation 'National Innovation Plan: call for ideas' which closed on 30 May 2016

**PP 7/16 Reform of the Boards of Appeal**  
IP Federation comments on EPO Administrative Council paper CA/43/16 outlining proposals for the reform of the EPO Boards of Appeal (BoA)

**PP 8/16 IP Federation Brexit policy position**  
IP Federation policy position on United Kingdom withdrawal from the European Union

**PP 1/17 IP Federation Brexit policy position (updated 20 January 2017)**  
IP Federation policy position on United Kingdom withdrawal from the European Union (updated 20 January 2017)

**PP 2/17 IP Federation Brexit policy position - protection for EU trade marks**  
IP Federation policy position on protection for EU trade marks following

United Kingdom withdrawal from the European Union

**PP 3/17 IP Federation Brexit policy position - design rights**

IP Federation policy position on protection of design rights following United Kingdom withdrawal from the European Union

**PP 4/17 Consultation - proposed changes to statutory patent fees**

IP Federation response to UK IPO consultation seeking views on proposed changes to patents fees

**PP 5/17 Opting out during the sunrise period at the Unified Patent Court**

Letter to Alexander Ramsay, chair of the UPC Preparatory Committee, expressing concerns with the current lack of clarity around how the Unified Patent Court (UPC) opt-out process will work during the sunrise period at a practical level, including how our member companies will be able to register their staff both as official UPC Representatives and as users of the content management system (CMS) for the opt-out process

**IP Federation Brexit policy position**

On 14 July 2016, the IP Federation issued its policy position on Brexit, as follows:

- 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.*
- We support the Unitary Patent (UP) and the Unified Patent Court (UPC), **with the UK participating on the current terms**, including the location of the branch of the Central Division in London.
- Without a guarantee of continued UK participation post-Brexit, the UK should not ratify the UPC at present. We consider that ratifying the UPC to bring it into effect and subsequently being forced to leave the system would bring an

unacceptable amount of uncertainty to industry across the UK and EU.

- Further, certainty is required to ensure that the UK's ratification would not threaten the validity of the UPC.
- The involvement of non-EU, European Patent Convention Contracting States in the UPC (e.g. Switzerland, Norway) would be a potential advantage to industry, and it may be advantageous for the UK to promote this.
- If the UK cannot or does not wish to participate in the UPC, we would prefer to see the minimum of amendment to the UPC Agreement (i.e. to remove the UK).
- We encourage the use of the Patent Box and R&D tax credits to support the UK as an innovation-friendly economy.

At the time, this was the position of the vast majority of IP Federation member companies, but not necessarily the position of one member company (Ericsson). The position has been refined since then - see PP 1/17 (updated 20 January 2017).

**IP Federation response to the announcement that the UK will ratify the UPCA**

On 2 December 2016, we issued the following statement:

The IP Federation notes the UK's intention to ratify the Unified Patent Court Agreement.

The IP Federation recognises the benefits for industry that can come from the Unitary Patent and Unified Patent Court and calls the UK and other contracting states to work together urgently to enable the UK to stay in the system after Brexit and to prepare transitional provisions in case this is not possible.

On 28 November 2016 the UK Government confirmed that it is proceeding with preparations to ratify the Unified Patent Court Agreement.

The IP Federation recognises the aim of the Unitary Patent (UP) and Unified Patent Court (UPC) to improve the ability



of industry to obtain patents in a number of EU states at a reasonable cost and to engage in litigation in a single forum across the major markets of the EU. The presence of the Chemistry Division of the Central Court in London is valued as providing an enhanced opportunity to include the UK's rich tradition of effective patent litigation within the system of the UPC.

The members of the IP Federation hold significant numbers of patents and are expected to be major users of the system once it is running smoothly. The IP Federation is therefore concerned that the UPC functions effectively in the long term and is a factor contributing to a positive climate for business in Europe.

It is noted that the Unified Patent Court Agreement does not provide any mechanism for what happens if a contracting state ceases to be part of the EU. The IP Federation therefore recognises that the forthcoming withdrawal of the UK from the EU in 2019 leads to uncertainty for industry over what will happen to the UK part of Unitary Patents and to ongoing litigation at the UPC covering the UK.

There are two options for what will happen.

The first option is for legal instruments to be developed that enable the UK to remain part of the system or for appropriate reassurances to be provided if this is not thought necessary. The IP Federation has already been involved in commissioning the Gordon-Pascoe opinion which considers that an additional agreement would be needed between the UK, the EU and the other contracting states. The IP Federation therefore calls upon the UK and the other contracting states to work together urgently to provide a legally secure route by which the UK can remain in the UPC after Brexit. If this work also makes it possible for other states which are not part of the EU but which are part of the European Patent Organisation to join the UPC this would be welcomed.

The second option relates to the situation where, for whatever reason, the UK cannot remain part of the UPC on Brexit. In that case the UK Government needs to provide assurances that any Unitary

Patents will be recognised as UK national patents. The UK and other contracting states will also need to produce transitional arrangements to govern what will happen to ongoing litigation at the UPC and to ensure the continued functioning of the court.

Given that the clock is now ticking for the commencement of the UP and UPC, the IP Federation calls on both the UK and the other contracting states to commence work on the legal framework that will be needed for both of these options as soon as possible. It will be vital for the UK and other contracting states to provide opportunities for industry to provide input into the shape of this legal framework. The IP Federation looks forward to playing a constructive part in this process.

### ***Opting out during the sunrise period at the Unified Patent Court***

On 5 July 2017, we posted the following to our website:

The IP Federation is concerned with the current lack of clarity around how the Unified Patent Court (UPC) opt-out process will work during the sunrise period at a practical level, including how our member companies will be able to register their staff both as official UPC Representatives and as users of the content management system (CMS) for the opt-out process. We expressed our concern to Alexander Ramsay, chair of the UPC Preparatory Committee [see PP 5/17].

Mr Ramsay's reply follows:

We certainly appreciate how important it is for industry that the processes to be made available on the CMS during the sunrise period will operate efficiently and that the procedures to be followed are as clear as possible. We also appreciate that details of the identity authentication procedure, referred to below and the API will be published in good time to allow industry to prepare.

I set out below responses to the specific matters that you have raised. As a general matter however, we appreciate that administrative actions such as the opt-out are very likely to be performed by formalities staff who are neither qualified lawyers or EPA with additional

qualifications. We have therefore tried to ensure that such staff will have access as users for the opt-out applications subject to the safeguards which are set out below.

I now deal with the specific matters you have raised.

1. We do not read Rule 12 of the draft Decision of the Administrative Committee as preventing an EPA with an existing alternative qualification from registering during the sunrise period. Our view is that Rule 12 simply provides a cut-off date for these applications.
2. You are correct in your assumption that applications to opt out and to register as a representative will only be possible when the sunrise period opens. We do indeed expect a large number of applications to register as a representative during this period and we have put in hand practical arrangements to deal with these applications efficiently.
3. All users, including formalities staff who are appointed to make applications to opt out, will need to register as users on the CMS. All users will need to have an individual user ID and the proposal is that there shall be a strong authentication procedure. We propose to communicate details of this procedure on the UPC website in a near future, guaranteeing sufficient lead time for preparations before the sunrise period. You are correct in assuming that there is a two stage process. All users must just register with an ID before then registering as a representative.
4. It will be perfectly possible for formalities staff to prepare applications to opt out for a qualifying EPA or representative. However it is the user (staff or EPA or representative) who is actually lodging the application who will be responsible for its content and who must provide user identity. Further of course if the user is not a qualifying EPA or representative then a mandate will also be required.

5. It is not intended that a natural person who is a proprietor of a patent will need a mandate. If necessary we shall make this clear on the CMS. If the proprietor is a company then any member of staff who is not a UPC representative will need to file a mandate. Currently we are considering the form of a mandate and we believe that it will be possible to have a general mandate which will authorise applications by a particular user over a period and therefore avoid mandates to be continually signed.
6. Organisations desiring to interface with the CMS can do so by adapting their internal IT legacy systems to the specifications of the Application Programming Interfaces (API) provided by the UPC IT team.

Up-to-date versions of the API's specifications are regularly published on the Unified Patent Court's website and can be found at the developers section of the site:

<https://www.unified-patent-court.org/development>

The API's are wrapped within a file containing a set of commands enabling external IT systems to write and read in the CMS, therefore, allowing them to connect directly to the CMS for the upload of opt-outs or for searching the list of opted-out patents.

A user-friendly description for guidance through the API's will be published on the website in the near future.

Patent owning organizations requiring external expertise to use the API's will find on the market third-party IP companies specialised in services and IT solutions for seamless integration with the CMS. We shall publish a list of such providers on the UPC website shortly.

7. Please be assured that the Preparatory Committee wishes to have the sunrise period open as soon as practicable but this depends upon all the formalities for ratification in accordance with Article 89 of the UPC being completed.

I hope that the above responds adequately to your questions. Please do not hesitate to let me know if you would like further clarification.

### **Joint initiatives**

#### **Gordon-Pascoe opinion**

As mentioned above, the IP Federation was involved in commissioning the Gordon-Pascoe opinion. CIPA, the IP Federation and the Intellectual Property Lawyers' Association instructed Richard Gordon QC of Brick Court Chambers, a recognised expert in Constitutional and EU Law, to advise on legal questions relating to the effect of Brexit on the UK's participation in the Unitary Patent and the Unified Patent Court.

The opinion issued in September 2016 by Richard Gordon QC and his colleague Tom Pascoe made clear that the major obstacles to the UK joining and remaining part of the UPC are political not legal. In summary, it was Counsel's opinion that:

- The UK may only continue to participate in the Unitary Patent by entering into a new international agreement with the participating EU member states.
- It is legally possible for the UK to continue to participate in the UPC after 'Brexit' and to host the Life Sciences / Chemistry section of the court, but changes would have to be made to the UPC Agreement.
- The UK's continued participation would require it to submit to EU law regarding proceedings before the Court. It would also need to sign up to an appropriate jurisdiction and enforcement regime.
- It would only be possible to obtain a pre-emptive opinion from the Court of Justice of the EU on the legality of the UPC Agreement if the Union became a party to the Agreement.
- If the UK ratified the Agreement, without amendment, and subsequently left the EU, the UK division would have to close.

#### **IP Inclusive**

IP Inclusive was launched on 30 November

2015 with more than 12 firms and organisations initially signing up to its charter, a public commitment to the IP Inclusive principles of equality, diversity and inclusion. The aims of IP Inclusive are to improve access to the intellectual property professions, regardless of disability, age, gender, sexual orientation or social, economic and cultural background, race, religion and belief, and pregnancy and maternity. The 40-strong taskforce leading IP Inclusive are from CIPA, the Institute of Trade Mark Attorneys (ITMA), the IP Federation, FICPI-UK, the IPO, and *Managing Intellectual Property* magazine.

Since its launch, the IP Inclusive initiative has been very active in all its workstreams: awareness-raising upstream of the IP professions; best practice charter and accreditation schemes within the professions; diversity training within the professions; and support within the professions. In March 2017 it won the *Managing IP* award for Corporate Social Responsibility.

As an aside, we were very pleased to learn that Andrea Brewster, Leader of IP Inclusive, was awarded an OBE in this year's Queen's Birthday Honours for services to intellectual property.

### **The Federation's campaigns**

An important point to understand is that in general IP lobbying and influencing is a long-term activity - especially as we do not tend to get involved in short-term single-issue items of a sectoral nature. However, some of the more specific campaigns in which the Federation has lobbied and enjoyed various key successes in 2016 and the first half of 2017 are set out below. These are all cases of success or partial success in which the Federation had a role.

#### **UPC (Unified Patent Court) and Brexit**

1. The UK Intellectual Property Office (IPO) consulted on proposed secondary legislation, namely a statutory instrument (SI), to implement the UPCA (Unified Patent Court Agreement) into UK domestic legislation. The IP Federation responded to that consultation, providing general comments in three key areas, namely (1) Jurisdiction (UK alignment,

transitional provisions, IPO Opinions service); (2) Unitary Patent (threats and double patenting); and (3) Infringement Exceptions (specifically software interoperability, Article 27(k) UPCA). The SI was subsequently re-drafted so as not to apply Article 27(k) to GB national patents and issued as The Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016.

2. The IP Federation pressed for zero opt-out fees in the UPC (Unified Patent Court). The Rules on Court fees and recoverable costs for the UPC were agreed by the UPC Preparatory Committee on 24 and 25 February 2016. The Preparatory Committee removed the fee to opt-out of the UPC (and to withdraw an opt-out), noting that if there is no fee to be paid there is no additional cost to the Court associated with the opt-out process.
3. The IPO has looked to the IP Federation for advice on Brexit. We have input considerably to the IPO's deliberations on representation, registered trade marks, registered designs and unregistered designs. We have also input to the ongoing discussions on whether or not the UK should ratify the UPCA, and ensured that the opinions of IP owners active in the UK are taken into account. This includes views on how SPCs (Supplementary Protection Certificates) should be handled.
4. The IP Federation was part of the initiative to get Counsel's opinion on the UPC post- Brexit. We were advised that the UK may only continue to participate in the unitary patent by entering into an international agreement with the EU and member states. The legality of such an agreement would depend on the same matters as the legality of the UK's continued participation in the UPCA.

#### Other specific issues

5. The EU Trade Secrets Directive was adopted in 2016. The IP Federation proactively supported this, resulting in key improvements for industry.
6. The serious lacuna in Canadian law on

privilege for lawyers/patent counsel (which the IP Federation had lobbied to address) has now been dealt with.

7. A pilot involving the IP5 Offices on collaborative search and examination, which the IP Federation has been advocating, is being taken up.
8. We have been called to give evidence to a House of Lords Select Committee on the unjustified threats provisions. We have been advocating for industry that a harmonised evolutionary approach for different IP rights in this area is appropriate.
9. We wrote to the Supreme Court of the United Kingdom to ensure that it was aware of the importance to industry of the *Warner-Lambert Company LLC v Generics (UK) Limited* [2016] EWCA Civ 1006 case. We advocated the importance of a review of the legal approach adopted by the Court of Appeal by the Supreme Court, in order to strike the correct balance between incentivising research and innovation and ensuring healthy competition in the economy. Leave to appeal was granted on 6 March 2017.

#### General issues

10. More generally, we have been building strong relationships with key policy stakeholders on a domestic level and European / international level through regular engagements, visits and discussions. This includes the UK Intellectual Property Office (IPO); Baroness Neville-Rolfe and Jo Johnson MP at the Department for Business, Energy and Industrial Strategy (BEIS); and the Commission, United Kingdom Permanent Representation to the European Union (UKRep) and MEPs in Brussels.

#### Work in progress

Work in progress is inevitably focused on Brexit.

1. Remaining part of the EU trade mark system would be ideal for brand owners. If this is not available, the Montenegro option (automatic transfer of EU trade marks 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 EU trade mark owners to opt out of the otherwise automatic transfer of rights on to the UK register, to reduce cluttering.

2. We recognise the practical difficulties in securing a suitable bilateral arrangement with the EU which would effectively keep the UK in the European 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 Community registered design right automatically to be transferred across to the UK register at the time of Brexit.
3. On unregistered designs, we acknowledge that the loss of a Community unregistered design right is a particular concern for certain sectors of the UK design industry. A new Community-style UK UDR which 'mirrors' the existing Community unregistered design right would go part way to addressing those concerns. Existing UK unregistered design rights should nonetheless be maintained following Brexit. UK UDR is a well-established and valuable IP right.
4. Any newly created Community-style UK unregistered design right should sit alongside the existing UK unregistered design right and should mirror the existing Community unregistered design right exactly. The three-year term of protection for Community unregistered design rights should not be increased in the UK.
5. 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 Community unregistered design right in the remaining states of the EU.
6. Any potential wider review of the UK law on unregistered design should only be undertaken after Brexit.
7. Brexit should not be seen as a reason to introduce criminal sanctions for

infringement of unregistered design rights. We strongly oppose such sanctions.

8. Many IP Federation members require protection for their designs throughout the European Community and therefore use the Community registered design system rather than the UK national system. We continue to urge the UK IPO to press the EUIPO to consider making similar reductions to the fees charged in respect of Community Registered Designs so that designers throughout the Community are encouraged to register more of their designs.

See also the Activities tab on the IP Federation website for the latest news.

### ***Benefits of being in the IP Federation***

As set out on the IP Federation's website, membership benefits include:

- Authoritative representation at national and international level
- Access to legislators and officials
- A non-sectoral forum to exchange ideas and opinions on key intellectual property issues as they relate to IP
- Excellent networking and learning opportunities, for new and established IP attorneys
- Advance notice of forthcoming legislative proposals and practice changes
- Monitoring service for all consultations, both at national and at EU Commission level
- Regular alerting service, newsletters and policy papers

### ***Social networking***

As well as having its own website, the Federation has web presence through social networking sites, with a page on Facebook, a profile on LinkedIn and a Twitter feed - @ipfederation. Over the last year and a half, we have once again increased the number of people who follow us on Twitter and now have nearly 600 followers, including some notable figures in the IP world, and this is the

easiest way to be notified of any new policy papers and other news items on our website.

David England, 20 July 2017

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## UK WITHDRAWAL FROM THE EUROPEAN UNION

### The Brexit clock ticks – what are the implications for intellectual property?

#### *Introduction*

'Brexit' poses considerable challenges for intellectual property law and presents uncertainty as to the involvement of the UK, following its exit from the EU, in existing and proposed international regimes involving EU law.

The UK Government has indicated intent to repeal the European Communities Act 1972, which incorporates European Union law into the law of the UK, but nevertheless to preserve the existing body of EU law - the *acquis* - in the national law.

In many areas of the law, the preservation of the *acquis* will prevent a substantive change to the applicable law from occurring upon the UK's exit from the EU. However, EU law establishing pan-EU regimes - for example in respect of customs, jurisdiction and enforcement of judgments, and unitary intellectual property rights - cannot be preserved unilaterally by the UK. It may be possible for the UK to remain within such systems upon Brexit, or for a transition term following its exit, but only if appropriate agreement is reached with the EU. This article seeks to indicate, for intellectual property law, the areas in which reaching agreement should be a priority for both the EU and the UK, as well as areas in which both parties would benefit from a collaborative and constructive approach to the negotiations.

In the meantime, with a view to ensuring as smooth a transition as possible upon exit from the EU, the UK Parliament must make the necessary legislative enactments at the national level to preserve, to the extent possible, the existing rights and obligations of individuals and legal persons in the UK. Accordingly, this article seeks to identify the areas of intellectual property law in need of legislative enactment, both to preserve the *acquis* and, where this is not

possible, to provide replacement legislation creating equivalent national regimes (and, as appropriate, providing for the transitioning of existing rights into such regimes).

#### *Brexit means Brexit*

On 29 March 2017, the UK delivered to the European Council notice, in accordance with Article 50(2) of the Treaty on European Union (TEU), of its intention to withdraw from the European Union.

Article 50 states as follows:

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.
2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, **the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union.** That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. **It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.**
3. **The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.**
4. For the purposes of paragraphs 2 and 3, the member of the European Council

or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.

A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.

5. If a State which has withdrawn from the Union asks to re-join, its request shall be subject to the procedure referred to in Article 49.

There is uncertainty as to whether a notice under Article 50 may be withdrawn. Some commentators, including Lord Kerr, who is credited with having drafted the text of Article 50, have opined that the UK could unilaterally revoke its notice. Other commentators, not least the European Parliamentary Research Service<sup>1</sup>, have opined that this is at least doubtful from a legal point of view. In any event, it is the Court of Justice of the European Union (CJEU) that would have the final say in the event of a dispute as to the legality of any attempt by the UK to revoke its Article 50 notice.

What is clear is that the event triggering the withdrawal of the UK from the EU is the UK's 29 March 2017 notice, unless an agreement to the contrary is reached between the withdrawing state and the EU. If no agreement is reached, Brexit will occur on 29 March 2019 without arrangements being in place for the UK's orderly withdrawal or the ongoing relationship between the UK and the EU.

Comment at this time as to the shape of any agreement that may be reached in the course of Article 50 negotiations would be highly speculative.

#### *The status of EU law in the UK*

It is perhaps worth noting that EU law is incorporated into the law of the UK by statute.

<sup>1</sup> Article 50 TEU: Withdrawal of a Member State from the EU, EPRS, February 2016 [http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/577971/EPRS\\_BRI\(2016\)577971\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/577971/EPRS_BRI(2016)577971_EN.pdf)

The framework statute is the European Communities Act 1972, which was enacted in the course of the UK's ratification of the 1972 Accession Treaty, according to which the UK became a member of the (then named) European Economic Community.

The European Communities Act 1972 (as amended) establishes EU law into the UK law by the following general provisions:

- Section 1, which defines the treaties which govern UK membership of the EU (the "EU Treaties")
- Section 2, which provides that EU law in EU Treaties and EU legislation passes into law in the UK either directly through the medium of section 2(1) or pursuant to the implementing mechanism of section 2(2)
- Section 3, which provides that any question as to the meaning or effect of the EU Treaties or any EU legislation shall be treated as a question of law (and, if not referred to the CJEU) for determination as such in accordance with the principles laid down by and any relevant decision of the CJEU; and that judicial notice shall be taken of the EU Treaties and of any decision of, or expression of opinion by, the CJEU on any such question

Independent of statute, EU law has no status in UK law<sup>2</sup>. Accordingly, repeal of the European Communities Act 1972, as proposed by the UK Government in its 2 February 2017 White Paper, by the passing of a "Great Repeal Bill", would remove from the body of UK law all EU treaties, all directly effective EU legislation, and the requirement that the national courts interpret any legislation (including provisions of national law derived from EU Directives) in accordance with the jurisprudence of the CJEU.

National legislation passed in order to implement EU legislation pursuant to the implementing mechanism of section 2(2) of the European Communities Act (in practice, national legislation

<sup>2</sup> *R (Miller & Ors) v Secretary of State for Exiting the European Union* [2017] UKSC 5

implementing EU Directives) would remain in force in the UK, unless specifically repealed.

In order to prevent gaps arising in the UK's legislative framework by a blanket repeal of directly effective legislation, replacement legislation would be needed and/or legislative provision would be necessary to convert the *acquis* into domestic law. The UK Government has stated its intent to convert the *acquis* in this way.<sup>3</sup>

However, to the extent that the *acquis* establishes reciprocity of rights and obligations as between the law in the UK and the law in other EU member states, it will not be possible for the UK unilaterally to preserve this: arrangements would need to be negotiated with the EU enabling the UK to remain within the relevant system, and in all likelihood maintaining the role of the CJEU's jurisprudence – and potentially the jurisdiction of the CJEU also, in respect of the UK's involvement in each relevant system. This is the position, for example, with respect to the provision in EU treaties for free movement of goods and services, the EU Customs regime, the 'Recast Brussels' Regulation (no. 1215/2012 as amended) and the unitary EU regimes for registered trade marks, Community designs, Community plant variety rights, geographical indications, and protected designations of origin. Without such arrangements, each relevant regime would cease to cover the UK; in such a scenario it is for the UK to legislate to minimise the disruption caused by the UK's exit from the EU.

A stated intention of the UK Government is to bring to an end the jurisdiction in the UK of the CJEU.<sup>4</sup> In practice, the case law of the CJEU is likely to remain persuasive, most notably in areas where the UK does not unravel the *acquis*.<sup>5</sup>

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<sup>3</sup> The United Kingdom's exit from, and new partnership with, the European Union, section 1.1

<sup>4</sup> The United Kingdom's exit from, and new partnership with, the European Union, section 2.3

<sup>5</sup> Arnold, R., Bently, L., Derclaye, E. & Dinwoodie, G., *Judicature, The Legal Consequences of Brexit through the Lens of IP Law*, 2017

Nevertheless, in areas of the law in which the courts in the UK have struggled to reconcile the guidance of the CJEU with the terms of the relevant legislation (such as with respect to registered trade marks and supplementary protection certificates), repeal of the European Communities Act would mean that the UK courts were not bound by CJEU jurisprudence. Interesting questions also arise in respect of legislative provisions and common law principles predating EU harmonisation, where the CJEU's jurisprudence has subsequently altered the interpretation of the UK legislation or the approach of the common law. Where appellate court guidance binds lower courts to the harmonised approach, it may take some time for the correct post-Brexit approach to be settled.

### ***The legislative context of intellectual property law***

Intellectual property is not an isolated subset of UK law; it forms an important part of the complex mesh of interrelating legislative and common law regimes which together provide the legal structure enabling business and commerce to thrive in the UK.

The regimes considered in this section are established by EU treaties and directly effective legislation. They provide for unitary regimes entailing reciprocity of rights and obligations across and between the member states of the EU. Without a negotiated arrangement by which the UK would remain within any such regime, each will cease to include the UK upon Brexit.

The remainder of this section considers what the law in the UK would be, and what would be needed by way of national legislation in the UK, in the event the UK exited each relevant regime upon Brexit. The subsequent sections of this paper then consider the impact of Brexit for specific areas of intellectual property law.

### **Free movement of goods and services and exhaustion of intellectual property rights**

The principle of free movement of goods and services is enshrined in the EU treaties. It is complemented by the case law of the CJEU, and in legislation in respect of particular IP rights, which pro-



vide, in general, for regional exhaustion of intellectual property rights. Accordingly, the placing of goods on the market in the European Economic Area (EEA) by the owner of the relevant intellectual property or with his or her consent generally exhausts the proprietor's ability to enforce his or her intellectual property in those goods to prevent re-sale.<sup>6</sup>

Outside the single market (the EEA) and save to the extent agreement to the contrary is reached between the UK and the EU, the UK will be able to legislate for a new scope of geographical exhaustion of intellectual property rights. If no legislation is passed setting the scope, it will be a matter for the courts of the UK.

What are the legislative options? The UK's legislature could provide for any of the following:

- To restrict the scope of exhaustion to a domestic scope. Such an approach could help rights owners to segregate the UK from existing geographically linked markets and to maintain the international value of goods placed on the market in the UK, but such an approach may not assist the UK Government in keeping domestic price inflation down.
- To continue to apply EU and EEA-wide regional exhaustion, but absent agreement between the UK and the EU, this would not be reciprocal (i.e. the EEA would not consider rights in goods placed on the market in the UK to be exhausted in respect of the EEA). Such an approach would help to encourage the parallel import of goods into the UK from the remaining EU member states following Brexit, and assist in deterring rights owners from artificially inflating the cost of goods placed on the market in the UK.
- To create an international exhaustion regime, so that the placing of goods

on the market anywhere in the world by the proprietor or with his or her consent exhausts the proprietor's ability to enforce his or her intellectual property in those goods subsequently in the UK. This option would seem least favourable to rights owners and potentially most favourable to parties interested in keeping consumer prices in the UK as low as possible.

What would the courts in the UK do, if there were no legislation on exhaustion?

If the UK exits the EU (and the single market) without national legislation being put in place defining the intended geographical scope of exhaustion of intellectual property rights, the law in the UK can be expected to be developed by the courts in the tradition of the common law. There is some history of international exhaustion in the jurisprudence of England and Wales: before the UK's accession to the European Economic Community (the predecessor to the EU), legal tests focused on consent, and in some areas (such as passing off), the case law was very sparse. The courts could be expected to turn not just to the earlier English jurisprudence, but also to the modern jurisprudence in countries in related common law legal systems, including the US and Canada. In this context, the recent decision of the US Supreme Court in *Impression Products v Lexmark International* is noteworthy for its introduction of an exhaustion doctrine of international scope.

However, in the event the UK left the EU but continued to participate in the (expected) Unified Patents Court (UPC, discussed further below), regional exhaustion could be expected to continue to apply in respect of patents.

### Customs

In keeping with the principle of free movement of goods within the single market, the EU's customs regime (in particular Regulation 608/2013) enables customs authorities in the UK (and in other EU member states) to detain, seize and destroy goods suspected of infringing an IP right in a limited number of situations. The situations, very basically, concern goods at their point of entry into or exit from the customs territory of the union.

<sup>6</sup> See for example *Centrafarm B.V., Rotterdam and De Peijper, Nieuwerkerk a/d IJssel v Sterling Drug Inc.* Case 15/74, *Silhouette International Schmied GmbH & Co. KG v Hartlauer Handelsgesellschaft mb*, Case C-355/96, and subsequent jurisprudence

Equivalent national legislation currently does not exist, so in the event Regulation 608/2013 ceased to apply to the UK, national legislation would be needed to preserve the ability of customs authorities to intervene where there is suspected infringement of an intellectual property right. Such legislative provision should be considered in the context of the UK's approach to the establishment of national customs measures more generally. It need not, necessarily, mirror the intended scope of geographical exhaustion, but the approach should be considered with a view to complementing the intended approach.

### Competition law

The UK's national laws prohibiting anti-competitive arrangements and abuses of dominance are enacted under Chapters I and II of the Competition Act 1998 (CA 98), and respectively modelled on Articles 101 and 102 of the Treaty on the Functioning of the EU (TFEU) (save that the prohibitions under the CA 98 apply to conduct that may affect trade within the UK). However, equivalent national legislation currently does not exist for the various EU block exemption Regulations. There is a need for the UK to consider replacement of the Regulations; preservation of the regime as part of the *acquis* may be the most appropriate path, and the least disruptive approach for rights owners and licensees alike.

Following Brexit, even if the UK is outside the EU antitrust regime, UK undertakings and undertakings operating in the UK will remain subject to the application of Articles 101 and 102 TFEU where their activities are either (i) implemented in the EU<sup>7</sup> (e.g. by selling into the EU) or (ii) capable of having a substantial, immediate and foreseeable effect in the EU<sup>8</sup>.

In the context of patent litigation, particularly in respect of standardised technologies, the inability of a court in the UK to make references to the CJEU may present opportunities for some

parties for, or it may deter other parties from seeking, resolution of multinational disputes in the courts of the UK. However, to an extent the opportunities presented (either way) may be superseded by the introduction of the UPC.

### Jurisdiction

As between the courts of different EU member states, issues of jurisdiction are governed by the Recast Brussels Regulation 1215/2012 (as amended). Outside the EU, the Recast Brussels Regulation would cease to apply to the UK, or to any remaining EU country in respect of an issue of jurisdiction between its own courts and a court of the UK.

Would any earlier jurisdictional arrangement apply instead?

The Lugano Convention of 2007 was signed by the EU but not by the UK directly. Following Brexit, the 2007 Lugano Convention therefore would not apply unless the UK acceded to it (which would require agreement with the EU and the other signatory states).

The earlier Lugano Convention, of 1988, and the Brussels Convention of 1968 were both signed by the UK, in its capacity as a member of, or as a state acceding to, the (now named) EU. Each of these agreements is therefore a "mixed agreement". For example, the UK's submission to the jurisdiction of the CJEU on the interpretation of each convention is integral to the agreement, but the CJEU's power to accept references from the courts of the UK derives from Article 267 of the TFEU, which, absent agreement with the EU, would cease to apply to the UK. Accordingly, it is likely that none of these earlier conventions would apply following Brexit.

Without a replacement for the Recast Brussels Regulation being agreed between the UK and the EU, the courts of the UK would apply the common law where issues of jurisdiction arose regarding the courts of any EEA country (including any EU country). This is what happens, for example, where issues of jurisdiction arise in the UK with respect to a court of the US. The courts of the remaining EU and EEA countries would likewise apply their own national laws.

<sup>7</sup> See, Joined Cases 89/85, 104/85, 114/85, 116/85, 117/85 and 125/85 to 129/85 *Ahlström Osakeyhtiö and Others v Commission* ECLI:EU:C:1993:120

<sup>8</sup> See, Case T-286/09 *Intel Corporation v Commission* ECLI:EU:T:2014:547, paragraph 244

The Recast Brussels Regulation sets the jurisdictional regime applying to and between EU member states well beyond the intellectual property sphere. Replacement of it would be the sensible course irrespective of the shape of the UK's post-Brexit relationship with the EU. The successful resolution of this issue underpins the solutions available for a constructive relationship between the UK and the EU following Brexit in many areas of the law, including in respect of the Unified Patent Court (on which please see "The impact of Brexit for patents", below).

In the authors' view, the replacement of the Recast Brussels Regulation regime should be considered a practical matter of priority, in the interests of smoothing the impact of Brexit for all citizens and businesses in the EU; the area is inappropriate for use as a bargaining tool by either party to the Article 50 negotiations. A replacement convention would be a sensible course, an obvious solution being for the UK to accede to the Lugano Convention of 2007 (amended as necessary to give effect to any agreement reached in respect of the UPC system).

### *The impact of Brexit on patents*

#### **The current system**

At present, and in basic terms, there are two systems pursuant to which a patent may be granted covering the UK: the national system, in which an application is made to the UK Intellectual Property Office (UK IPO); and the European system, pursuant to which an application is made to the European Patent Office (EPO). (Either system may be preceded by, or may provide the receiving office for, an application under the international system.)

Both systems are largely outside the remit of EU law, although there are some exceptions, most notably, the Biotechnology Directive (no. 98/44) and the IP Enforcement Directive (no. 2004/48). In respect of each directive, necessary implementation into national law has already taken place, so a legislative gap in respect of their provisions would not emerge upon Brexit.

Aside from the EPO's remit to hear post-grant oppositions filed within the first nine months of grant, and centralised

applications by the proprietor for amendment or revocation, questions of infringement and validity of each national designation are at present a matter for the courts of each relevant country. For patents covering the UK (both national patents and UK designations of European patents), such issues are therefore a matter for the courts of the UK.

Brexit is therefore unlikely to entail significant upheaval for the existing patent system, but the consequences for the proposed Unified Patent Court and unitary patent system are potentially very significant.

#### **The UPC and UP system**

The existing patent system is expected to undergo notable changes before the UK exits the EU, as a result of the Agreement on a Unified Patent Court (UPC Agreement), which will come into force (if and) when ratification is completed by both the UK and Germany.

The UPC Agreement is an international agreement that has been signed by the vast majority of EU member states, including the UK. It establishes a new court, the **Unified Patent Court (UPC)**, for the settlement of disputes relating to (i) "European patents" and (ii) "European patents with unitary effect". The system for the grant of, and dispute resolution in respect of, national patents is not impacted by the new system).

"European patents" are those granted by the European Patent Office pursuant to the European system referred to above. Granted European patents are essentially a bundle of national designations. Pursuant to the UPC Agreement, all disputes regarding such patents become a matter for the UPC instead of national courts, unless the proprietor of the relevant patent has, during the transitional period, "opted out" the patent from the exclusive competence of the UPC.

"European patents with unitary effect" are, essentially, a new designation of European patent which will be made available by the UPC Agreement and supporting EU legislation. Commonly referred to as '**Unitary Patents**', they will be available for an applicant to request within one month of the grant of a European patent. Where a UP designation

is requested, it will be granted instead of national designations for all states which have, at the time of the grant of the patent, signed and ratified the UPC Agreement (and joined the UP part of the system). In contrast with classical European patents, where the relevant national law applies to each designation in certain contexts (such as licensing and assignment), a UP is a unitary right governed by one law. Which law applies is determined by the residence, principal place of business, or place of business of the applicant(s); failing any of these in a participating member state then German law will apply. UPs cannot be opted out of the exclusive competence of the UPC.

Brexit presents a number of uncertainties for the new system and the UK's participation in it after exiting the EU:

**(i) The legality of the UPC system with post-Brexit UK included**

First, there is uncertainty regarding the compliance of the UPC Agreement (and therefore the court) with EU constitutional law if the UK remains within the system following Brexit. The most notable issue in this respect concerns Article 267 of the TFEU. Article 267 establishes the jurisdiction of the CJEU to receive references from "any court or tribunal of a Member State". (This is consistent with the provisions of Article 71a of the Recast Brussels Regulation (as amended) which says that: "a court common to several Member States ... shall be deemed to be a court of a Member State"). Following Brexit, there is uncertainty as to whether the UPC (including the UK) would still be a court or tribunal of a member state. It may be that agreement is needed between the UK and the EU in order to clarify the legal position, and that complementary adjustments would need to be made to framework agreements.

It is perhaps noteworthy that this was the principal issue identified by English barristers Richard Gordon QC and Tom Pascoe in their opinion, issued in September 2016, considering whether the UK could remain involved in the UPC and UP system following Brexit.

It may also be necessary for arrangements to be made to safeguard the continuing operation in the law of the

UK, to the extent necessary for compliance with the UPC Agreement, of a number of EU Treaty obligations, in particular, Article 4(3) TEU, Articles 258, 259 and 260 TFEU, The Charter of Fundamental Rights, and, potentially, TFEU Articles 101 and 102.

**(ii) The legality of the UK remaining within the UPC following Brexit**

Second, the jurisdiction and operation of the UPC is dependent upon the existence in the national law of the Contracting Member States (to the UPC Agreement) of the Recast Brussels Regulation (as amended by Regulation 542/2014). Despite reference to the Lugano Convention of 2007 in the UPC Agreement, accession by the UK to Lugano would not be sufficient to compensate for the Recast Brussels Regulation ceasing to apply. At the very least, the Lugano Convention would need amendment, as Regulation 1215/2012 was amended by Regulation 542/14, to give effect to the UPC Agreement; the UPC Agreement would also need complementary amendment.

Similarly, EU Regulations 593/2008 and 864/2007, on contractual and non-contractual liability, respectively form part of the EU legal framework in which the UPC Agreement sits.

For the UK to remain within the Unitary Patent system, Regulations 1257/2012 (on the creation of unitary patent) and 1260/2012 (on the language regime regarding the unitary patent) would need to continue to apply also.

All of this legislation is reciprocal in nature; following the UK's exit from the EU, it would not remain in force as between the UK and the other member states of the EU, or as between the UK and the other Contracting Member States of the UPC Agreement, unless agreement was reached with those other states.

Third, to the extent necessary for continuing compliance with the terms of the UPC Agreement, the UK would need potentially to ensure the continuing operation in UK law of SPC Regulations 469/2009 and 1610/96 (which interact also with Regulations 1901/2006, 141/2000 and 726/2004 and Directives 2001/83 and 2001/82), the limitations on

the effects of a patent contained in Regulation 2100/94 and Directives 2001/83, 2001/82, 2009/24 and 98/44), and the IP Enforcement Directive 2004/48.

Fourth, the UPC Agreement would need adjustment, in particular: to change the definition of "Member State" and/or "Contracting Member State" so that it no longer required a contracting party to the UPC Agreement to be a member state of the European Union; and to ensure that lawyers authorised to practise before a UK court remained authorised to represent parties in the UPC.

### (iii) Providing certainty regarding the UPC and UPC system

In practice, if the UK and Germany complete ratification of the UPC Agreement in order to get the new system up and running before Brexit, its commencement would entail a considerable degree of uncertainty regarding the impact of Brexit. A challenge to the jurisdiction of the court and/or the enforceability of a judgment could be expected, resulting in a reference to the CJEU and a ruling in respect of the legality, as a matter of EU law, of the court and/or the UK's involvement within in.

There would seem to be a risk of the CJEU ruling that with the UK within the UPC system, the court was not compliant with EU law.

However, the risks would be reduced considerably if the potential legal issues were addressed and appropriate steps taken to resolve them. These may include, to the extent necessary for the UPC Agreement, the following: agreement between the UK and the EU to resolve the Article 267 question; agreement between the UK and the EU (and potentially the EEA) to resolve the Recast Brussels Regulation issue and/or for the UK to accede to the Lugano Convention 2007 (amended to accommodate the UPC Agreement); agreement between the UK and the EU with respect to the other legislation of a reciprocal nature noted above, and potentially all EU legislation relevant to any dispute before the UPC; and agreement with the other Contracting Member States of the UPC Agreement to adapt the UPC Agreement accordingly (including with

respect to the definition of Contracting Member State).

### iv) Timetable for the introduction of the UPC and UP system

The UK has completed most national legislative steps needed for ratification of the UPC Agreement.

On 26 June 2017, the remaining draft legislation, the draft Unified Patent Court (Immunities and Privileges) Order 2017 and accompanying Explanatory Memorandum, were laid before Parliament. This secondary legislation is needed to give effect in national law to the Protocol on Privileges and Immunities of the UPC, of 29 June 2016, and to enable the UK to reach a position where it can ratify the UPC Agreement.

The draft Order is subject to an affirmative legislative process requiring resolutions of each House of Parliament, and which may involve committees, so the date upon which the draft Order is expected to be passed remains a matter for speculation. Equivalent legislation is required in the Scottish legislature also.

The UK is expected to reach a position where it is able to ratify the UPC Agreement in the autumn of 2017. If Germany ratifies the agreement within a similar timeframe, the period of provisional application could (if the requisite minimum of 13 participating states complete their formalities) commence by the end of 2017, with the 'sunrise' period for filing opt-out applications commencing in early 2018 and the UPC becoming fully operational in the second quarter of 2018.

However, the UK Government has given no indication of how it plans to address the issues identified in sub-sections (i) to (iii) above, in view of its stated intent to repeal the European Communities Act. This state of affairs gives rise to considerable uncertainty for all stakeholders.

In addition, it is noteworthy that the UPC Agreement will only come into force once it has been ratified by Germany (as well as the UK). For now, the German Constitutional Court has reportedly put a brake on German ratification while issues of German constitutional law are considered. Very limited public information is currently available on the substance of

the German challenge. Nevertheless, the authors find it interesting that constitutional issues potentially involving some elements of similarity were raised in litigation in the UK, in *Virgin v Jet*<sup>9</sup>, but rejected by the Court of Appeal in England & Wales.

In the meantime, on 7 July 2017, the UK completed its requirements for the entry into force of the UPC's Protocol on Provisional Application, further confirming its intent with respect to the new court.

### *The impact of Brexit on SPCs*

A supplementary protection certificate (SPC) is a form of intellectual property that extends patent term in respect of pharmaceutical or plant protection products in qualifying circumstances. The maximum duration of an SPC is five years, which is intended to compensate, to some degree, for the period elapsing between the filing of an application for a patent for a new medicinal or plant protection product and the grant of authorisation to place the medicinal product or plant protection product on the market.

For EU member states, including the UK, SPCs are granted at the national level by the relevant patent office (for the UK, the UK IPO) pursuant to the relevant EU Regulation(s) and relevant national implementing legislation. Upon Brexit, the relevant UK national legislation (i.e. the Patents Act) will remain in place, so SPCs which have already been granted by the UK IPO by the date of the UK's exit from the EU are not expected to be impacted (beyond the changes associated with the UPC Agreement).

The SPC regime will, however, necessitate consideration in the context of the Great Repeal Bill. The regime is based on several key EU Regulations: 469/2009, 1901/2006, 141/2000 (medicinal products); and 1610/96 (plant protection products), which interact with other EU legislation. The interaction means that preservation of the *acquis* in this area is not straightforward. A legislative gap could be plugged by providing for the continuation in force of the SPC Regulations, but in the short term, and

preferably before Brexit, holistic consideration should be given to the operation of the SPC regime in the UK following Brexit. For example, should it continue to be the case that the term of an SPC be calculated by reference to the date of the first marketing authorisation in the EEA, if this does not include the UK? The approach should be considered in harmony with review of healthcare regulatory law and in light of referenced EU legislation.

In the medium term at least, the area is ripe for review. The European Patent Convention, Article 63, permits a contracting state (of which the UK is one) to extend the term of a European patent by the time of duration of the relevant administrative authorisation procedure. Should the UK lift the cap of five years on the term of extension of the life of the patent - or increase the scope of the regime to include medical devices - or consider moving to a patent term extension regime more akin to that in the US and Japan?

Outside the jurisdiction of the CJEU, SPC law is an area in which Brexit would enable the UK courts to provide greater clarity in the jurisprudence. Indications that judges in the UK have not been comfortable with the SPC legislation and the CJEU's interpretation of it are apparent in the English jurisprudence:

Arnold J in *Novartis v Medimmune* [2012] EWHC 181 (Pat):

... not only has the Court not answered the question referred, but also the guidance it has provided is not sufficiently clear to enable future disputes to be resolved.

Arnold J in *Teva v Gilead*, [2017] EWHC 13 (Pat), referring to the CJEU's judgment in *Actavis v Sanofi*, C-443/12:

... the Court of Justice has once again failed to give national authorities clear guidance as to the proper interpretation of Article 3(a). ... All that can be said with confidence is that, once again, the Court appears to be suggesting that something more is required than the product falls within the scope of the basic patent applying

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<sup>9</sup> [2013] EWCA Civ 1713

the Extent of Protection Rules, but without making it clear what more.

Arnold J in *Abraxis v Comptroller* [2017] EWHC 14 (Pat):

It would be more helpful to the national courts if the Court would expressly state when its earlier decisions are no longer to be regarded as authoritative, or as restricted to their own facts, rather than leaving the national courts to try to work this out for themselves.

### *The impact of Brexit on trade marks*

#### *The national system*

The tort of passing off may protect goodwill attached to goods or services in the UK, in the event of misrepresentation leading to or likely to lead the public to believe that the goods or services offered are the goods or services of the claimant, or there is some other authorised link, and the claimant suffers damage as a result.<sup>10</sup> The law of passing off is outside the remit of EU law. It is an unregistered right which is confined to UK activity, and so will not be impacted by Brexit.

At present, there are two systems pursuant to which a registered trade mark may be granted covering the UK: the UK national system, under which an application is made to the UK IPO; and the EU system, under which an application is made to the EU Intellectual Property Office (EUIPO). Either type of registration may alternatively be sought by designating the UK or EU in an international registration under the Madrid system.

The UK national registered trade mark system is governed by the Trade Marks Act 1994 (as amended) - which is framed so as to comply with harmonising EU-wide legislation, in particular Directive 2008/95. Being governed by UK legislation, the impact of Brexit upon the UK national system will be relatively minimal; the most significant change is likely to concern the number of filings made in the UK system in the future.

There is a question though as to whether

UK parliamentary time will be dedicated to updating UK legislation in order to reflect updating changes being introduced to the harmonising EU legislation before Brexit. The UK national system may not keep step with the EU legislation both pre- and post-Brexit.

Consequently, in the medium term, if the UK is outside the EU, there is potential for some legislative divergence between the UK trade mark system and the EU system, although in the context of the widespread international alignment of trade mark systems this is expected to be minimal. Although much CJEU jurisprudence is also likely to remain persuasive, trade mark law is an area in which the courts in the UK have at times struggled to reconcile the guidance of the CJEU with the terms of the relevant legislation, as exemplified by the judgments of Arnold J in *Nestlé v Cadbury* [2016] EWHC 50 (Ch) and *Supreme Petfoods v Henry Bell & Co* [2015] EWHC 256 (Ch). There is therefore further scope for the UK national system to steer a different course on some issues, once it is no longer subject to the CJEU.

#### *The EU system*

The EU trade mark system is governed by EU Regulation 207/2009 (as amended). An EU trade mark (EUTM) is a unitary right covering the EU. It may be enforced or challenged for the whole of the EU in a single court action. It will not be possible for the UK unilaterally to preserve its participation in the EUTM system. Without a negotiated arrangement, the EUTM system will cease to cover the UK upon Brexit and the UK will effectively be removed from the coverage given by an EU trade mark. The UK can, however, enact national legislation to minimise the disruption caused in such a scenario and to protect UK rights registered or applied for through the EU system.

National legislation can potentially provide EUTM owners with trade mark rights in the UK by a variety of mechanisms<sup>11</sup>. No legislative proposal has yet been made by the UK Government but the stakeholder consensus appears to

<sup>10</sup> *Reckitt & Colman Products v Borden* [1990] UKHL 12; *Starbucks v British Sky Broadcasting* [2015] UKSC 31

<sup>11</sup> The legal consequences of Brexit through the lens of IP law, R. Arnold, L. Bentley, E. Derclaye & G. Dinwoodie, *Judicature*

favour a 'Montenegro' model, in which all existing EUTMs are automatically entered on to the UK register with the same scope of protection, registration date and, where applicable, priority and seniority. The UK Government should similarly be looking to protect the rights of applicants for EUTMs, where the registration remains pending upon Brexit.

Brexit also poses questions for EU trade mark law. For example, an EUTM may be revoked if it has not been put to genuine use in the EU within five years of registration. An EUTM for which use is mostly concentrated in the UK may be at additional risk of revocation following Brexit, unless transitional arrangements are put in place. The issue of acquired distinctiveness, where an objection on absolute grounds is raised against an EUTM, could potentially render the EUTMs of UK-focused businesses more vulnerable too. However, recent CJEU (General Court) case law requiring that the establishment of acquired distinctiveness in the English language be demonstrated across many EU countries means that in practice Brexit may have minimal impact in this respect.<sup>12</sup>

### *The impact of Brexit on designs*

There are four systems pursuant to which a design may be protected in the UK: the national registered and unregistered systems, and the EU registered and unregistered systems.

#### *National systems*

Under the **UK national registration system**, an application for a registered design covering the UK may be made to the UK IPO. A registered design has a term of 25 years from filing, provided renewal fees are paid. It protects the appearance of the whole or part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture or materials of the product or its ornamentation. Registration, and any subsequent questions of infringement and validity, are governed by the UK Registered Designs Act 1949 and associated legislation (which has been amended in order to comply with harmonising EU-wide legislation, in

particular Directive 98/71). Although it has factored in various harmonising changes over the years, as this is self-standing national law the impact of Brexit on the UK registered designs system is expected to be minimal, with the most significant impact likely to concern the number of filings made in the UK system in the future.

Pursuant to the Copyright Designs and Patents Act 1988 (CDPA), **UK unregistered design right covering the UK (UDR)** arises automatically in qualifying circumstances. It protects the shape or configuration of the whole or part of an article and lasts for (the shorter of) ten years from first sale or 15 years from first creation (dates calculated from the end of the relevant calendar year). In either case, the final five years of protection are subject to licence of right requirements. Questions of subsistence and infringement are also governed by the CDPA. Upon Brexit, no legislative gap will emerge in respect of national UDR.

However, upon Brexit, policy questions arise in respect of UK national UDR. In particular, should UK national UDR continue to be available to those who have habitual residence or establishment in the EU (rather than just the UK), or by reference to first marketing in the EU (rather than just the UK)?

In the authors' view, in the absence of a legislative gap, the UK should not be too hasty to amend the existing national provisions. Adapting the national system to exclude EU residents and designs first marketed in the EU from UDR protection would be a bold, and not necessarily wise, negotiating strategy, because it would be in the interests of the British design industry for the UK to reach a mutually beneficial arrangement with the EU regarding the EU unregistered design system.

Questions also arise as to whether the national unregistered system should be adapted so as to replace any aspects of the Community unregistered design right system (such as protection for surface decoration) lost as a consequence of Brexit (on which please see below).

#### *EU designs system*

EU Regulation 6/2002 and Implementing

<sup>12</sup> *Bach Flower Remedies Ltd v EUIPO*, T-337/15, 29 September 2016



Regulation 2245/2002 together establish unitary EU-wide regimes for registered and unregistered design protection; the rights arising may be enforced or challenged for the whole of the EU in a single court action (depending on where the defendant is based). Like the UK registered design system (which is framed in accordance with EU-wide harmonising legislation), the Community regimes protect the appearance of the whole or part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture or materials of the product or its ornamentation. A Community registered design has a term of 25 years, provided renewal fees are paid, whereas the unregistered Community design right lasts for three years from the point the design is first disclosed or made available to the public in some manner.

It will not be possible for the UK to preserve its participation in the EU designs system unilaterally. Without a negotiated arrangement, both the registered and unregistered Community systems will cease to cover the UK upon Brexit, and this is currently seen as the likely outcome. However, UK owners of Community designs that exist before Brexit will still be able to enforce them in the remainder of the EU – just no longer in the UK. As regards the UK, the disruption caused by such a scenario can be mitigated to an extent by UK national legislation, but the legal positions, and therefore the options for the UK, differ between the two Community design regimes.

As with EUTMs, transitional and replacement UK legislation would be needed in respect of Community registered designs to ensure that Community registered designs (and applications) existing at the date of Brexit continue to be recognised by the UK courts as covering the UK and/or to transition such rights into the national registered designs regime. The approach adopted is likely to follow that adopted for trade marks, although depending on which approach is taken for trade marks, some adjustments may be needed for designs.

The position for unregistered Community design rights is a little more complex.

First, UK and Community unregistered design rights protect different aspects of a design (the UK right covers only shape and configuration, whereas the Community right covers surface decoration, materials, textures, colours and so on), and they have different durations (UK is 10-15 years, Community is three years). Some see the EU right as *narrower* than the UK one, as differences of surface decoration could be sufficient to avoid infringement under the EU regime. Nevertheless, without a negotiated arrangement, the Community design right system will cease to cover the UK upon Brexit and a right of exactly equivalent scope covering the UK will only be available if created by the passing of domestic legislation. At present this is considered unlikely to be a priority for the UK Government.

Secondly, subsistence of unregistered design right is dependent upon qualification criteria being met. As noted above, the UK may unilaterally continue to enable qualification for the UK national right to be met by habitual residence or establishment in the EU or first marketing in the EU, but the reciprocal arrangement, of unregistered Community design right continuing to subsist by reference to first marketing in the UK, would only occur pursuant to amendment to the EU legislation governing the EU designs regime, which is unlikely unless specific agreement on the point is reached between the UK and the EU.

Since the geographical scope of the EU unregistered right is broader than that of the UK right, Brexit raises challenges for UK-based designers. Should they ensure their designs are first made available to the public in the EU rather than the UK – or should they go to the expense of registering a Community right? Businesses that rely on unregistered design rights should consider this as a matter of priority and, given the relatively low cost of registration compared to patents, it is worth considering registration carefully. It is important to bear in mind that designs cannot be registered more than one year after they were first disclosed and, as such, if a business normally relies on Community unregistered design rights, which may fall away as soon as March 2019, now is the time to register those designs.

### ***The impact of Brexit on copyright and neighbouring rights***

Copyright and related rights are governed in the UK by the CDPA, which has been framed so as to give effect to the terms of international treaties, for example the Berne Convention of 1886. Provided a work qualifies by its author's nationality or domicile or by the place of first publication, protection arises automatically upon recordal in writing or some other form, and may subsist in original works in any of the protected categories: literary, dramatic, musical and artistic works, sound recordings, films, broadcasts and typographical arrangements of published editions.

Databases can be protected by copyright, or by a *sui generis* 'sweat of the brow' database right. As with the above forms of copyright, subsistence and infringement are governed by the CDPA.

At present there is no unitary copyright protection in the EU. However, the EU has legislated, in multiple different Directives<sup>13</sup>, so as to harmonise aspects of the law relating to copyright; national legislation has been updated accordingly. The UK courts' interpretation of aspects of national legislation has similarly evolved to reflect CJEU rulings in respect of European legislation.

As the EU legislation in this area is, at present, limited to Directives which have been implemented into national law, the legislative structure will remain intact upon Brexit. However, in similarity with the position for UDR, Brexit raises policy questions for the UK. This is because in certain contexts the protection conferred is dependent upon whether the author or country of first publication is an EEA country or another Berne Convention country. Should the UK unilaterally continue to confer preferential treatment in respect of the EEA? Some relatively minor adjustment to the national legislation may also be appropriate, for example in respect of the existing EU

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<sup>13</sup> Satellite and Cable Directive 93/83, Database Directive 96/9, InfoSoc Directive 2001/29, Directive 2001/84 on resale right, Directive 2006/115 on rental and lending rights, Software Directive 2009/24, Term Directive 2011/77, Orphan Works Directive 2012/28, CRM Directive 2014/26

orphan works regime.

Following Brexit, if no agreement is reached pursuant to which UK copyright law must remain aligned with that of the EU, the UK will be free to overhaul the copyright regime (within the constraints of its international treaty obligations) and to choose to keep or discard aspects of the law derived from EU legislation. One area of interest in such a scenario is whether the courts in the UK would revert to former interpretations of legislative provisions that pre-date EU legislation. For example, the interpretation of 'original' in copyright law has been steered, pursuant to CJEU guidance, to the European concept of the author's own intellectual creation, rather than the former 'skill, labour and judgment standard' of English law - it may take some time for the correct post-Brexit approach to be settled.

In the area of copyright and neighbouring rights, without a broad negotiated arrangement applying to this area of the law Brexit is likely to lead to divergence in the legislative regime governing the law in the UK as compared with that in the remaining EU. This is because the EU is processing the development of its regulation of copyright law, including in respect of the "digital single market". Without the UK to negotiate with, EU regulation is likely to more rigorously harmonise certain concepts and areas considered important in some continental European legal systems, for example in respect of moral rights and author-publisher contracts.

### ***The impact of Brexit on other intellectual property rights***

#### ***Quality schemes for agricultural and food products***

EU Regulation 1151/2012 on quality schemes for regulation of agricultural and food products governs unitary regimes for the application for and award of protected 'designations of origin', 'geographical indications' and 'traditional specialities guaranteed'. Under the systems, a named food or drink registered at the European level is given legal protection against imitation throughout the EU.

Without a negotiated arrangement, the

schemes of Regulation 1151/2012 will cease to cover the UK upon Brexit. No equivalent national regimes exist, so if (as will happen unless a negotiated arrangement is reached to the contrary) the EU legislation ceased to apply to the UK upon Brexit, protection of this nature covering the UK would only become available by the passing of domestic legislation establishing a UK national regime.

The regulation of wines and spirits is outside the remit of intellectual property law as it is usually understood, and is beyond the scope of this paper.

#### *Plant variety rights*

EU Regulation 2100/94 governs a unitary regime for the grant of a 'Community plant variety right', available for new, distinct, uniform and stable plant varieties. Pursuant to this system, protection is available from the Community Plant Variety Rights Office. Again, without a negotiated arrangement, this unitary scheme will cease to cover the UK upon Brexit. Transitional and replacement legislation would be needed for existing Community plant variety rights to continue to be recognised in the UK pursuant to the national regime.

The UK's national plant variety right system is governed by national legislation (framed in the context of international convention). Pursuant to the UK system, protection is available from the UK Plant Variety Rights Office. The system will remain in place upon Brexit.

#### *Confidential information*

Confidential information is broadly defined as information that has the necessary quality of confidence and is subject to an obligation of confidence. It may include know-how and trade secrets. In the UK, the tort of breach of confidence may assist in protecting against its unauthorised use. Brexit would not impact the operation of this area of the law as it presently stands, which is entirely national in character. However, the coming into force of the EU Trade Secrets Directive 2016/943 in June 2018 had been expected to require review of the existing law and implementing legislation to the extent considered appropriate. It remains to be seen whether the UK will progress such steps.

#### *Enforcement*

Across intellectual property law (with the exception of the law regarding confidential information), the Intellectual Property Enforcement Directive 2004/48 (IPED) sets minimum standards for remedies in respect of the enforcement of intellectual property rights. National legislation was amended to implement the IPED to the extent considered necessary at the time, and principles of the IPED, for example of proportionality in the award of any injunction relief, have become progressively more important in the analysis of applications for relief from the UK courts in intellectual property disputes.

If the UK leaves the single market, the UK courts would be free to revert to purely common law principles when considering applications for relief. However, it is unclear whether the courts would choose to divert the common law from the path of its existing development in this way, or whether it would make any real practical difference to the outcome of such a dispute in most cases.

#### *The impact of expected Brexit on new EU legislation entering into force before the UK exits the EU*

As the European Council stated in its guidelines for Brexit negotiations, until the UK leaves the EU, it remains a full Member, subject to all the rights and obligations set out in the EU Treaties and under EU law, including the principle of sincere cooperation. In accordance with this, the UK is expected to progress the implementation into national law of EU legislation requiring national legislative provision before Brexit. In the sphere of intellectual property law, this applies in respect of trade mark law (to implement Directive 2015/2436 by 14 January 2019), and in respect of trade secrets (to implement Directive 2016/943 by 9 June 2018).

It remains to be seen whether the UK Government will prioritise the drafting and parliamentary legislative time necessary to progress these developments, but at this time it can be expected to do so.

***Priorities for Article 50 negotiations and drafting of UK legislation***

**(i) Establishing clarity on the framework relationship between the UK and the EU following Brexit**

With a view to maintaining certainty and stability for businesses and individuals throughout the EU (both in the UK and in the remaining EU countries), it should be a priority for both the UK and the EU to establish as soon as possible, in the course of the Article 50 negotiations, whether the UK will participate in the regimes discussed above in "The legislative context of intellectual property", namely:

- a. Free movement of goods and services (Articles 26-29 and 56-62 TFEU)
- b. Community Customs code (Regulation 608/2013)
- c. EU anti-trust law (TFEU Articles 101 and 102)
- d. Jurisdiction and enforcement in civil and commercial matters (Recast Brussels Regulation 1215/2012, or possibly Lugano 2007)

**(ii) Establishing clarity on the unitary regimes for intellectual property**

Once clarity has been achieved regarding the framework aspects listed in subsection (i) above, it should be possible for the EU and the UK to reach agreement regarding, or otherwise for clarity to be established regarding, the extent to which the UK will remain within the unitary regimes for intellectual property discussed above, namely:

- e. The Unified Patent Court (Article 267 TFEU, Regulation 1215/2012/amended Lugano 2007, and potentially Articles 258, 259 and 260 TFEU, Article 4(3) TEU, The Charter of Fundamental Rights, Articles 101 and 102 TFEU, Regulations 593/2008 and 864/2007, SPC Regulations 469/2009 and 1610/96, (which interact also with Regulations 1901/2006, 141/2000 and 726/2004 and Directives 2001/83 and 2001/82), Regulation 2100/94 and Directives 2001/83, 2001/82, 2009/24, 98/44 on the limitations on the effects of a patent, and the IP Enforcement Directive 2004/48, to the extent necessary for compliance with the UPC

Agreement; also amendment of the UPC Agreement would be needed).

- f. The Unitary Patent (in addition to the legislation necessary for the UK to remain within the UPC, Regulations 1257/2012 and 1260/2012)
- g. Regulation of medicinal products and medical devices (for example, Regulations 1901/2006, 242/2000, 726/2004, Directives 2001/83, 2001/82, and associated legislation)
- h. EU Trade Mark system (Regulation 207/2009 and associated legislation)
- i. Community registered and unregistered designs systems (Regulations 6/2002 and 2245/2002, and associated legislation)
- j. Quality schemes for agricultural and food products (Regulation 1151/2012)
- k. Community plant variety rights system (Regulation 2100/94 and associated legislation)
- l. The proposed digital single market package

**(iii) Establishing clarity on the harmonising regimes for intellectual property**

In parallel with the negotiations regarding the unitary regimes discussed in subsection (ii) above, it should be possible for the EU and the UK to reach agreement regarding, or otherwise for clarity to be established regarding, the extent to which the UK will remain within or bound by the EU's harmonising regimes in the following areas:

- m. Supplementary protection certificates (Regulations: 469/2009 and 1610/96)
- n. Trade marks (Directives 2008/95 and 2015/2436)
- o. Designs (Directive 98/71)
- p. Copyright and neighbouring rights (Directives 93/83, 96/9, 2001/29, 2001/84, 2006/115, 2009/24, 2011/77, 2012/28, 2014/26)
- q. Trade Secrets (Directive 2016/943)
- r. Enforcement (Directive 2004/48)

(iv) Preparing domestic legislation to give effect to any negotiated arrangement and/or to prevent legislative lacunas arising

If the UK is to remain within any unitary and/or harmonising regime, the legislative arrangements for the UK's exit from the EU and the UK's ongoing relationship with the EU will need to facilitate this. This could, for example, be achieved by restricting the scope of the Great Repeal Bill to defined areas of the law not including those which will remain in force, or by enacting UK legislation to give effect to and enable ratification of any agreement reached with the EU (which may involve the CJEU continuing to have jurisdiction covering the UK in such matters).

If the UK is to exit any unitary regime when it exits the EU, then as discussed above, the UK Government will need to prioritise the passing of domestic legislation to facilitate as smooth a transition into national regimes as possible. As a minimum, this should address the areas identified in this section by the numerals b., c. (block exemptions), g., h., i., and k., as discussed above (to the extent the UK will not, following Brexit, remain within any of these regimes).

What will be required in respect of the proposed UPC and UP system will depend upon its status at the date of the UK's exit from the EU and any agreement(s) reached in respect of the system and the UK's ongoing participation (or not) in it following Brexit. If the UK does not remain within the system upon Brexit, the simplest approach from the perspective of the UK, in terms of legal certainty, commercial certainty for stakeholders and legislative burden, would be for the UK simply not to ratify the UPC Agreement. In any event,

achieving clarity in this area should be a priority for the UK Government.

In addition, if the UK is to exit the harmonising regime for SPCs when it exits the EU, the availability of SPCs covering the UK should be preserved by the preservation of the *acquis*. In addition, in the course of time and to the extent the UK is outside the relevant harmonising regime, the UK would also be well advised to consider whether amendments should be made to national regimes in the areas identified by the numerals e. (limitations on the effect of a patent), m., n., o., p., q., and r. above, to reflect policy and other national considerations arising as a consequence of Brexit and the UK's ongoing relationship with the EU.

### *Conclusion*

For the UK Government and the Civil Service, the task of achieving an orderly Brexit is unprecedented. UK lawyers are well placed to assist the UK Government in preparing considered and appropriate draft legislation. Representative groups have made commendable strides to assist in this respect, and must continue the dialogue with the UK Government. The UK Government (and the UK IPO) should likewise continue to draw upon the expert resource that exist within the UK's legal sector, requesting, where appropriate, extensive advisory and drafting assistance.

The success of UK plc in the coming decades will be influenced considerably by decisions and enactments made in the next two years. Within the constraints of the wider legal framework, let us work together to make sure that the decisions and enactments in respect of intellectual property are the right ones.

Ailsa Carter and David Barron, Gowling WLG, 13 July 2017

## PATENTS

### European patent reform

As in all recent years, the unitary patent and Unified Patent Court (UPC) dossier has been among the Federation's highest priorities in the last 18 months, following the long-awaited agreement between the

European Parliament and Council in late 2012 which resulted in the unitary patent and language Regulations being adopted in December 2012, and signature of the UPC Agreement on 19 February 2013.

The dossier continued to move forward smoothly during the first half of 2016, with first Finland, then Bulgaria, joining the list of countries which had ratified, bringing the total to 10 (one mandatory ratifying country, France, plus nine of the required 10 others). Additionally, steady progress was made in a number of other countries, notably including in both the two remaining mandatory ratification countries, the UK and Germany. Other important milestones included adoption of the rules on court fees (including the zero fee for the opt-out) and the handover of the IT system by the UK to the team in Luxembourg. Then came 23 June and the UK's decision to leave the EU. This was of significance to the UPC project, of course, due to the widely held view that participation in the UPC was strictly limited to EU states.

The Federation published its first reaction to Brexit on 18 July 2016 in Policy Paper 8/16, which included these comments about the UPC:

- We support the Unitary Patent (UP), and the Unified Patent Court (UPC) with the UK participating on the current terms, including the location of the branch of the Central Division in London.
- Without a guarantee of continued UK participation post-Brexit, the UK should not ratify the UPC at present. We consider that ratifying the UPC to bring it into effect and subsequently being forced to leave the system would bring an unacceptable amount of uncertainty to industry across the UK and EU.
- Further, certainty is required to ensure that the UK's ratification would not threaten the validity of the UPC.
- The involvement of non-EU, European Patent Convention Contracting States in the UPC (e.g. Switzerland, Norway) would be a potential advantage to industry, and it may be advantageous for the UK to promote this.
- If the UK cannot or does not wish to participate in the UPC, we would prefer to see the minimum of amendment to the UPC Agreement

(i.e. to remove the UK).

In the immediate aftermath of the referendum, the work of the Preparatory Committee continued and other countries continued toward ratification (indeed the Netherlands completed its process within days - taking the total non-mandatory countries who had ratified to the crucial 10), but more importantly, some commentators expressed the view, contrary to previous consensus, that it may be possible for the UK to continue participation in the UPC post-Brexit. The IP Federation decided to aid this debate by contributing (together with CIPA and some IPLA firms) to the funding of an opinion from counsel specialist in EU constitutional matters, Richard Gordon QC (and a junior, Tom Pascoe). This opinion concluded that subject to appropriate steps being taken, the UK could indeed continue as a participant in the UPC. Nonetheless, the political uncertainty as to the UK's involvement inevitably disrupted progress. Pressure mounted from other countries for the UK to make a decision and plans were discussed for the UPC to proceed, if necessary, without the UK. To the surprise of many, the UK announced on 28 November 2016 that it would ratify the UPC, albeit without any announcement as to the plans for long-term participation (post-Brexit).

The UK announcement was followed immediately by renewed steps toward UK ratification and also a re-start of the German process. Importantly, the Preparatory Committee announced (on 16 January 2017) a new timetable leading to the UPC opening for business in December 2017.

In the light of this, the IP Federation revised its Brexit policy statements on the UPC in PP 1/17 (published on 20 January 2017) to concentrate on the long term participation issues. The relevant comments read as follows:

- 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.

- 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.

Hence 2017 began with the dossier appearing to be progressing smoothly once more, with various practical steps being taken, leading to the Preparatory Committee holding what was stated to be its final meeting in March, and Italy joining the list of non-mandatory countries, thereby adding a further large economy to the system. The IP Federation therefore turned attention to practical preparations for the start of the system and in particular the sunrise period for opt-outs. This ultimately led the Federation to writing to the Chair of the Preparatory Committee, Alexander Ramsay - see PP 5/17 dated 14 June 2017.

Meanwhile the EPO was progressing its preparations - and these are now well advanced - for technically implementing the unitary patent, including new forms, a new (searchable) register for unitary patent protection, and renewal fee payment arrangements. In order to promote a smooth transition it is understood the EPO is considering the possibility of an EPO sunrise period, allowing early requests for unitary effect, perhaps three months before the official UPC start date.

In the interim, however, there was a seemingly minor delay in the submission to the Westminster and Holyrood Parliaments of draft secondary legislation to enact the Protocol on Privileges and Immunities which the UK had signed in December 2016 and laid before parliament without opposition in January 2017. The delay would have been of no consequence had it been possible to lay these draft SIs as was latterly scheduled for 24 April. However, this plan was defeated by the announcement on 18 April that the UK would hold a General Election on 8 June. This left scarcely enough time post-election to enable the UK to ratify the UPC Agreement prior to

the summer parliamentary recesses. Further, the start of the Provisional Application Phase, crucial to the start of the system on 1 December, and planned to start late May was also jeopardised. Moreover, by then insufficient other countries had approved the Provisional Application Phase Protocol, such that on 7 June the Preparatory Committee admitted defeat and formally announced that the 1 December 2017 start date was being abandoned, with no replacement date being announced.

The re-election of the same UK Government (albeit with a reduced majority) was fully expected to result in the UK immediately resuming its ratification timetable, and hence complete the process this autumn. Indeed, this remains the position, with steps having been taken in late June to re-start the process once again and in early July formally to approve the start of the Provisional Application Phase.

However, on 12 June a more serious impediment to UPC start-up came to light. It transpired that on 31 March 2017, a challenge to the legality of Germany acceding to the UPC had been filed, including a request for an interim injunction to prevent the adoption of the relevant German legislation. As a result, the German Constitutional Court (the BVerfG) had advised the German President on 3 April not to sign the UPC Agreement. No information is currently known about the challenge, not even the identity of the challenger, or the timescale for resolution of the interim injunction application. This move effectively stalls the whole process, especially because it also in effect prevents Germany from agreeing to the start of the Provisional Application Phase. Lack of clarity as to a potential start of the Provisional Application Phase also makes planning that phase difficult (notably the interviewing of some 234 candidate judges) and hence will extend its duration and mean an even greater delay overall.

The timetable going forward is therefore highly uncertain. At the optimistic end of the spectrum, the challenge could be dismissed within weeks or less such that Germany could permit the Provisional Application Phase to start almost

immediately. Then taking into account the timetable for UK ratification and a slightly extended Provisional Application Phase, one could foresee the UPC starting as early as May 2018, and the sunrise period for opting out in January 2018. At the other end of the spectrum, the challenge could succeed, leading to an uncertain period of further delay while the constitutional position is resolved, for example by re-passing the UPC ratification legislation or even passing a suitable constitutional amendment. Such a process could add many months to the UPC start up and prejudice its commencement

prior to the UK leaving the EU, which would add a new level of complication.

Hence, the future of the UPC may be thought to remain as uncertain as it seemed on 24 June 2016, albeit for very different reasons. However, the optimistic end of the spectrum remains more likely, and the IP Federation remains committed to supporting the project and continued efforts to resolve the important matter of the UK's long-term participation.

Alan Johnson, Bristows LLP, 11 July 2017

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## European Patent Office update

The IP Federation continually engages with the European Patent Office (EPO) to provide input on consultations relating to implementing regulations, ancillary regulations to the European Patent Convention (EPC) and procedures of the EPO. The Federation maintains ongoing working relationships with EPO representatives including holding meetings with the President and Directors throughout the year.

### *Establishment of the Board of Appeal Committee and appointment of the president of the Boards of Appeal*

In June 2016 the Administrative Council of the European Patent Organisation decided to establish the Boards of Appeal Committee (BOAC) and appoint a president of the Boards of Appeal (CA/D 6/16 and CA/D 7/16). The BOAC is a subsidiary body of the Administrative Council for monitoring the independence, efficiency and performance of the Boards and for giving opinions on the Boards to the President of the Office, the Administrative Council and the president of the Boards.

Carl Josefsson was appointed president of the Boards in December 2016 and took up the post in March 2017. The Boards themselves relocate from the Isar building in Munich to the nearby town of Haar in the summer / autumn of 2017.

### *EPO early certainty initiatives*

The EPO continued to expand its "early certainty" initiatives beyond the search and examination procedures to the opposition procedure. Since July 2016 the

EPO has aimed to achieve an average duration of opposition proceedings of 15 months. This is achieved by reducing time limits for submissions, substantially precluding extensions of time and contracting the written procedure.

### *Online XML filing format*

The EPO receives approximately 95% of all new patent application filings online, and almost all are filed in PDF format. In processing these cases the EPO employs optical character recognition (OCR) to create an XML working copy of an application. This process is considered inefficient and error-prone. Furthermore, the electronic Druckexemplar increasingly employed by the EPO in recent years is often based on such OCR documents and the burden of confirming the accuracy of every single character in such a Druckexemplar prior to grant falls on the applicant.

The EPO is now embarking on a wholesale shift towards electronic-only filing in an XML format, specifically, "Office Open XML" (ISO 29500:2008). Such a format can be generated by popular word processors such as Microsoft Word (.docx format). The EPO plans to accept electronic filings only in XML format from 1 April 2018.

### *EPO fee payment improvements*

The EPO has implemented numerous improvements to electronic fee payments since November 2016. There is now earlier visibility of deposit account replenishments which can now be visible one day after receipt by the EPO



(previously this took 2-3 working days). Also, debit orders can now be revoked only in part - e.g. per fee code - and not only in full. When debiting fees in the event of insufficient funds, partial debiting can now take place in ascending order of fee code as far as funds allow. Previously the EPO would only debit if funds were available for all fees relating to an application.

Additional changes are also being made to fee payments. In future the EPO will accept debit orders filed online only using the available online tools (EPO Online Filing, EPO CMS, EPO Online Fee Payment and ePCT). Debit orders filed on paper, fax or by web filing will not be accepted.

To address situations where electronic payment means fail, the EPO will accept credit card payments from December 2017. Payments must be made in Euros and can be made by MasterCard or Visa. Payments by credit card are limited to a single application - there can be no

batching of applications into a single payment. Credit card payments will be made via a new "Payment Portal" accessible on the EPO website.

#### ***Application of Rule 134 EPC for failure of electronic filing means***

Rule 134(1) EPC provides for an extension of a period in the event that documents filed by electronic means cannot be received. The EPO has confirmed that Rule 134(1) EPC also serves to extend periods expiring when the electronic filing means such as EPO CMS are not available. However, the EPO considers that Rule 134(1) EPC does not apply to situations where electronic filing means are unavailable for only a number of hours. There is also no discrimination of the time of day of the unavailability - such as the end of the day constituting a last opportunity to effect a filing on a given date.

Scott Roberts, 25 July 2017

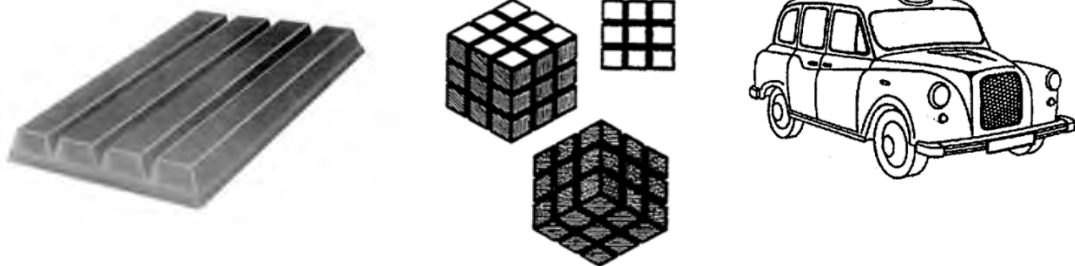
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## TRADE MARKS AND DESIGNS

### The shape of things to come?

What do a black cab, a four-fingered chocolate bar and a colourful puzzle have in common? Apart from all being useful when suffering a long Underground delay,

the answer is that they concern trade marks for the shape of a product that have been subject to negative decisions in the UK / EU in the last year.



Source: EUIPO

In each case, UK or EU shape marks have been found invalid. In the taxi case, marks for the shape of the famous black cab were found invalid by Arnold J both for lack of distinctive character and because they consisted exclusively of a shape which gave substantial value to the goods. In the Kit Kat case, Arnold J referred a number of questions to the CJEU, was not satisfied by the response (a whole article could be written on that saga alone), but ultimately rejected the

UK mark on the basis that a significant proportion of the relevant class of public must perceive the goods as being from a particular undertaking *because of* the sign in question as opposed to any other trade marks present and, in his view, Nestlé had not met that threshold. In both the taxi case and the Kit Kat case, Arnold J concluded that consumers identify the goods by other marks present (word marks, logos, emblems) above shape.

Interestingly, in a separate cancellation action on a similar mark to the UK 3D Kit Kat mark (an EUTM with minor differences), the General Court found that Nestlé had provided sufficient evidence to demonstrate that the shape mark possessed acquired distinctiveness in a number of EU member states, including the UK. This is an interesting departure from the UK position. Ultimately, this was not enough to show distinctiveness throughout the EU, but this was down to a deficiency in the number of EU member states that were covered by the evidence presented rather than the strength of the country-specific evidence.

The UK case then went to the Court of Appeal, which was made aware of the General Court's position on the UK evidence presented for the EUTM. Kitchin LJ responded to this by stating that this was not binding on the court (being a finding of fact on a different mark). However, he then proceeded to reject it on the basis that:

*The General Court took into account the results of surveys having questions in the form of the first survey which the hearing officer found to be so seriously flawed as to render it wholly unreliable. Secondly, there are many passages in the decision of the General Court which suggest that, contrary to the decision of the CJEU, it regarded recognition and association of the mark with Kit Kat as being sufficient to establish distinctiveness.*

Interestingly, one of the main justifications in the judgment for finding a lack of acquired distinctiveness was that "the shape of the KIT KAT bar [had] not been used to promote or market KIT KATs in recent times" and that therefore, it had nothing "to do with the informed choices that consumers make between similar products". This seems to narrow the ways in which consumers can interact with and are educated about brands and contrasts with the General Court's position that distinctive character can be acquired "when the product is consumed", without a need for the shape to be "visible at the time of sale".

Finally, the Rubik's cube case was decided by the CJEU at the end of last year on the basis that this shape was

invalid for technical function, rejecting the previous decision of the General Court to the contrary. It found that the essential characteristic of a shape must be assessed in light of the *actual goods* and not an abstract shape. In a rather circular argument, the court stated that the fact that it was registered for the broad specification of "3D puzzles" cannot preclude an examination of the actual goods represented for functionality, otherwise it would cover any 3D puzzle with cubes, regardless of how it functioned. There is no guidance given as to how you go about examining the actual goods compared to the abstract shape represented. If the proprietor marketed a cube with the identical appearance to the sign but with no rotating capabilities, then it seems logical that the mark would not be invalid for technical function. The sign itself does not vary in this example (ignoring the question of whether it is still a puzzle) and so surely the owner should retain the right to such an abstraction, provided it meets the other criteria of the regulation. In another line of argument, it seems likely that the external form of the Rubik's cube could take a variety of shapes with the same function. If this is indeed the case, can it be said that the sign exclusively consists of a shape necessary to obtain a technical result?

Trade marks are necessarily abstract to some extent because they have to be represented on a register (of course, in a manner fulfilling the Sieckmann criteria) and with goods / services specified therein. A trade mark register exists to inform competitors and consumers of what rights exist in a given field with sufficient certainty. If factors beyond what appears on the register need to be considered then a lot of that certainty is eroded. Finally, most shapes will involve some technical function. If you delve too deeply into actual use then there is a risk that the technical elements are emphasised and that a sign may be found to exclusively consist of a shape necessary to obtain a technical result when it would likely fall short of this if considered without a primary focus on the object.

Overall, the recent trend is not a favourable one for shape marks - and it is notable that these are cases concerning some of the more iconic shapes for

products in their respective fields. Why does this trend matter? Many argue that other IP rights (copyright, designs) can offer similar protection and do not have the same scope to be perpetual as trade mark rights. However, trade mark rights are of course only perpetual if renewed and protected, and only ever in relation to the goods for which they are registered. Secondly, it is clear that areas such as copyright and design offer important protection for the shapes of products, but these are rights focused on protecting different elements of the underlying products. The purpose of copyright is to reward authors for their independent creation of original works and the purpose of registered designs is to reward creators of a design that possesses individual character with a patent-like monopoly over its design for a given period. Both of these rights are derived from the point of conception and cannot generally be developed over time. For trade marks, the key is that the sign denotes the origin of the product to consumers; it becomes more about how the end-user interacts with the right. Rather than necessarily arising at the conception of a brand, this can take years to cultivate and reinforce. This is particularly true for shapes, which sometimes have less inherent distinctiveness and may have to acquire distinctiveness in the minds of consumers over time. This takes investment (both creative and financial) and sustained efforts to foster.

It is well established that shape marks can be of significant importance to proprietors (and their rivals!), and the mere fact that the cases highlighted above are so fiercely contested demonstrates this to some extent. However, what is more often neglected is the importance of such brands to consumers. Consumers use brands to identify products that they value and build up trust in, and numerous studies indicate that consumers identify and react to elements such as form and colour much faster and more instinctively than they respond to words. Furthermore, consumers often interact more directly with the shape of a product and in so doing build up an appreciation of its aesthetic qualities, all of which inform their understanding of the brand it signifies. Yet it is undoubtedly easier to secure a

registration for a word mark than for the more immediately visual elements. To a large extent, this makes sense, as there is often an inherent tension between the functional elements of a shape and its ability to denote origin, either through its intrinsic distinctiveness or as acquired over time.

Furthermore, it is perhaps not surprising that we do not have a clear legal position on shape marks given that they are a far more youthful concept than traditional marks and less tangible in their nature, but the cases above almost verge on being critical of the shape mark's place in the trade mark family. The idea that other (traditional) trade marks present can effectively overrule a shape mark seems a precarious line to go down: most products have a number of marks present (e.g. a brand name, a corporate mark and a logo), and there is little sense that having a hierarchy for these is helpful for the consumer or indeed that certain marks blind consumers to others. If a significant proportion of the relevant public, by virtue of that mark, identifies the goods or services concerned as originating from a particular undertaking, then surely it does not matter whether reliance is reached. *Kitchin LJ* does agree with this to some extent in the Court of Appeal decision on *Kit Kat*: "I accept that it is not necessary to show the public have relied upon the Trade Mark. Such is clear from the decision of the CJEU." However, he does then continue to say that reliance can have a part to play to demonstrate distinctness for a mark which is inherently non-distinctive. Overall, the basic test becomes complicated and we reach a landscape where much is dependent on semantics (recognise / because of / associate / rely / perceive / identify).

Clearly, the scope of trade mark rights has to be carefully managed from a policy perspective given that they can offer perpetual protection and a balance needs to be achieved. However, the irony is that the basic interaction of consumers with the shape marks does not seem to be the focus in these cases. As to how this may progress, Brexit is clearly looming for the UK, and it will be interesting to see if the existing divergences in the approaches of UK and EU courts on shape marks separate further

after it. In addition, we are all aware of the pending removal of “capable of being represented graphically” from the basic definition of a trade mark under the revised trade mark directive (which is due to be transposed into UK law before Brexit). It is possible that this will open up registers to a wider variety of non-traditional applications with a greater flexibility shown to examining them, but

then again it may change nothing for shape marks and there is a danger that, if the courts continue to treat them narrowly, that the standing of non-traditional marks may actually decrease.

*The views expressed in this article are entirely the author's own.*

Thomas Hannah, GlaxoSmithKline plc, 29 June 2017

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## Designs update

### *Designs and Copyright Committee*

The IP Federation Design and Copyright Committee has been resurrected, following a 10-year hiatus.

The time is right to resurrect the Committee.

It is an important time for design rights in the UK - the uncertainty posed by Brexit is a particular concern for IP Federation members, a significant proportion of which currently rely on Registered Community Designs (RCDs) and Unregistered Community Designs (UCDs) to protect their designs in the UK.

It is hoped that the newly re-formed Committee can continue the good work done by previous incarnations of the Committee.

### *Brexit for Designs*

Brexit has - unsurprisingly - dominated the UK designs agenda in 2017.

The IP Federation's position on Brexit vis-à-vis design rights was considered in policy paper PP 3/17. This built on the general Brexit policy position expressed in earlier policy paper PP 1/17.

Broadly speaking, the Federation's position in relation to design rights is that the status quo should be maintained as far as possible on Brexit, certainly until such time as there has been the chance to carry out a full review of designs law in the UK.

### **Registered Designs**

Of key concern to members of the IP Federation are the transitional provisions relating to existing RCDs in the UK.

Absent any suitable transitional provision, RCDs will irrevocably lapse in the UK.

The Federation has consistently advocated automatic entry of all existing RCDs on to the UK Register at the time of Brexit. This is analogous to the so-called “Montenegro” option put forward in relation to EU Trade Marks - see PP 2/17.

The benefits of “Montenegro” to Federation members (and rights holders, generally) are clear: low cost, low risk, low complexity.

### **Unregistered Design Rights**

The area of unregistered designs rights presents a particular challenge in the light of Brexit. Rights holders currently enjoy UCD protection in the UK, but UCD will cease to have effect in the UK following Brexit.

The debate on the right direction to take in relation to UDRs in the UK has been diverse, both in terms of the nature of the stakeholders and the views put forward.

### *New 'hybrid' UDR?*

There have been efforts, notably on the part of ACID but also by others, to promote the idea of replacing the existing UK unregistered design right (UK UDR) on Brexit with a new ‘hybrid’ unregistered design right. Essentially, the new ‘hybrid’ design right would mirror the scope of the UCD (and hence bring unregistered design rights more into line with the scope of registered designs in the UK), but would also borrow the longer 15-year term of protection which currently exists for UK UDR.

The IP Federation has cautioned against any rush to create such a 'hybrid' right, on the basis that it would blur the line between registered and unregistered design rights in the UK. Federation members have expressed concern that effectively narrowing the gap between unregistered and registered rights in this way could negatively impact the take-up of design registration in the UK, which would reduce legal certainty both for rights holders and third parties.

#### *UCD versus UK UDR*

It has been clear from several of the stakeholder meetings attended during 2017 that, in some sectors of the UK design industry, the UCD is viewed as a more valuable right than the UK UDR. The fashion industry is one notable sector of the UK design industry, in particular, which values the UCD over the UK UDR. (This should not come as a surprise: UK UDR does not, of course, protect surface decoration.)

The IP Federation has been keen to stress to the UK IPO, and others, that this negative view of UK UDR is not shared universally across UK Industry and that the UK UDR remains a valuable right which provides some protection for designs not otherwise protectable by way of copyright, registered design or UCD.

Consequently, the Federation has been clear in its opposition to the abolition of UK UDR on Brexit, regardless of the circumstances. The message is that to abolish UK UDR would be to deny rights holders some of the useful protection that they currently enjoy in the UK.

#### *Two-prong approach*

When it comes to UCD in the UK, the majority of IP Federation members have expressed the view that UCD is not seen as an especially important IP right and that the impact of losing UCD in the UK would be limited. Nonetheless, the Federation recognises the genuine and valid concern in certain sectors about the loss of UCD in the UK.

How then might the loss of UCD in the UK be mitigated?

The IP Federation response on this issue has been to advocate the creation of a new, UCD-style unregistered design which

would sit alongside the existing UK UDR in the UK. The new UK right could (and should) mirror the existing UCD exactly, such as is required only to preserve the existing right in the UK until such time as a full review of UK unregistered design law is undertaken. This two-prong approach to unregistered designs in the UK would effectively maintain the status quo vis-à-vis unregistered design rights in the UK - to the benefit of those stakeholders which currently rely heavily on UCD in the UK.

#### *Consultation on unregistered design rights*

One area of broad consensus among stakeholders - including between the IP Federation and ACID - has been on the critical need for detailed, formal consultation on any proposed changes to the status quo on unregistered design rights in the UK.

There is some debate about the preferred timing of any consultation. The Federation has advocated that any such consultation should be undertaken *after* Brexit, away from the pressures of the Brexit negotiation. Other stakeholders see some benefit in running a formal consultation *ahead* of Brexit.

Even before the General Election was announced this year, it was difficult, frankly, to see how the UK IPO could have realistically fitted a full, formal consultation exercise in on the proposed timeline. It seems reasonable to assume that the announcement of the General Election, if anything, compounded the problem.

In any event, it is not clear whether the Department for Exiting the European Union (DExEU) would sanction any such consultation.

At the time of writing, no consultation has yet been announced.

#### *Criminal sanctions - unregistered design rights*

One of the unwelcome consequences of the Brexit process is that it appears to have prompted a renewed drive by ACID to revisit the issue of criminal sanctions for infringement of unregistered design rights in the UK.

We have been here before. The issue was

considered in policy paper PP 1/14. IP Federation opposition to this has been restated firmly in Brexit policy paper PP 2/17. The Federation stance is unchanged on this issue. The arguments are as relevant now as they were in 2014 - and many of the arguments are as relevant to UCD as they are to UK UDR.

Clearly, this is an area of concern for the Federation and one which will need to be monitored closely.

#### *A tricky juggling act*

The UK IPO undoubtedly faces a challenge in trying to balance the interests of different stakeholders in the area of designs. This is made more difficult still by the lack of clear evidence on many of

the issues, for example the 'value' contribution to the UK design industry of UK UDR or UCD.

It may be some time until we see clearly the shape of things to come. Nevertheless, there are positive signs that the UK IPO is serious about trying to strike a balance which takes into account the reasonable concerns of UK Industry - as represented by the IP Federation - in the area of designs, and it is clear that the Federation will have a significant role to play in shaping the new order.

New members welcome on the Committee!

Simon Forrester, Dyson Legal, 30 June 2017

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## OVERSEAS ISSUES

### The Trump Administration and International Policies on Intellectual Property

Donald Trump's campaign slogan was "Make America Great Again," which included halting unfair trade practices by other nations that hurt U.S. businesses. On November 21, 2016, President-elect Trump released a video of his policy plans for the first 100 days of his Administration, including to "restore our laws and bring back our jobs." One of those plans affected U.S. intellectual property rights: his plans to withdraw from the Trans-Pacific Partnership agreement. Instead, he stated that the U.S. would negotiate "fair bilateral trade deals." Mr. Trump has also repeatedly indicated that China has been committing unfair trade practices that have been burdening U.S. commerce.

This article will describe: (1) the scope of unfair trade practices relating to intellectual property and their impact on U.S. commerce; (2) the actions the Administration has taken or is considering during its first 195 days; and (3) the impact on the current state of the leadership of the U.S. Patent and Trademark Office.

#### *Scope of Intellectual Property Theft*

In February of 2017, the Associated Press (AP) published an article headlined "Counterfeit Goods Cost the U.S. \$600 Billion a Year." The headline may have

overstated the impact because the study AP was reporting on, issued by the private Commission on the Theft of American Intellectual Property, found that *annual* losses from intellectual property theft range from \$225 billion to \$600 billion. The largest component of those numbers was theft of trade secrets, accounting for 80% to 90% of the totals, with counterfeit goods and pirated software comprising the remainder. That report stated that China (including Hong Kong) was the source of 87% of the counterfeit goods that were seized entering the United States. The report also claimed that the Chinese government encourages the theft of intellectual property.

These estimates are consistent with the 2016 estimate that set the value of the intellectual property stolen by China at \$360 billion, and the 2015 estimate by the Office of the Director of National Intelligence that stated the annual cost of economic espionage by computer hacking was \$400 billion.

#### *What Actions Has This Administration Taken or Considered?*

In its first 195 days, although intellectual property has not been a top priority, this Administration has taken or at least

considered some actions.

### 1. Trans-Pacific Partnership Agreement

On January 23, 2017—the fourth day of the Administration—President Trump signed an Executive Order formally withdrawing the United States from the Trans-Pacific Partnership (TPP) agreement negotiations. The TPP is a fair trade agreement involving 12 countries that have at least one border on the Pacific Ocean (including the U.S., Canada, and Mexico, but excluding China). The TPP includes several intellectual property provisions, with several provisions relating to patents and would have made intellectual property rights for foreign and domestic owners more similar to each other. The TPP also includes stronger enforcement mechanisms for intellectual property owners, as well as dispute resolution procedures. The 11 remaining members have indicated that they hope to have a final version of the TPP in place by the end of 2017.

### 2. NAFTA

On July 17, 2017, the United States Trade Representative (USTR) released a summary of its objectives for the renegotiation of the North American Free Trade Agreement (NAFTA). NAFTA is a trilateral free trade agreement between and among Canada, Mexico, and the United States and it went into effect on January 1, 1994.

The USTR's goals for the renegotiations of NAFTA include eliminating "burdensome restrictions on intellectual property." The United States' view of NAFTA includes such provisions as strong mechanisms for enforcing intellectual property rights, swift implementation of the World Trade Organization (WTO) Agreement on Trade-Related aspect of Intellectual Property rights (TRIPS), and elimination or prohibition of distinctions between protections of domestic and foreign intellectual property rights.

In addition, the USTR's goals include protection of intellectual property rights that barely existed when NAFTA was originally signed. These new provisions include protections for new technologies relating to digital trade and works distributed over the Internet.

Finally, the USTR has a stated goal of

including provisions in the renegotiated NAFTA that would prevent government involvement in cyber theft and piracy.

It is unclear whether the Trump Administration intends for these goals to form a framework for the bilateral free trade agreements that the President-elect described in his November 21 video. It is noteworthy, however, that the USTR's stated goals do not appear to require any change to the Mexican or Canadian laws. In addition, the U.S. has not accused either of those countries' governments of encouraging or being involved in intellectual property piracy or cyber theft.

### 3. Section 301 of the Trade Act of 1974

Although companies have long complained that Chinese companies stole their intellectual property and technology, complaints have increased in recent years when the government of China began insisting on disclosure of proprietary technologies in exchange for the right to operate in China, sometimes referred to as a "forced technology transfer." On August 2, 2017, it was reported that the Trump Administration was considering the use of Section 301 of the Trade Act of 1974 to take action against China, in the form of economic sanctions.

Section 301 places very broad powers in the U.S. Trade Representative. The USTR's official description of Section 301 reads:

Section 301 of the Trade Act of 1974 provides the United States with the authority to enforce trade agreements, resolve trade disputes, and open foreign markets to U.S. goods and services. It is the principal statutory authority under which the United States may impose trade sanctions on foreign countries that either violate trade agreements or engage in other unfair trade practices. When negotiations to remove the offending trade practice fail, the United States may take action to raise import duties on the foreign country's products as a means to rebalance lost concessions.

The text of Section 301 is even broader, giving the USTR the right to take actions "that are within the power of the President with respect to trade in any goods or services, or with respect to any other area of pertinent relations with the

foreign country” if the USTR finds an “act, policy, or practice of a foreign country” is “unjustifiable and burdens or restricts United States commerce.” (19 U.S.C. § 2411) With respect to intellectual property rights, the law defines “acts policies and practices that are unreasonable” to include any acts, policies or practices which deny “fair and equitable . . . provision of adequate and effective protection of intellectual property rights notwithstanding the fact that the foreign country may be in compliance with the specific obligations of [TRIPS].” The law further defines “adequate and effective protection of intellectual property rights” to include “adequate and effective means under the laws of the foreign country for persons who are not citizens or nationals of such country to secure, exercise, and enforce rights and enjoy commercial benefits relating to patents, trademarks, copyrights and related rights, mask works, trade secrets, and plant breeder’s rights.”

The law also defines “acts, policies and practices that are unreasonable” relating to intellectual property to include any acts, policies or practices that deny “fair and equitable . . . nondiscriminatory market access opportunities for United States persons that rely upon intellectual property protection.” The law defines “denial of fair and equitable nondiscriminatory market access opportunities” to include restrictions on “market access related to the use, exploitation, or enjoyment of commercial benefits derived from exercising intellectual property in protected works or fixations or products embodying protected works.”

Because the U.S. does not have a free trade agreement with China, it is unclear whether the allegations of a “forced technology transfer” would fall within the purview of the WTO. The USTR’s website describes the WTO as providing a “formal (binding) dispute settlement process for members to address trade practices that fail to comply with commitments in the contest of the WTO.” The USTR also points out that the U.S. is very familiar with WTO proceedings because the U.S. has been involved in over 2/3 of the 300 cases brought before panels of the WTO. Note that, even if the U.S. does not proceed with an action against China in the WTO forum, but instead proceeds

with sanctions pursuant to Section 301, China could bring an action against the U.S. under the WTO procedures.

Further developments will occur as the two nations try to work through their trade differences.

#### *Impact on the United States Patent and Trademark Office (USPTO)*

The Trump Administration has many open positions in cabinet or cabinet-level agencies, at the level of Deputy Secretary or Under Secretary / Assistant Secretaries—although all 22 Secretaries / agency heads have been confirmed by the U.S. Senate. In other words, as of July 20, 2017, of those 210 positions, 33 had been confirmed by the Senate, 63 had been nominated or announced, and 114 (54%) have no announced candidates.

One of those open positions is the Director of the USPTO, in light of the former director, Michelle Lee, leaving the agency on June 6. The following day, the Commerce Department elevated Joseph Matal as the Interim Director (an Interim Director does not require Senate confirmation). Mr. Matal had been with the USPTO for five years. Prior to joining the USPTO, he had served as the General Counsel of the powerful Senate Judiciary Committee for former Senator (and current U.S. Attorney General) Jeff Sessions. Mr. Matal received a bachelor’s degree from Stanford University and a law degree from University of California at Berkeley.

According to speculation in the media, two individuals are being considered as Director. One is Andrei Iancu, a managing Partner of the law firm Irell & Manella LLP, where he obtained large settlements for TiVo Corporation against several large technology firms, totaling more than \$1 billion. He previously worked at Hughes Aircraft Company as an engineer. He received a bachelor’s degree in aerospace engineering, a master’s degree in mechanical engineering and a law degree—all from UCLA, where he currently serves as an adjunct professor to the law school.

The second individual is Phil Johnson, who was a Partner at the law firm of Woodcock Washburn LLP and then joined Johnson & Johnson to become Chief IP Counsel and Senior Vice President of In-



lectual Property at the company. He retired from Johnson & Johnson in February of 2017. He has a bachelor's degree in Biology from Bucknell University and a law degree from Harvard.

On August 3, 2017, the Senate did confirm one intellectual-property-related position: Intellectual Property Enforcement Coordinator, frequently referred to as the "IP czar." The position was created as a result of a 2008 law, and is intended to serve as the chief advisor to

the President on enforcement and to coordinate on the intellectual property efforts of the U.S. Department of Justice, USPTO, and Office of the U.S. Trade Representative. The new IP czar is Vishal Amin, who has long worked in Congress and in the White House, including as Senior Counsel for the House Judiciary committee.

Paul Keller and Sue Ross, Norton Rose Fulbright US LLP, August 6, 2017

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## IP FEDERATION BIOGRAPHIES

### ***James Hayles, President.***



James is a qualified UK and European Patent Attorney with nearly 30 years of experience of IP work gained in private practice, Fisons plc and Pfizer Limited. He has represented his employers on both the patent committee and Council of the IP Federation for many of those years. His career has mostly been spent in the pharmaceutical field, obtaining and defending patent protection for new products globally. He gained a first degree in chemistry with biochemistry from Oxford University in 1987, and an LLM in IP litigation from Nottingham Trent University in 2009.

He was President of the IP Federation from 2010 to 2012.

In his spare time, James enjoys spending time with friends and family, walking, cycling and sailing.

### ***Carol Arnold, Immediate Past President***

Carol is a UK Chartered Patent Attorney; a European Patent Attorney; and also an Associate Member of the Institution of Chemical Engineers. She has over 30 years of experience in patents, having joined the patent profession directly after gaining a degree in Environmental Chemical Engineering from the University of Exeter. Carol represented Shell on the Council of the IP Federation from 2008 to 2016, and in the past few years also served as Chair of the IP Federation patent committee.



Carol has worked on a range of subject areas in the oil products, refining, pharmaceuticals, chemicals and agrochemicals sectors, and has lived and worked in both the UK and the Netherlands.

Carol is a trustee of the charity Through the Roof, with particular responsibility for Wheels for the World (which restores and distributes wheelchairs and mobility aids overseas). She also enjoys spending time with friends and family, travelling, playing field hockey and singing.

**James Horgan, Vice-President**



James is a UK Chartered Patent Attorney and European Patent Attorney, and has a Masters in IP litigation. He has over 20 years of experience in patents, having joined the patent profession directly after gaining a degree in chemistry from the University of Oxford. James has represented Merck Sharp & Dohme (MSD) on the Council of the IP Federation since 2013, and previously served on the IP Federation patent committee. He is an inaugural industry member in the IAM list of the World's 300 Leading IP Strategists.

James has worked on a range of subject areas in the pharmaceutical and biotechnological sectors. He is also a member of the IP Committees of BusinessEurope, the European Federation of Pharmaceutical Industries and Associations (EFPIA) and the International Federation of Pharma-

ceutical Manufacturers & Associations (IFPMA). He lives and works in the UK.

In life outside MSD, he is an active Christian and a member of an evangelical church. James also enjoys teaching science to his daughter, exploring England and reading good books.

**David England, Company Secretary**

David joined the IP Federation as Secretary in June 2010. He is a UK and European Patent Attorney with 25 years of experience gained at Reckitt & Colman, Astra Pharmaceuticals and BTG International. During his career, he has

worked extensively on the creation, defence and licensing of intellectual property (mainly patents, but also designs and trade marks), and has represented his employers on both the Patents and Designs Committees of the IP Federation.



In his spare time, David sings with the highly regarded BBC Symphony Chorus, performing regularly at venues including the Barbican and the Royal Albert Hall.



## **Presidents of the IP Federation** (formerly the Trade Marks, Patents and Designs Federation)

1920-1930	Mr Gerard Clay
1930-1935	Mr John McDowell
1935-1947	Mr J. James
1947-1957	Mr W. W. Wigginton
1957-1966	Mr L. A. Ellwood
1966-1971	Mr Fyfe Gillies
1971-1973	Mr M. F. Coop
1973-1975	Mr J. M. Aubrey
1975-1977	Dr J. T. Tyson
1977-1979	Dr H. Aspden
1979-1981	Mr Ralph Walter
1981-1983	Mr D. O. Lewis
1983-1985	Dr J. L. Beton
1985-1987	Mr P. Orton
1987-1989	Mr T. N. Gibson
1989-1991	Mr D. H. Tatham
1991-1993	Dr R. F. Fawcett
1993-1995	Mr G. W. White
1995-1997	Mr F. N. Blakemore
1997-1999	Miss E. M. Cratchley
1999-2001	Mr J. M. Pollaro
2001-2003	Mr R. G. Broadie
2003-2005	Dr Michael Jewess
2005-2007	Dr Mike Barlow
2007-2008	Mr Tim Frain
2008-2010	Dr Roger Burt
2010-2012	Mr James Hayles
2012-2014	Dr Bobby Mukherjee
2014-2016	Mrs Carol Arnold
2016-2017	Mr James Hayles



## 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  
Cummins 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  
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  
The Linde Group  
UCB Pharma plc  
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Registered Office 5th floor, 63-66 Hatton Garden, London EC1N 8LE

Email: [admin@ipfederation.com](mailto:admin@ipfederation.com) | Tel: 020 7242 3923 | Web: [www.ipfederation.com](http://www.ipfederation.com)

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