

COLUMN

Brain Drain?

How Brexit may affect intellectual property rights in Europe.

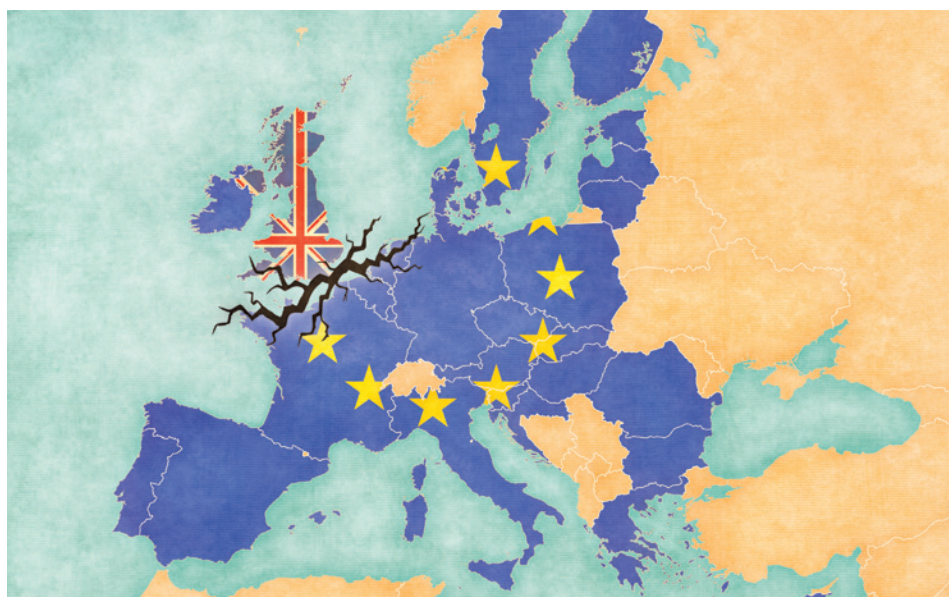
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The U.K.'s vote to leave the European Union (EU), now referred to as Brexit, will have a significant impact on intellectual property laws in the U.K. and thereby affect U.S. companies doing business there and throughout the EU. Theresa May, who replaced David Cameron as the U.K.'s prime minister in July, will make it her priority to administer the U.K.'s exit from the European Union. As she stated: "Brexit means Brexit ... there will be no attempts to remain inside the EU. No attempts to rejoin it by the back door. No second referendum. The country voted to leave the European Union, and as prime minister, I will make sure we leave the European Union."

Although EU IP laws will continue in effect for at least another two years, and possibly longer (depending on when the U.K. formally submits a notification under Article 50 of its intent to leave the EU), companies should be mindful of the following anticipated changes in securing and maintaining their IP rights.

EU and Unitary Patents, and the Unified Patent Court System

At present, patent applicants may seek protection for their



inventions in the U.K. either by filing a national patent application at the U.K. Intellectual Property Office or by filing a European patent application at the European Patent Office (EPO). Brexit will not affect the U.K.'s participation in this existing European patent system since this system is governed by the European Patent Convention, an agreement that is independent of the EU.

However, this is not the case for the EU's proposed unitary patents and Unified Patent Court (UPC) system. The proposed unitary patents were an attempt to centralize the patent registration process

and reduce the cost and complexity of obtaining patents in Europe. The UPC system was designed to harmonize the enforcement of unitary patents across the EU in a single specialized court (with several locations around the EU).

This system, which was on course to take effect in May 2017, will not extend to the U.K. after Brexit because full membership in the EU is a condition to participation. Thus, a separate national patent (filed either directly in the U.K. or filed as a European patent and then validated in the U.K.) will be required. Moreover, because the U.K. is one of the three countries that must ratify

the UPC agreement for it to come into effect, and was also a required signatory to the agreement, this system is likely to be delayed significantly, maybe by years. The situation is further complicated by the fact that London was one of the three locations to host the central division of the UPC.

EU Trademarks and Registered Community Designs

EU trademarks were established by EU legislation. Accordingly, in the absence of any established legislation addressing the viability of EU marks, EU trademarks likely will no longer cover the U.K. after Brexit is completed. EU trademark owners will possibly be able to rely on transitional provisions (yet to be determined), which will enable them to obtain separate U.K. coverage based on existing EU trademark rights. However, the U.K. trademark office may ask for proof of use before EU trademarks can be refiled in the U.K.; unlike the EU trademark applications, a U.K. trademark application requires the applicant to declare either that the mark is in use or that the applicant has a bona fide intention to use the mark in the U.K. Hence, Brexit may force trademark owners to separately establish the requisite use or intent to use in the U.K. in addition to their trademark use elsewhere in the EU.

Trademark enforcement is likely going to be affected as well. An

infringement in the EU and the U.K. will force a trademark owner to bring two lawsuits: one before an EU trademark court and one before a U.K. court, which will increase the cost of IP enforcement.

Agreements

It is hard to predict the Brexit effects on existing IP agreements. It is advisable to review such agreements to identify any potential issues, e.g., whether to identify the U.K. separately from the EU, whether any termination rights may be triggered, and whether these licenses or other agreements cover the EU or specific EU laws and, if so, whether they should be amended to reference the U.K. or U.K.-specific laws. At a minimum, it should provide for the eventuality in license agreements that licensed rights such as EUTM's or registered or unregistered community designs might be converted in part into national rights to which the license will continue to apply.

Copyrights

Since copyright is still largely a national matter with each EU country setting many of its own laws, it is not expected that significant changes will take place for at least the next two years, and probably much longer, especially since the international treaties to which the U.K. is a signatory, such as the Berne Convention and the WIPO Copyright Treaty, will remain in effect. Obviously, there

may be some impact on areas of copyright that have been harmonized across the EU, but this will depend on the country's separation agreement with the EU.

The greatest impact is likely to be seen with respect to the EU efforts relating to its Digital Single Market initiative, the EU's most significant copyright reform, which revolves around geo-blocking, cross-border content licensing, platform liability and copyright exceptions. Such efforts may not get implemented in the U.K., at least not initially. Although no immediate action is needed at this time, U.S. companies doing business in Europe should begin preparing for the U.K.'s eventual exit from the EU, by addressing the potential intellectual property issues that are likely to arise to ensure maximum protection going forward.

This may include separately filing for EU and U.K. patent and trademark protection, considering whether marks should be used in the U.K. to establish the requisite use for an EUTM, auditing existing IP agreements to specifically identify the U.K. laws, and budgeting for increased costs associated with IP enforcement.

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