

Brexit and International IP: Changes are Coming

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Surprising many commentators and pundits, the UK voted to exit the European Union. That exit raises questions as to whether IP filings made through the European offices will continue to provide protection in the UK during and after the exit process. While changes are coming, the good news is that the exit process will take a long time to finalize, during which the status quo should be maintained. During that process, we believe existing European IP filings will continue to be enforced in the UK. So, while it is important for IP holders to watch this issue, no immediate action is needed. For some time, IP holders have taken advantage of centralized filings in Europe. Trademarks could be protected across Europe by filing a single application in the European Union International Property Office (formerly OHIM), and patent applicants could file a single application in the European Patent Office. As the UK prepares to exit the European Union (EU), IP holders who require protection in the UK must evaluate whether prior European filings will remain sufficient to protect them in the UK, and whether, going forward, they should file separately in the UK in addition to filing in the European IP offices. As to patents, little is likely to change for most clients. The European Patent Office (EPO) is not an EU institution. It was created as a result of a separate treaty (the European Patent Convention). A country can be part of the European Patent Convention, without being an EU member (the commonly cited example is Switzerland). As to patent applications filed through the EPO, little is expected to change with respect to enforcement in the UK. The UK's status will simply be similar to that of Switzerland. However, things may change more dramatically with respect to the new Unitary Patent and Unified Patent Court. This relatively new development in European patent law, an EU creation, is intended to create a single enforcement mechanism for patents across European countries. The exit's impact on the unitary patent movement is unclear. But, given its nascent state, there is likely to be little or no practical impact for most clients. Clients that hoped to take advantage of the unitary patent will, however, be well advised to continue with separate UK filings or EPC filings while the uncertainty created by Brexit works itself out. Regarding trademarks, changes are likely, but not for some time given that the exit process is expected to take several years. Holders of Community Trade Mark (CTM) and international registrations that designate the CTM/EU in lieu of the UK are still able to enforce those registrations in the UK during the exit

process. Once the exit is complete, it is unclear how it will impact the enforceability of such registrations in the UK going forward. The UK could pass legislation that converts preexisting CTM registrations into UK national registrations (no doubt with a fee), thereby preserving rights in the UK for those registration holders. Likewise, the international authority could add a designation for the UK to any registration that previously designated the EU. Only time will tell how such issues play out. But the mechanism is less important than the result—that former CTM and international registrations will remain enforceable in the UK until the exit is finalized. There are strong policy reasons to ensure that result. Given the uncertainty created by the Brexit vote, we expect many clients will consider filing separate applications in the UK and in the EU International Property Office going forward (or designating both the EU and the UK in international applications). That approach is safer given that this situation is unprecedented. Whether it ultimately proves necessary remains to be seen. Clients with upcoming filings in Europe will thus have to balance the importance of the filing to their business with the additional cost of a national UK filing going forward. For clients that consider the UK an important market for their products or services, filing UK-specific applications is likely the best approach. Last, IP harmonization and related laws across Europe are likely to suffer. Over time it is likely that UK law regarding issues such as privacy, database rights, trade secret protection, etc. will develop more independently. This could lead to inconsistencies that require attention in licensing agreements and enforcement strategies. In addition, choice of law and choice of venue clauses in contracts implicating IP issues will need to be reviewed as this situation develops, particularly given that the enforceability of decisions by UK courts in EU countries, and the enforceability of decisions of EU courts in the UK will be changing. We will continue to monitor this situation and its impact on our client's filings and regulatory concerns. If you have questions about how Brexit might impact your European IP protection, please contact us so that we can assist. In the meantime, clients should:

- Review their current trademark filings in Europe and determine which are likely to raise enforcement concerns in the UK;
- Consider national UK filings for upcoming trademark applications;
- Carefully review any license agreements with impacts in the UK to determine if clauses in those licenses relying on EU remedies, or defining territory based on EU membership, need to be amended;
- Evaluate choice of law, choice of venue, and remedies clauses in any license or similar agreement with parties in the UK or the EU;
- Analyze license agreement royalty calculations to determine how royalty streams are likely to be impacted by changes in taxes or duties for items sold in, or exported from, the UK; and
- Review any applicable enforcement decisions that contemplate pan-EU remedies.

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