

## Consequences of „Brexit“ for your IP



### Übersicht / Zusammenfassung

- 1. The United Kingdom voted for the „Brexit“ – but that does not mean any short-term Changes**
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- 2. EU Trade Marks and EU Design Rights**
  - After the effectivity of „Brexit“, EU IPR will no longer be valid in the UK – there will most likely be transitory provisions for this problem
- 3. European Patents based on the EPC**
  - They are not affected, since the EPC is independent of the EU
- 4. European Unitary Patents**
  - EU unitary patents will not be valid in the UK
  - Start date of the unitary patent system will most likely be delayed due to the „Brexit“
- 5. IP Agreements (License Agreements, Coexistence Agreements, etc.)**
  - Action required: Effects on IP agreements need to be reviewed on a case-by-case basis
  - „Brexit“ should already be taken into account for new or currently negotiated agreements
- 6. Effects on the Exhaustion of IP Rights**
  - EU/EEA exhaustion of IPR will no longer apply to the UK after „Brexit“, and vice versa; possible solution by EFTA/EEA accession of the UK
- 7. Conclusion: “No Panic” but “Be Aware”**

### 1. The United Kingdom voted for the „Brexit“ – but that does not mean any short-term Changes

As you are surely aware, the British people voted to leave the European Union (the so-called “Brexit”) in a referendum held on 23 June 2016.

**Important: Irrespective of this vote in the referendum, the UK still remains a member state of the EU for the time being. European law and European IP rights (such as e.g. EU trade marks and EU design rights) remain in force until the withdrawal of the UK from the EU actually becomes effective.**

The separation of the UK from the EU therefore does not happen with immediate effect, but in accordance with the procedure for the withdrawal of an EU member state from the Union set forth in Art. 50 of the Treaty on the European Union (TEU). First, the British government will have to inform the Council of the EU officially that the UK wishes to withdraw from the EU. Following that, the EU and the UK will negotiate the terms and timeline in a withdrawal agreement (Art. 50 (2) TEU). The withdrawal becomes effective later in accordance with the provisions and the exit date negotiated in this agreement, but in any case no later than two years after the official withdrawal request, unless this deadline is extended. **Only after this exit date the EU treaties and**

## EU law will cease to apply to the leaving member state.

From a legal perspective – particularly concerning the applicability of European law in the UK – nothing will change in the near future until the actual date of efficiency of the withdrawal in the next two years (perhaps also later). It is also likely that special transitory or transformation provisions for European IP rights securing their (continuous) effect in the UK will be negotiated in the course of the withdrawal agreement with the UK.

As a consequence, there is currently no need for rushed decisions concerning IPR protection and strategy for the UK. Nevertheless it is of course important to understand the mid- and long-term implications of the “Brexit” on the IPR and IP strategy of your company, and what to take into account in the future. Therefore we have summarized the most important effects of the “Brexit” on your IP in this UPDATE.

## 2. EU Trade Marks and EU Design Rights

EU Trade Marks (formerly: Community Trade Marks) are based on the EU Trade Mark Regulation (EUTMR) and are valid in the whole European Union. So far these trade marks also encompass the UK. The EUTMR, however, is entirely silent on the case that a member state leaves the EU.

According to Art. 1 (2) EUTMR an EU trademark has “equal effect throughout the Union”. The same problem exists for registered Community Design Rights (RCDs): They are also effective in the whole EU and the Community Design Right Regulation also does not contain any provisions on the withdrawal of a member state from the European Union. As a consequence, the protection of an EU Trade Mark or RCD would basically cease with effectivity of the withdrawal of a member state from the EU. This would result in a loss of rights for IPR owners and thus with a gap of their IPR protection in the territory of the exiting member state.

This radical result would surely be unwanted by both the EU and the UK. Therefore we assume that the EU and

the UK will negotiate about special provisions for EU IPR in the withdrawal agreement to avoid or reduce such IPR gaps. For example, they may introduce the opportunity to split off national British IPRs with the same content and priority from existing EU Trade Marks or RCDs. A model for such provisions could be Art. 112-114 EUTMR, which allow for a conversion of an EU Trade Mark into national trade marks under certain circumstances now already.

Accordingly, we currently do not see a need for owners of EU Trade Marks to apply for national British trademarks as a precaution. In our opinion, it is rather advisable to wait and monitor the developments of the withdrawal negotiations. We will in any case inform our trade mark and design right clients well ahead of the effectivity of the “Brexit” about the then available options and will advise them which road to take.

## 3. European Patents based on the EPC

European Patents based on the European Patent Convention (EPC) are not affected by the withdrawal of the UK from the European Union. The EPC is a separate treaty independent of the EU membership of the UK – or its withdrawal. It remains in force in the UK even after the “Brexit”. Accordingly, patent protection in the UK can be obtained by validation of European Patents under the EPC through the European Patent Office still after the withdrawal of the UK from the EU, and existing validations in the UK will remain in force.

## 4. European Unitary Patents

The European unitary patent system (officially: “European patent with unitary effect”) and the respective court system, however, are affected by the British withdrawal from the EU. The unitary patent is, like the EU trade mark, an EU-wide, unitary IP right that is effective in all member states. Accordingly, a unitary patent cannot be protected in the UK after the “Brexit”. Furthermore, decisions by the Unified European Patent Court will also not be binding in the United Kingdom.

Since the unitary patent system has not even entered into force yet, there will – contrary to EU trade marks

and design rights – probably be no transitory provisions for unitary patents concerning the UK. It is rather likely that the “Brexit” will delay the start date of the whole unitary patent system, which was planned for 2017. The unitary patent system can only become effective after ratification of the respective treaty by at least 13 EU member states, among them Germany, France and the UK, since they were the three states with most validations of European Patents when the agreement on the unitary patent system was concluded. Accordingly, either Italy has to replace the UK as the third obligatory ratification state or the unitary patent agreement has to be amended to reflect the “Brexit”. Either scenario would probably delay the start date of the unitary patent system substantially: Italy has not even initiated the ratification procedure yet and a potential amendment of the agreement would also require additional time of several months, if not years.

Furthermore, the withdrawal of the UK from the EU will most likely also prevent the establishment of a section of the Court of First Instance of the Unified Patent Court in London: It obviously does not make sense to set up an EU institution like the above-mentioned court in a country that has decided to leave the European Union and will cease to be a member state of the EU in the foreseeable future.

#### Further Information:

Up-to-date information on the unitary patent system and the Unified Patent Court can be found e.g. on the website of the European Patent Office (EPO) at <https://www.epo.org/law-practice/unitary/unitary-patent.html>

## 5. IP Agreements (License Agreements, Coexistence Agreements, etc.)

It is not possible to say in general whether the „Brexit“ has any effect on IP-related agreements such as e. g. license agreements, coexistence agreements etc. concerning the UK. The new situation rather requires an individual assessment of all IP agreements covering, at least inter alia, the territory of the United Kingdom.

For example, a license granted for the whole territory of the EU could be interpreted as excluding the UK after the “Brexit” since the UK will then cease to be part of the territory of the EU. Problems may also occur if an EU trade mark is explicitly licensed for the UK because an EU trade mark as such will not be protected any longer in the UK after the withdrawal from the EU and thus technically cannot be licensed for the territory of the UK anymore. Other contracts like e.g. the licensing of a national UK trademark for the territory of the UK may not be affected by the “Brexit”.

Once the affected agreements are identified, a legal review would have to be made in a second step to assess whether the consequences of the “Brexit” for the agreement could be remedied by a supplementary interpretation of the contract or whether an amendment is required in order to reflect the new situation. In some cases, and under certain circumstances, one of the parties may even be entitled to an amendment based on frustration of the contract (e.g. under Sec. 313 of the German Civil Code in German law). However, since this depends on the individual wording and content of the contract, potential need for action can only be identified by an individual assessment of the potentially affected IP agreements.

#### Important:

- Existing IP contracts concerning (inter alia) the UK should be reviewed for potential effects of the “Brexit” well in time before the effectivity of the withdrawal of the UK from the EU for possible amendment requirements. We are happy to help and support you in this regard.
- New contracts or contracts that are currently negotiated should be adapted to the forthcoming withdrawal of the UK from the EU now already if they concern (inter alia) the territory of the UK.

## 6. Effects on the Exhaustion of IP Rights

The withdrawal of the UK from the EU may also have effects on the exhaustion of IP rights. Exhaustion means that goods first brought on the market by the IPR owner

or with his consent in the EU or the EEA (currently: the EU and the EFTA states Norway, Iceland and Liechtenstein) may be traded within the EU or EEA freely without the IPR owner being allowed to prohibit such free trade invoking his IP rights concerning the goods (e.g. trade marks, patents, etc.) – these rights are “exhausted” within the territory of the EU and EEA.

Once the UK leaves the EU, this exhaustive effect will no longer apply to the territory of the United Kingdom. As a consequence, any import (also: re-import or parallel import) of goods into the EU / EEA that have been first brought on the market by the IPR owner in the UK may infringe upon the IPR owner’s IP rights if not done with the express consent by the IPR owner, and vice versa. Accordingly, the “Brexit” will create a trade barrier concerning goods protected by IP rights between the UK and member states of the EU and EEA as it currently exists between the EU / EEA member states and non-EU / EEA states.

We assume that the UK may try to resolve this problem by accessing EFTA and becoming a member of the EEA that way. However, further developments in this regard are yet unclear.

## 7. Conclusion: „No Panic“, but „Be Aware“

From an IP perspective, the result of the “Brexit” assessment is: “No panic”, but “be aware”. There is no need for immediate, acute or rushed action. For the near future the IP situation still remains the same, even after the “Brexit” vote in UK. However, for new and currently negotiated IP contracts concerning (inter alia) the UK, the new situation should already be taken into account. Apart from that, it is in our opinion sufficient to review the existing IP contracts for potential amendment needs and to keep an eye on the negotiation of transitional provisions by the EU and the UK well in time before the effectivity of the withdrawal from the EU. We will be happy to advise and support you in this regard.

### Contact Persons:

If you have questions or would like to have further information on one of the topics please contact

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This UPDATE is just a selection of recent court decisions and developments concerning the discussed topics. It serves general information purposes only and can under no circumstances replace specific consulting in individual cases. If you have questions relating to the legal issues discussed in this UPDATE – or relating to any other fields of law – please contact your contact person at VON BOETTICHER or please refer to the person named as “contact person” above.

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