

AIPPI Brexit Seminar: Some constitutional, contractual and jurisdictional aspects of Brexit

Jonathan Moss
25 July 2016



Article 50 – to lodge or not to lodge?

- Current QC Opinion count in the Times: 4 – 2
- Court hearing in October
- “All such rights, powers, liabilities, obligations and restrictions **from time to time created or arising by or under the Treaties**, and all such remedies and procedures from time to time provided for by or under the Treaties, as in accordance with the Treaties **are without further enactment to be given legal effect or used in the United Kingdom shall be recognised and available in law**, and be enforced...” s.1 ECA 1972
- Even if mechanism requires Parliament, is still a political question of triggering it

Monist vs. Dualist

- Monist systems are those under which international treaties become effective directly under national law – e.g. Germany
- Dualist systems require national implementation – e.g. the UK

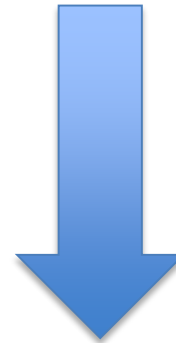
Non – IP  Hague Convention on Choice of Court Agreement 2005

IP  TRIPS

Jurisdiction post Brexit

5 Obvious Options for Jurisdiction rules:

1. Brussels recast stays
2. Lugano Convention
3. Lugano Convention (updated)
4. Brussels Convention 1968
5. Common Law



Flexibility

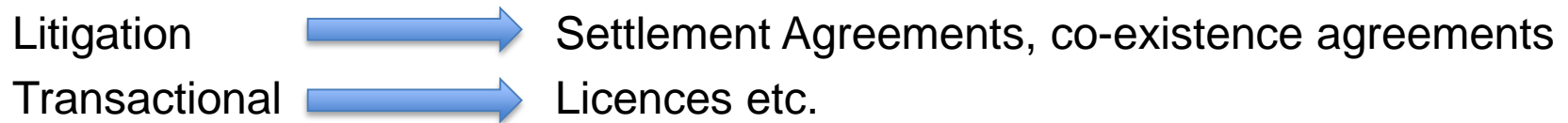
Territorial IP infringement – will always be here

Brussels Recast Current Position for Third Party Jurisdiction Clause

- USA and German companies enter into contract
- Exclusive jurisdiction clause in favour of New York
- This falls outside Art 25(1) of Brussels Recast which says MS's should respect exclusive jurisdiction clauses of *other* MSs
- *Owusu* tells us that as German company, German Court has jurisdiction under Art 4 (domicile) and *forum non conveniens* is irrelevant
- New Art 34(1) sets up international *lis pendens* but only uses the word may when saying if MS Court will decline foreign court first seised

What can be done?

Why is this relevant to IP?



- What about a contractual poison pill?
 - Clause stipulating that issuing proceedings in a Member State leads to a liquidated damages sum. Such sum tied to cost of enforcing in that jurisdiction.
- A new termination provision?
 - Class the above conduct as being a material breach.

Clever ideas?

- Could now get anti-suit injunctions post Brexit
- Use *Lucasfilms* to litigate every EUIPO torpedoed case (as validity cannot be in dispute)
- Enforcement – sign up to the Hague Convention on Choice of Court Agreement 2005
- Enforcement is, to a certain extent, a red herring, but much beloved of the Continental legal commentariat

Trade Marks

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- The UKIPO is in “listening mode”.
- The EUIPO is also in “listening mode”.
- This is our opportunity to consider and shape the future.
- The guiding principle is “reasonable expectations”. There are various possibilities to consider.

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- July is the same as early June in terms of practice and law – but not in terms of expectations.
- We do not know exactly what will happen, or when.
- REGREXIT is not impossible, in some form : or a negotiation which keeps the status quo as far as EUTMs are concerned. That would require movement by the EUIPO and the UKIPO.
- This evening we will be considering the more likely options.
- There are over a million registered EUTMs (1.2) and so this will be a significant process.

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- First option: the UK unilaterally decides to honour EUTMs as if we were still in the EU. “Jersey model”.
 - Problems – does that mean an EUTM can be asserted against a later UK application?
 - – does that mean a UK mark can be asserted against a later EUTM application?

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- Second option: the EUTMs divide into EUTM and UKTM, and all UKTMs are automatically brought onto the UKIPO register.
 - Problems – what of the marks which were refused in the UK at a very high level but which were accepted by Alicante?
 - What if the Registrant does not want UK protection?
 - Consider a Part B of the Register?

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- Third option: EUTMs break into EUTM and UKTM, and the Registrant is asked if he wishes to revalidate his registration in the UK. Simple stamp.
 - Problems – if there is a right to revalidate - what of the marks which were refused in the UK at a very high level but which were accepted by Alicante?
 - Consider a Part B of the Register?

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- Fourth option: EUTMs break into EUTM and UKTM, and the Registrant is asked if he wishes to revalidate his registration in the UK. Simple stamp but the UKIPO reserves the right to refuse.
 - Problems – uncertainty? Reasonable expectation?

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- Fifth option: EUTMs break into EUTM and UKTM, and the Registrant is asked if he wishes to convert his registration into the UK. Current conversion process applied – full examination as at application date (or priority or seniority date) of EUTM. Not every mark will be accepted for its full specification.
 - Problem – is that fair? Does the “reasonable expectation” change when the conversion is involuntary?
 - What would it cost?

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- Sixth option: EUTMs break into EUTM and UKTM, and anything with a UK seniority claim is automatically re-registered without examination, as-at the UK original date, for the goods/services of the UK original registration.
 - Problem – complicated?

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- Timing. Should there be a single transition date?
- Or break at renewal, ie at the next step making this a gradual process (with possibility for adjustments to the process)? NB the 2026 spike is distant.

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- PS. Not forgetting .eu domain names.

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Thank you

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Designs

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Designs

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- Registered Community Designs (RCD)
 - UK Registered Designs (UKRD)
 - International (Hague) Designs
 - Unregistered Community Design Right (UCDR)
 - UK Unregistered Design Rights (UKUDR)
- 

Registered Designs

- Approximately two-thirds of a million RCDs have been registered.
- Approximately two-thirds of those still in force.
- Approximately 20,000 RCDs registered with deferred publication.

- High degree of conformity between RCD and UKRD in:
 - Definition of “design”.
 - Novelty and Individual Character requirements.
 - Exceptions due to technical function, ‘must-fit’ and morality grounds.
 - Scope of protection.
 - Grounds of invalidity.
 - No prior art examination

Designs

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- RCD and UKRD systems currently co-exist.
- Therefore, in theory, would seem relatively straightforward to 'extend' or 're-register' RCDs into the UK post-Brexit.

'Extend' option

- The UK could agree to simply extend protection of RCDs to the UK.
- Would there be an immediate cost?
- Who would be paid renewal fees?
- Where could invalidity actions be brought?

'Re-register' option

- The UK could allow proprietors to re-register RCDs as UKRDs.
- What would it cost?
- When? – on Brexit, during 'sunset' period, or at next renewal date?
- What about cases that at Brexit are deferred publication?

Some questions (I am sure there will be others):

- S 1B(6) - UK novelty/individual character exempts disclosures that could not reasonably have become known...to persons carrying on business in the European Economic Area.
- S 11ZA(1A) - UK invalidity action can be based on earlier filed, but unpublished, RCDs and International Designs.

Will these change?

International Designs

- Currently EU is a signatory to the Hague Agreement but the UK is not.
- May prevent some UK applicants from filing International Designs post-Brexit.
- UK to sign-up to Hague?

Unregistered Designs

- UCDR term is only 3 years.
- UCDR term triggered when “first made available to the public within the Community”.
- No nationality requirement for owner of UCDR. Therefore, post-Brexit, UK designers will still qualify for UCDR if they meet the requirement of “first made available to the public within the Community”.
- What will happen to subsisting UCDR at Brexit?

Designs

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- UKUDR term of 10-15 years.
- Qualifying requirement – either by person or country.
- S217 – qualifying country currently includes the EU. Will this change? If so, any transitional provisions for right holders that were in a non-UK qualifying country?

Designs

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Thank you

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AIPPI Meeting

UPC – Brief observations on Brexit

Daniel Alexander QC
8 New Square

Position of EU Commission

“Margot Fröhlinger, Principal Director for the Unitary Patent, European & International Legal Affairs, recalled that this project has been an **obstacle course from the beginning** and expressed her confidence that **with the support of the user community this ultimate hurdle can also be overcome**. She stressed that the work on the Unitary Patent and the Unified Patent Court was **far too advanced and has developed too much momentum for the project to come to a halt**”.

Position of President of the EPO

"There are a variety of good reasons for the UK to ratify the UPC Agreement, which is an international agreement. **I am convinced that with the support of the user community the right solutions can and will be found**".

Position of UPC PrepCom

- The work of the Preparatory Committee and the Select Committee is far advanced and expected to be completed before the end of the year...
- At this stage it is **too early to assess what the impact of this vote on the Unified Patent Court and the Unitary Patent Protection eventually could be.**
- This will largely depend on **political decisions to be taken in the course of the next months.** It has to be recalled that for the time being the United Kingdom remains a Member State of the European Union and a Signatory State of the Unified Patent Court Agreement.
- Pending more clarity about different possible scenarios the chairmen of the Preparatory Committee and the Select Committee are of the opinion that **the work dedicated to the technical implementation should continue to progress as envisaged, in accordance with the mandate of both Committees and in line with the clear wish of the user community to bring the Unified Patent Court and the Unitary Patent into operation as soon as possible.**

Judge selection proceeding

- 840 applicants - **40% from DE; 16% France; 13% Italy; 7% UK**, and 3% from each of Austria, Belgium, Denmark, the Netherlands and Sweden.
- 33% for legal judge; 62% for technical judge (others for either position).
- Proposal is to interview 280 applicants and appoint 45 legal and 50 technical judges in permanent positions, with another 45 legal and 50 technical 'reserve' judges.
- Aim to ensure technical and legal expertise in the UPC and a balanced composition on a broad geographical basis, including meeting the requirement for local nationality judges in the local divisions.

Participation by UK after Brexit

- Currently open to question;
- Diverse views expressed by commentators as to legality;
- Diverse views expressed as to desirability;
- Position of all various EU institutions not yet clear;
- Position of Member States not clear – and may have different interests;
- **NB:** position on ratification – currently UPC Agreement requires ratification by UK to come into force. Italy would be next largest country required to ratify if UK leaves.

Potential user community

- **IP Federation** – represents IP intensive companies in the United Kingdom...
- “They may be either plaintiffs or defendants in IP related court actions, here and elsewhere”.

AGCO Ltd, Airbus, ARM Ltd, AstraZeneca plc, Babcock International Ltd, BAE Systems plc, BP p.l.c., British Telecommunications plc, British-American Tobacco Co Ltd, BTG plc, Caterpillar U.K. Ltd, Dyson Technology Ltd, Eli Lilly & Company Ltd, Ericsson Limited, ExxonMobil Chemical Europe Inc, Ford of Europe, Fujitsu Services Ltd, 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 UK Ltd, Pfizer Ltd, Philips Electronics UK Limited, Pilkington Group Ltd, Procter & Gamble Ltd, Renishaw plc, Rolls-Royce plc, Shell International Ltd, Smith & Nephew, Syngenta Ltd, The Linde Group Limited, UCB Pharma plc, Unilever plc, Vectura Limited

Position of IPFederation

14 July 2016

“..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)...

NB: This is the position of the vast majority of our member companies, but not necessarily the position of one member company (Ericsson).”

Legality issues - CJEU Opinion C-1/09 on draft UPC Agreement

- Request to the Court for an Opinion pursuant to Article 218(11) TFEU, made on 6 July 2009 by the Council of the European Union.
- Hearing - 18 May 2010.
- Opinion - 8 March 2011.

Potential issues of interpretation of EU law

“...the international court envisaged in this draft agreement is to be called upon to interpret and apply not only the provisions of that agreement but also the future regulation on the Community patent and other instruments of European Union law, **in particular regulations and directives in conjunction with which that regulation would, when necessary, have to be read, namely provisions relating to other bodies of rules on intellectual property, and rules of the FEU Treaty concerning the internal market and competition law.** Likewise, the PC may be called upon to determine a dispute pending before it in the light of the **fundamental rights and general principles of European Union law, or even to examine the validity of an act of the European Union.**”

Concern for “full effectiveness” of EU law

“It must be emphasised that the situation of the PC envisaged by the draft agreement would differ from that of the Benelux Court of Justice which was the subject of Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013, paragraphs 21 to 23. Since the Benelux Court is a court common to a number of Member States, situated, consequently, within the judicial system of the European Union, its decisions are subject to mechanisms capable of ensuring the full effectiveness of the rules of the European Union.”

C-1/09 – procedural diversity

Note diversity of view in submissions: examples –

- The **Parliament and the Spanish Government** maintain, in essence, that the request for an Opinion is premature and that it is based on information which is incomplete and inadequate...
- The Parliament, for its part, also considers that, **since it was not consulted by the Council on the draft regulation on the Community patent, the principle of institutional balance has been compromised.**
- **Ireland**, while declaring that it supports the request for an Opinion, considers that the Court must satisfy itself that it has jurisdiction to give a ruling on that request, particularly in the light of the stage reached in the process of negotiation. The text submitted for the Opinion of the Court remains very much a working text which has not been agreed by all members of the Council.

C-1/09 - substantive diversity

- Ireland and the Greek, Spanish (in the alternative), Italian, Cypriot, Lithuanian and Luxembourg Governments consider that the draft agreement is incompatible with the Treaties.
- The Parliament, in the alternative, the Belgian and French Governments and the Commission, while considering that the draft agreement is, in principle, compatible with the Treaties, recommend that a number of alterations be made to the draft agreement.
- The Czech, Danish, German, Estonian, Netherlands, Polish, Portuguese, Romanian, Slovenian, Finnish, Swedish and United Kingdom Governments maintain that the draft agreement is compatible with the Treaties.

Opinion C-1/09

- "...the envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, **would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and the Court of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently,** would alter the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law.
- **The envisaged agreement creating a unified patent litigation system (currently called 'European and Community Patents Court') is not compatible with the provisions of the EU Treaty and the FEU Treaty."**

EU Law is supreme in the UPC Agreement

“The Court shall apply Union law in its entirety and shall respect its primacy” (Article 20)

Current initiatives

- HMG has started consultation on many issues. Round table with representatives held on 14 July 2016.
- It will be necessary to consult more broadly, because the UPC/UP with or without UK participation, affects undertakings in the UK, EU and elsewhere as potential claimants, defendants and as third parties (customers/suppliers etc.).
- It is also likely to be necessary to re-evaluate cost-benefit analysis, including for SMEs, and have clarity as to what is feasible as a matter of law.
- Several uncertainties = certainty of some delay.
- No clear view yet as to what is intended or timescale.

Foreign Affairs Select Committee report

“The previous Government’s considered view not to instruct key Departments including the FCO to plan for the possibility that the electorate would vote to leave the EU amounted to **gross negligence**. It has exacerbated post-referendum uncertainty both within the UK and amongst key international partners, and **made the task now facing the new Government substantially more difficult**.

The lack of contingency planning **inevitably means that the Government’s plans are tentative and just emerging**. We intend to examine these at the earliest available opportunity, including **how the Government plans to consult other interested parties** in the UK.”



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Brexit and IP

Data privacy, future EU IP reforms, exhaustion

Justin Watts, 25 July 2016



Data Protection and Brexit

Carry on ...

Data privacy and Brexit

- Commission challenged UK deficient implementation of 95/46/EC, and the law would be much further out of line if GDPR not implemented
- Some suggestions that UK may need Privacy Shield II post-Brexit, even if it adopts the GDPR, because of mass surveillance by GCHQ and current proposal to extend the UK's investigatory powers
- On the other hand
 - the European Commission has issued a positive finding of adequacy for Andorra, Israel and Uruguay
 - the UK has shown sustained commitment to data protection: signatory to Council of Europe's Data Protection Convention; Data Protection Act 1984 pre-dated any EU law; ICO led call for reform of 95/46/EC in 2009; UK supported the passage of the GDPR
 - ICO says "Having clear laws with safeguards in place is more important than ever given the growing digital economy, and we will be speaking to government to present our view that reform of the UK law remains necessary."

Data privacy and Brexit

“GDPR still relevant for the UK”

- Brexit likely to have limited effect on UK data protection obligations
 - GDPR takes effect 25 May 2018
- No change if UK remains part of the EEA
 - GDPR is a regulation with EEA relevance
- If UK leaves the EEA:
 - the GDPR will still directly apply to any businesses that offer goods/ services to EEA citizens or monitor their behaviour
 - UK likely to want positive finding of adequacy, which would require implementing GDPR*
 - And other solutions: Model Clauses; Binding Corporate Rules; Privacy Shield II?



Will the UK follow changes in EU IP law?

Most of the time, probably

Will the follow changes in EU IP Law?

- What will happen with the next generation of EU law reform?
 - Digital single market: copyright, digital contracts, geoblocking
 - Amendment to GIs, designs, SPC regime, trade secrets
- Within EEA – readily predictable
- Outside EEA - will there be a UK general “following” policy, or a pick-and-choose approach?
- National treatment
- Reciprocity
- Practicality and cost of different regimes
- Some initiatives we may want to follow, others not
 - satellite broadcasting directive
 - term directive
 - biotech directives
 - droit de suite

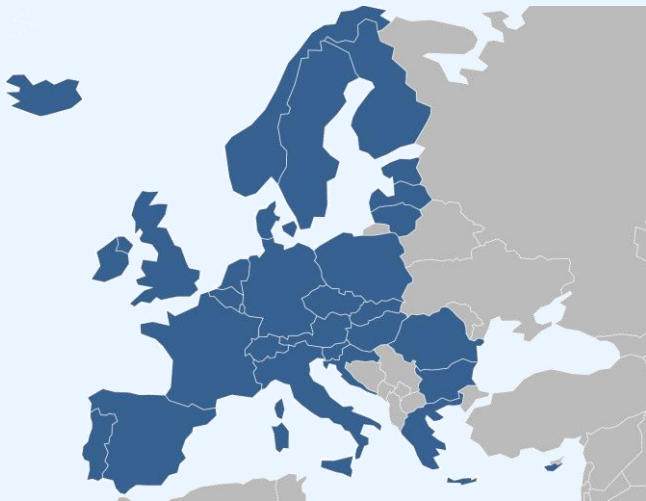


Exhaustion of Rights and Brexit

What does Brexit mean?

Exhaustion of Rights and Brexit

- EEA model
 - current free movement rules will be unchanged: IPRs exhausted on first marketing within the EEA
- Non-EEA model:
 - Rights holders can stop parallel imports into EEA from UK
 - UK: TBD – national, regional or international exhaustion?
 - Revert to old law, or new law?



Exhaustion of Rights in other non-EU Jurisdictions



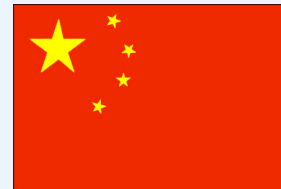
- International exhaustion applies to copyrights and trade marks
- Patent rights can be used, to a certain extent, to prevent grey market imports
- No concept of regional exhaustion of IP rights



- General rule of international exhaustion following an unconditional purchase
- A lot of legal creativity goes into setting up systems to allow opposition to grey goods



- No doctrine of international exhaustion in relation to patents
 - “the patentee’s authorization of and international first sale does not affect exhaustion of that patentee’s rights in the US”
- In principle, international exhaustion with regard to trademarks - Lanham Act is not a basis to prevent parallel imports



- Not clear whether an IP rights holder can prevent ‘grey market’ activities
- Guangzhou Intermediate People’s Court has previously held that trade marks were infringed when Lux Soap was imported to China via Thailand

Thank you

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