More clarity needed amid Brexit countdown

As the proposed date of the UK's departure from the EU looms ever closer, IP rights owners are still waiting for confirmation of the implications for them and details of the country's future relationship with the remaining 27 members. *WIPR* reports.

Just under two months at the time of writing from the proposed date of its exit from the EU, the UK's future relationship with the bloc remains far from certain. Prime Minister Theresa May has aimed to provide some assurances on the draft Withdrawal Agreement negotiated with the EU, but after UK lawmakers rejected that deal on January 15, 2019, the British government has until March 29 to renegotiate the deal or risk exiting the EU with no deal at all.

For IP rights owners, there are undoubtedly areas of concern and issues on which greater clarity is needed but in many respects the Withdrawal Agreement, as well as the guidance and policy statements issued by the British government clarifying contingency plans for a no-deal exit, has largely sketched out any future IP protection regime in the UK post-Brexit.

Although the fate of the Withdrawal Agreement lies in the balance, it seems that even if the UK and the EU strike a new deal, the provisions for IP will not be subject to dramatic change. This is the view of Peter Brownlow, partner at Bird & Bird law firm in London. The rejection of the Withdrawal Agreement has effectively left IP rights owners facing three potential scenarios: an IP regime broadly similar to what was outlined in the deal; a no-deal exit; or a second referendum.

Either way, Brownlow says, it is "pretty clear what will happen", particularly with respect to trademarks, which his practice focuses on.

"In the case of a new deal being negotiated with the EU, it is unlikely that the provisions for trademark protection outlined in the previous agreement will be renegotiated," he says.

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Trademark guidance

The guidance document issued by the British government in September 2018 confirmed that all existing EU trademarks (EUTMs) and registered Community designs (RCDs) will be converted at no charge into comparable UK rights after Brexit. There will be a nine-month period for businesses with pending EUTM and RCD applications to re-file them in the UK.

In the view of Kate O'Rourke, chair of the Brexit committee of the UK-based Chartered Institute of Trademark Attorneys (CITMA), this is a "good position" for rights owners. She maintains, however,

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that the British government should "do everything" to avoid a no-deal scenario.

O'Rourke and CITMA both favour as close an alignment with the EU as possible. Even if the terms of the Withdrawal Agreement are relatively favourable, O'Rourke's preferred options would be, first, to remain in the EU, or second, to pursue a Norway-style model which would allow British participation in European institutions such as the European Union Intellectual Property Office (EUIPO).

Flip Petillion, founder of Petillion law firm in Belgium, agrees that the UK should pursue as little divergence from EU regulation as possible.

"A second referendum would still be the preferred option for many in the sector," he suggests. In his experience, what clients want most is legal certainty.

Counterfeits

The area in which there is arguably the least certainty concerning IP rights is counterfeits.

Michael Hawkins, partner at Noerr in Alicante, Spain, says a no-deal Brexit would come as a blow to UK rights owners with respect to protecting their IP against counterfeits. In particular, he says, a no-deal exit could divert resources away from tackling counterfeits to more prominent issues in Brexit discourse such as customs and immigration.

Hawkins also warns that a no-deal departure could potentially signal an "abrupt end" to cooperation between UK and EU authorities on tackling counterfeits.

According to Hawkins, the current European Commission advice on no deal indicates that British rights owners' applications for action to tackle counterfeits would be invalidated in that scenario. This is a "draconian measure", he says, which endangers rights owners' ability to effectively protect their IP from the threat of counterfeits.

Many businesses worldwide make such applications through the UK owing to their preference to use the English language, he says. In the event of a no-deal exit, they may face the prospect of having to re-file these applications in other EU member states, placing an administrative burden in the way of tackling counterfeit goods infringing their IP.

Hawkins' concerns are shared by some British industry groups. Last November, the Medicines and Healthcare Products Regulatory Agency (MHRA) initiated a consultation with industry on contingency legislation to be introduced in the event of a no-deal Brexit. In its submission, the Association of the British Pharmaceutical Industry (ABPI) expressed concern about the protection for brand owners against counterfeit goods. In particular, the ABPI was alarmed by the prospect of the UK unilaterally revoking the European legislation behind the European Medicines Verification System (EMVS).

According to the ABPI, the gap in patient safety provision which would arise in this instance has been ignored by British government. In response to the consultation, the MHRA published further guidance on contingency plans for a no-deal exit in January 2019. The revised guidance, however, contained no information on counterfeits or the EMVS.

Brownlow offers a more optimistic outlook for brand owners. The EU offers strong IP protections that can be used by industries, including pharmaceutical companies, to protect their brands against counterfeiting, he says. Given that the UK has undertaken to convert EUTMs into equivalent UK rights, "all the rights and tools" are there for brand owners to adequately protect their rights. It is up to pharmaceutical companies, however, "to make sure they've taken the steps" to maintain the current level of protection afforded them by EU regulations.

A national or regional/European Economic Area (EEA) exhaustion regime would be the best option for the UK in terms of protecting IP rights, Hawkins says. Under a national exhaustion regime, IP rights for a product would expire in the UK once it has been placed on the British domestic market. Under a regional exhaustion system, these rights would be considered to have expired once the product was placed on sale anywhere in the EU.

In Hawkins' view, the adoption of an international exhaustion regime, which would apply the same principle on a global basis, by the UK post-Brexit would be a "bad move", particularly with respect to the protection against counterfeits. Weakening the IP regulations applied to these imports could potentially make the UK a target for counterfeiters, he says.

Can the uncertainty surrounding Brexit and its impact on IP rights be attributed to the impasse in the British government and the House of Commons? In many areas, the provisions for IP rights, even in a no-deal Brexit, are fairly secure for British rights owners.

"The policy statements coming from London planning for this contingency have not diverged from the Withdrawal Agreement," Hawkins says.

On the EU side, however, there remain "many questions still to be answered". The advice from the European institutions has, in Hawkins' view, been lacking. "The Commission has not produced much detailed guidance on what impact a no-deal Brexit would have on IP rights owners in the EU," he says.

potential scenarios face IP rights owners following the rejection of the EU Withdrawal Agreement: an IP regime broadly similar to what was outlined in the deal; a no-deal exit; or a second referendum

Parallel imports

On parallel imports, for example, the UK MHRA's guidance included clarification of the contingency plans for the regulation of parallel imports in the event of no deal. Medicines from the EU/EEA will still be able to be imported into the UK under a parallel import licence, provided the MHRA is satisfied they are equivalent to a reference product available on the British market.

This is not dependent on a reciprocal arrangement with the EU, leading to what Brownlow calls a "slightly unbalanced" situation. It is still unclear, therefore, whether a 'hard' Brexit would close the EU/EEA market to parallel imports from the UK.

Speaking to *WIPR*, Tania Clark, president of CITMA, says that a reciprocal commitment from the EU on trademark exhaustion would "be fair given the position adopted by the UK government and would maintain the status quo".

"In the current climate, however, such an undertaking by the EU is unlikely," she adds.

Hawkins notes that, for the Commission, producing a cohesive contingency plan to be applied across the 27 remaining member states is more difficult. Nonetheless, he says, it is "very important" for rights owners that they receive more clarity on what the future will hold should the UK exit without a deal.

Petillion shares a similar view. "All interested parties would benefit from a dedicated commissioner for Brexit to provide clarity on areas such as trademark exhaustion," he says. At the very least, a decision by an authority such as the Commission or the Court of Justice of the European Union is needed to provide clarity on the grey areas that remain, he adds.

Patents

With respect to patents, only a few areas of relevant UK legislation stem from the EU, and those that do will be converted into the British statute books. This includes the EU provisions for supplementary protection certificates (SPCs).

This area of EU law, however, could be undergoing a radical shakeup in the coming months. A major reform of the legislation is currently progressing through EU institutions. The proposal, known as the SPC manufacturing waiver, will allow manufacturers to produce generic and biosimilar versions of patent-protected drugs for export outside the EU. It will also permit the stockpiling of generics for two years prior to the expiry of an SPC for release onto the EU market.

The proposal is particularly controversial, with the European Federation of Pharmaceutical Industries and Associations, a body representing research-based pharmaceutical firms, consistently criticising the reform as a blow to IP rights in Europe.

The future of the manufacturing waiver with respect to British law is dependent on the conditions of the UK's exit from the EU. A UK IP Office (IPO) spokesperson told *WIPR* that "our current view is that the draft regulation on the SPC export waiver is likely to come into force before the end of the implementation period provided by the proposed Withdrawal Agreement".

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If this were to happen, the waiver would be incorporated into British law as part of the EU's SPC regulations.

If no deal has been ratified and the waiver has not been implemented by the EU before Brexit day, then it will "not form part of retained domestic law". The IPO did not rule out the possibility of the UK adopting a similar law, however.

"After the UK has left the EU, the UK will give further consideration in due course as to whether any changes to the UK SPC regime would be appropriate," the spokesperson said.

Although the Withdrawal Agreement and the government's guidance on a no-deal scenario have largely sketched out the UK's vision of its future IP regime, several key issues remain to be resolved on both sides. The future of the SPC waiver in the UK, as well as the country's anti-counterfeiting regime, will largely be shaped by policy decisions still to be made.

Meanwhile, rights owners in the EU, as well as UK businesses with interests in Europe, await further clarification from European institutions on what the future holds with respect to issues such as IP rights exhaustion.