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The effect of design space on patent grant and recognition for designs

Dr. Yongqiang Qi, Partner and Patent Attorney at Corner Stone, examines the latest judicial interpretation and what it means for design.

Protect against crises

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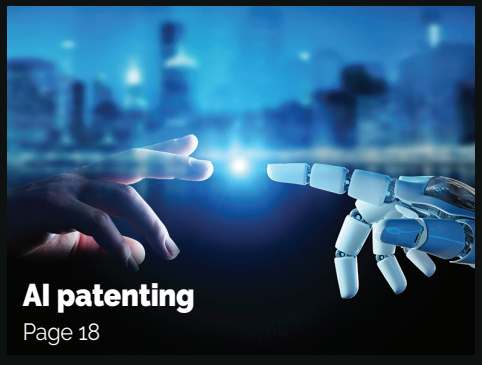

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CTC Legal Media

A no-deal Brexit: Britain at risk of becoming a "third country"

Vanessa Bélec, Patent Attorney at Fenix Legal, discusses the impact Brexit will have on patent owners' rights and why this is encouraging British companies to register their companies in Sweden.

The presence of British companies registered in Sweden becomes more and more apparent each day. There are many speculations trying to justify the reason for such a presence in Sweden. A probable reason seems to be that, in sight of a non-deal Brexit, British companies are trying to avoid being placed in the same category as a "third country" and as such avoid being subject to national rules of each EU-country which may lead to huge disadvantages in a number of aspects.

After the transition period ends in December 2020, a non-deal BREXIT will come to affect British companies in many aspects, such as increased tariffs on export to the European Union (EU), lack of certain IP-protections for the entire EU, such as Community trademarks and Community designs, and being forced to provide security for legal costs in a European country. In this article, we focus on the exemption for provision of security for legal costs in Sweden for companies within the European Economic Area (EEA).

In Swedish legislation, § 1 third paragraph of the 1980:307 Act, it is stated that companies that have been formed under the legislation of a country within the EEA are exempt from the obligation of foreign plaintiffs to provide security for legal costs, so called EEA-exemption. This exemption was introduced to the Act after the

Vanessa Bélec

European Court of Justice *(judgment of 26 September 1996, Data Delecta AB and Forsberg, C-43/95, EU: C: 1996: 357 and prop. 1996/97: 159)* found that the Swedish 1980:307 act may be in conflict with Article 14 of the EU-convention of prohibition of discrimination, which states that: "The enjoyment of the rights and freedom set forth in this Convention shall be secured without discrimination on any ground such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status". At present, the prohibition of discrimination due to nationality is found in Article 18 of the Treaty on the Functioning of the EU, TFEU.

A recent decision by the Patent and Market Court of Appeal (PMÖD) in Sweden reflects the importance of the EEA- exemption for British companies before the courts in EU.

In Sweden, the Patent and Market Court (PMD), which is a special first instance court established on 1 September 2016 forming part of Stockholm District Court, handles in principle all the country's intellectual property, competition law and marketing law cases. Decisions made by PMD may be appealed to the Patent and Market Court of Appeal (PMÖD), which is part of the Svea Court of Appeal.

The recent decision made by the PMÖD (PMÖ 7771-20) in October 2020 concerns the right of the British plaintiff to provide security for legal costs. The involved parties were Nero Stockholm Restaurang AB (NERO) as plaintiff and the Italian Coffee Holdings Ltd (Italian Coffee) registered in the UK as defendant.

It all started when Italian Coffee suits Nero before PMD (PMT 2818-20) for infringement of three Community trademarks. During the legal proceeding, Nero as defendant stated that Italian Coffee should be ordered to provide security for Nero's legal costs of at least 1 million Swedish krona (SEK). The reason presented by Nero was the fact that UK left EU at the end of January 2020, and according to Article 50(3) all Treaties are ceased to apply from the date of entry into force of the withdrawal agreement so the TFEU ceased to apply to the UK with effect from 1 February 2020. Accordingly, in line with Article 50(3) of the EU Treaty, Nero claimed that Italian Coffee has therefore no right to equal treatment pursuant to Article 18 TFEU.

PMD did not agree with Nero because, though the UK left the EU January this year, the UK left with a Withdrawal agreement (2019/C 384 I/01) entering into force 1 February 2020, which is in accordance with Article 50 of the Treaty of the European Union. The court further explained that this agreement entered automatically into a transition period ending 31 December 2020 and that in Article 127.1 of the Withdrawal agreement it is stated that during the transition period the Union law shall be applicable. In other words, Article 50 (3) ceases all the treaties upon the withdrawal agreement but the Article 50(3) is overruled by Article 127.1 of the Withdrawal agreement, which is an interesting conclusion.

It seems that during this transition period nothing has changed for the UK and this may be right in most aspects. On the official website of the EU, it is explained that during the transition period it will be business as usual for citizens, consumers, businesses, investors, students, and researchers in both the EU and the UK so the EU law will still apply, but the UK will no longer be represented in the EU- institution, agencies, bodies, and offices.

In view of the almost non-existent withdrawal of the UK, Nero decided to go further and clarify Article 50(3) of the Treaty of the European Union which follows Article 18 of the TFEU.

> **"In sight of a non-deal Brexit, British companies are trying to avoid being placed in the same category as a "third country".**

The PMD decision was appealed to the PMÖD by Nero as plaintiff. The PMÖD arrived at the same decision as the PMD by referring to the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community 2019/C 384 I/01 where Article 126 sets the transition period to last until 31 December 2020. The court further confirms that no specific provisions exist regarding the security for legal costs during the transition period. Consequently, British companies have the right to apply the EEA-exemption for foreign plaintiffs to provide security for legal costs during the transition period. In other words, no further clarification on the Article 50(3) was given and it is clear that the Withdrawal agreement overrules Art 50(3), probably as a negotiated agreement under Article 50 (2) of the same Treaty.

The interesting question after this decision is what is going to happen on 1st of January 2021 when the transition period for the UK is over? According to the Swedish courts, it is clear that foreign companies will be requested security for legal costs under the 1980:307 Act.

Different decisions may be made in other jurisdictions regarding the same issue or other issues where the EU-withdrawal has an important role.

The best solution for British companies in many aspects would probably be to register in an EU-country, but this may bring economic losses for the UK in terms of unemployment and loss of taxes.

Résumé

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Vanessa advises clients on all IP matters, including design, FTO, patent and design searches, drafting and prosecution, with particular expertise in software, telecommunication, electronics, signal processing, and AI. Vanessa has a Master of Science in Electrical Engineering from the Royal Institute of Technology in Stockholm, Sweden, and a Master of Laws from the Southampton Solent University, United Kingdom. Vanessa has worked as Examiner at the Swedish PTO (PRV), as patent attorney at English and Swedish patent- and law firms, and as in-house attorney in the software industry.

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So, the next question is whether the exemption written in any of the Hague conventions will solve the UK-problem?

EU is one of 86 members of the Hague conference on Private International Law HCCH, which is a part of the Hague Convention. One HCCH-convention relates to security of legal costs, which is the 1980 Convention on international Access to Justice replacing the 1954 Convention on civil procedure.

After a non-deal BREXIT, the UK will not be part of the EU and therefore not a member of the Hague convention unless an agreement is ratified before the end of the transition period. Some parts of the Convention seem to already be agreed on but the security of legal costs is still not any of them.

In Article 17 of the 1954 Convention, it is stated that "no security, bond or deposit of any kind may be imposed by reason of their foreign nationality upon nationals or residents of one of the Contracting States, who are plaintiffs or parties intervening before the courts of another of those States". At a first sight, the words in the Convention seem to be clear and precise but this opinion is not shared by all jurisdictions. For instance, in the Turkish Supreme Court two different decisions were ruled in 2013 (E. 2013/17436) and 2016 (K. 2016/3489) where it was stated that the word "national" of Article 17 did not include a legal person. This resulted in that legal persons were not under the scope of such exception.

These decisions were based on Article 17 of the 1954 Convention which was replaced by Article 14 of the 1980 Hague Convention on Access to Justice. In Article 14, the word "national" is replaced by the wording "persons (including legal persons) habitually resident" making it crystal clear that a legal person is exempted from the provision of security for legal costs. This amendment of the law did not prevent the High Court in Turkey to base the decision on an already replaced Convention. Other jurisdictions may do the same or take other approaches to avoid the exemption.

As a final remark, even if the UK manages to ratify an agreement in the Hague Convention, it would be difficult to rely on the Convention when the interpretation may differ from a contracting state to another making the exemption of providing security of legal costs non-existent.

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