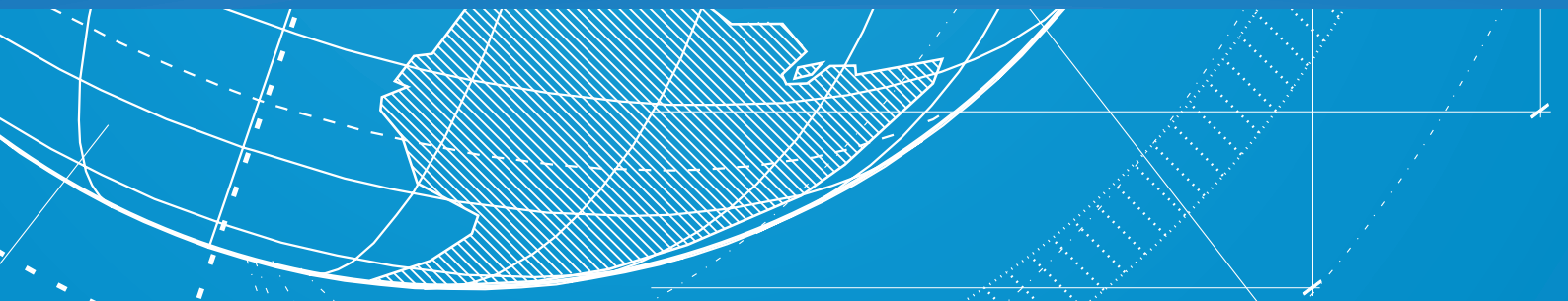
Brexit Forum for Publishers

TOOLKIT



THE PUBLISHERS ASSOCIATION

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Introduction

Thank you for joining us at the Brexit Forum for Publishers on Thursday 10 October 2019 at the Barbican, London. Whether you attended in person or watched via the live-stream, we hope you found the event to be a useful aid for your Brexit preparation work.

The likelihood of a no deal Brexit has increased and, as such, the aim of this event was to allow publishers to gather together to investigate the implications of a no deal Brexit, manage the risks associated with it and share best practice for dealing with this Brexit outcome.

The event was organised around three areas of the greatest risk: movement of goods, cross-border data transfers and intellectual property. These areas were the focus of three consecutive panels, featuring legal experts and subject matter experts from both industry and government. These panels also compliment a series of free, one-to-one legal clinics on offer to all publishers. These sessions are tailored, one hour slots with a lawyer from Fieldfisher, in which you can discuss a specific no deal Brexit challenge for your organisation and receive personalised advice. Please see the section on legal clinics for more information on these sessions.

The following is a toolkit encompassing all the guidance offered at the event. This includes written legal advice based on the three legal panels delivered on the day, FAQs and helpful checklists to aid your Brexit planning.

Please do share this toolkit with your networks, and feel free to get in touch with the Publishers Association should you have any questions.

Whatever the outcome of Brexit, the Publishers Association will continue to work with members and the wider industry to make sure our sector is as prepared as it can be for the future. Whether this is through Brexit briefing papers, meetings with government, or breakfast briefing meetings for members – this issue continues to be a priority. If you'd like to talk to us about what we offer members and how we can help you prepare, contact us using the information below.

ABOUT US

The Publishers Association represents book and journal publishers in the UK, spanning fiction and non-fiction, academic and education publishing in print and digital. UK publishing has a turnover of £6bn, with export income accounting for almost 60% of revenues. Our membership includes global companies such as Elsevier, Wiley, Pearson, Penguin Random House and Hachette, as well as many independent publishing houses and university presses. Our objective as an association is to provide our members with the influence, insight and support necessary to compete and prosper. www.publishers.org.uk | @PublishersAssoc

WANT TO FIND OUT MORE ABOUT THE PUBLISHERS ASSOCIATION?

If you would like to discuss becoming a member of the Publishers Association, please contact **Mark Wharton**, **Director of Operations**, +44 (0)20 7378 0504, mwharton@publishers.org.uk or another member of the team.

10 reasons to be a member

Influence government policy
Belong to the only trade association for book and journal publishing with the collective voice to influence government policy in the UK, Europe and key overseas markets. Access vital information on policy and legal issues.

Be part of a community
Join one of our many publisher and professional councils and communities that discuss and take decisions on topical publishing industry matters, as well as organising influential campaigns for the sector.

Attend industry events
Access member only events with key speakers and excellent networking opportunities, as well as a range of training workshops.

Gain valuable insight
Receive regular news and information on publishing matters, government insight and authoritative statistics and market analysis. Members also receive a free copy of our annual publishing yearbook.

Access business support
Receive access to free training and business support services, including Publishers Training Centre short courses, a unique GDPR toolkit and thousands of template documents via an exclusive partnership with Simply-Docs.

Combat digital piracy
Free access to our Copyright Infringement Portal—an automated service designed for publishers that issues takedown notices to thousands of infringing websites.

Use our meeting rooms
Book our large or small meeting room spaces based near London Bridge for events, workshops or general meetings at no cost.

Get discounted services
Benefit from our broad range of member discounts with third party suppliers as well as advice via a dedicated helpline. Members also benefit from discounted access to PA organised conferences and book fair services.

Use industry guidelines
Members benefit from access to a range of guidelines on topics including accessible publishing, permissions and processes for agreeing contracts.

Benefit from our reach and audience
List your company on the PA website and use the PA Member logo on your own website. Get support for your social media activity and promotional support for your events.

Movement of Goods

Chaired by Ruth Howells, Deputy Director of External Affairs at the Publishers Association.

The UK is the biggest exporter of physical books in the world, with EU exports worth £460m in 2018. Although books are not subject to tariffs, there could be implications for production lines in the event of a no deal Brexit. The sector-specific guidance delivered during the event on customs delays, transit, export controls, rules of origin, and customs declarations is designed to help see this success continue.

OUR PANELLISTS ON THE DAY WERE:

- **Legal:** Andrew Hood, Partner (Regulatory and Trade) at Fieldfisher
- **Industry:** Chris Packwood, Managing Director at Geodis Freight Forwarding
- **Government:** Paras Junejo, Senior Policy Advisor at Department for International Trade

WRITTEN LEGAL ADVICE FROM ANDREW HOOD, PARTNER, FIELDFISHER

INTRODUCTION

The EU Single Market and Customs Union provide for the free flow of goods between member states of the EU. If the UK leaves the EU without a deal, new measures will be imposed that will affect the flow of goods between the UK and the EU. These measures are usually divided into four categories: tariffs; non-tariff barriers; VAT; and customs procedures. Trade between Northern Ireland and the Republic of Ireland will be treated differently: the UK Government has stated that it will impose no customs controls or tariffs on this border in the event of no deal. The Republic of Ireland aims to do the same but may ultimately be obliged under EU law to apply some form of border controls.

From a practical perspective, understanding the potential impact on your business, speaking to those in your supply chain (both your suppliers and customers), identifying support (freight forwarders, customs agents etc.) early and thinking through how to manage any costs/risks wherever possible remains crucial to ensuring as smooth a transition as possible in a no deal scenario.

1. TARIFFS

The UK Government has said that after Brexit it will replicate the EU's tariffs and quota schedules within the WTO. That means that the tariffs imposed on products coming into the EU now will be copied by the UK in the event of a hard Brexit.

The current tariff on physical books and journals applied by the EU is 0%. This 0% tariff applies to those products defined under Chapter 49 HS Code of the World Customs Organisation. It includes all physical books, journals, publications etc.

Therefore, in the event of a hard Brexit, tariffs on all physical books and journals crossing between the UK and the EU will not incur any new tariffs.

Electronic commerce, including ebooks and journals, is treated differently for tariff purposes. Members of the WTO (which includes the UK in its own right) have agreed not to impose any customs tariffs on goods crossing borders electronically, including books, music and videos. This remains the position to-date whilst the WTO continues to consider how to address the cross-cutting impact of e-commerce. Therefore, there would also continue to be no tariffs on imports of these products into either the UK or the EU.

If you are exporting anything other than books or journals then they may be classified differently and may be subject to tariffs upon import into the UK or tariffs may be due when imported into the EU country.

Many of the third countries that currently have Free Trade Agreements with the EU have not to date agreed to extend their terms to the UK (e.g. Canada, Japan, Mexico, Turkey). While imports of printed materials into the UK from these countries would be subject to the UK's tariff regime (and thus zero rated), exports from the UK to these countries would no longer benefit from preferential tariffs. Exporters should check whether their products could become subject to import tariffs in these countries and, if this will be the case, determine with their importers, distributors or customers who will be responsible for paying the duty.

2. NON-TARIFF BARRIERS

'Non-tariff barriers' are regulatory costs that may arise irrespective of the rates of duties, particularly in the case of goods that require certification to meet safety and other standards. Such regulations are unlikely to be an issue for most forms of printed materials, but this would need to be verified for each type of product.

However, eCommerce will be affected in a no deal scenario. eCommerce – or information society services – is defined as *"any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services"* and it covers the vast majority of online service providers, notably online retailers, video sharing sites and search tools. It does not cover the delivery or transportation of goods.

EU law on eCommerce was introduced to remove barriers to trade across the EEA (the EU, plus Norway, Iceland and Liechtenstein) requiring EEA-based information society services are only subject to the laws in the EEA country in which they are established. In a no deal Brexit, UK-based businesses offering these information society services will cease to benefit from these arrangements. This means UK-based information society service providers will be required to adhere to the rules that govern online activities in each EEA state in which they operate (or establish themselves in another EEA state). Similarly, when Parliamentary time allows, the UK Government has said it will impose UK-specific requirements on EEA-established businesses offering information society services in the UK.

3. VAT

Goods traded between the UK and the EU would become subject to import VAT in a no deal Brexit. It will be a matter for UK government policy whether VAT on books and printed materials in the UK remains zero-rated and on digital publications at 20%. If any VAT is chargeable, the UK has said it will unilaterally postpone accounting for import VAT on goods brought into the UK. This means that UK VAT-registered businesses importing goods to the UK will be able to account for import VAT on their VAT return, rather than paying import VAT on or soon after the time the goods arrive at the UK border.

By contrast, most EU member states charge VAT on printed and digital publications. Current EU rules would mean that EU member states will treat goods entering the EU from the UK in the same way as goods entering from other non-EU countries, with associated import VAT due when the goods arrive into the EU. For UK businesses exporting to the EU:

- To EU consumers: distance selling arrangements will no longer apply to UK businesses, which will therefore be able to zero rate sales of goods to EU consumers;
- To EU businesses: VAT registered UK businesses will continue to be able to zero-rate sales of goods to EU businesses; they will not be required to complete EC sales lists but they will need to retain evidence to prove that goods have left the UK to support the zero-rating of the supply;
- UK businesses selling in the EU: would be required to register for VAT or (depending on the EU country's VAT regime) appoint a VAT fiscal representative in the EU member states where sales are made in order to account for the VAT due in those countries;
- Refunds: UK businesses will no longer have access to the EU VAT refund system but will be able to claim refunds of VAT from EU member states by using the existing processes for non-EU businesses;
- Services (including digital services such as ebooks): the main 'place of supply' rules will remain the same for UK businesses i.e. to non-business customers in the EU, the 'place of supply' will continue to be where the customer resides. VAT will be due in the EU member state where the customer is a resident. UK businesses will no longer be able to use the UK's Mini One Stop Shop (MOSS) portal to report and pay VAT on sales of digital services to consumers in the EU but they will be able to register for the MOSS non-union scheme in an EU member state after Brexit;
- Validation: UK businesses will be able to continue to use the EU VAT number validation service to check the validity of EU business VAT registration numbers. UK VAT registration numbers will no longer be part of this service but HMRC is developing a service so that UK VAT numbers can continue to be validated.

4. CUSTOMS PROCEDURES

In a no deal scenario, all goods traded between the UK and the EU will be subject to customs controls (with separate arrangements in Ireland as noted above). The main issues are set out below (in an approximate order of our understanding of the likely impact on the publishing industry).

Customs Delays: while the great majority of EU trade with third countries is cleared electronically without the need for physical checks, there would be a risk that some consignments would be physically inspected, creating a risk of delay. There would also be an increased risk of delays to goods that are queued behind other goods that are checked or due to customs systems in the UK or the EU being unable to manage the increased workload created by Brexit. Road/ferry traffic is more exposed to delays than air and sea cargoes, given the greater time available to the latter for customs clearance. Maintaining higher levels of stocks may be required to mitigate the impact of delays but would increase warehousing and inventory costs. UK importers may apply to use Transitional Simplified Procedures to reduce customs declarations requirements for cross-Channel traffic.

You can try to minimise the impact of any delays (and the costs incurred through new administrative purposes) by consolidating your shipments and asking your suppliers (if possible) to ensure products sent to you are a 'full load' i.e. they are not delivered alongside other products which may not properly conform to new requirements and so may be held up at the border.

Customs Declarations: regardless of whether any duties are payable, goods traded between the UK and the EU would require customs declarations, at both the UK and the EU borders. This represents an administrative burden and requires:

- EORI number: to move goods in or out of the UK requires traders to have an EORI number that starts with GB; to do the same in the EU requires an EU EORI number. If they are not in place at the time of a no deal Brexit, UK and EU customs would not be able to clear the goods and traders may have to pay storage fees while the registration(s) are obtained;

Making Customs Declarations: this task can be either:

- contracted to a freight forwarder or customs agent. They will generally be able to use customs freight simplified procedures, both in the UK and the EU. They are still likely to require you to provide all the relevant information for your imports/exports but can help you through the process; or
- use trained in-house staff. UK traders using cross-Channel ferries are advised to register for 'Transitional Simplified Procedures'. This reduces the amount of information required in a UK import declaration when the goods are crossing the border from the EU.

Importers: for imports to the UK from the EU, and vice-versa, an economic operator established in the UK that is currently considered as a distributor will become an 'importer' and will have to comply with the specific obligations relevant to importers, which are different from those of a distributor. In particular, they have to verify that the manufacturer outside the EU has taken the necessary steps to allow the product to be placed on the EU market (not ordinarily applicable for publishers) and put their name, trade mark and address on the product or if that's not possible, on the packaging and/or the accompanying documentation. The same would apply to those based in the EU who are currently distributors of UK products and who will become importers in the event of a no deal Brexit, i.e. they will need to include their names, address and trade mark on the packaging and/or accompanying documentation of goods imported from the UK. UK-based operators that wish to import into the EU themselves will need to establish a presence in the EU or appoint a customs indirect representative based in the EU.

Valuation: for the calculation of any duties and VAT payments, goods need to be assigned a value. In most instances, this is the 'transaction value' i.e. the price actually paid or payable when the goods were sold for export to EU. To this needs to be added certain additional costs including any sales commission, any royalties or licence fees payable by the buyer as a condition of the sale, and any transport or other costs met by the buyer. From this can be deducted costs including buying commission, distribution and resale rights, and reproduction rights. Prices used for transfers not conducted on normal commercial terms, e.g. between branches of a company, need to be adjusted. Valuations of items imported from third countries via the EU for sale in the UK and vice-versa can be complex and may warrant a change in sourcing or distribution practices.

Transit: the UK has now joined the Common Transit Convention (CTC). This enables UK traders to move their goods through the EU and other CTC countries (e.g. EFTA countries, Turkey) without customs declarations at each border crossing and only pay duties (if any) when the goods reach their final destination. To use the system, traders need an EORI number, to be registered for the New Computerised Transit System and, for exports, a guarantee to cover the value of goods while they are being moved.

Export Controls: printed materials containing controlled dual-use technology (e.g. technical manuals related to sensitive nuclear, biological, chemical or IT equipment) would require an export licence to be moved between the UK and the EU. Currently, such transfers are not licensable. Both sides have introduced simplified ('general') licences for such trade, but it is necessary to register to use these and to fulfil their conditions (e.g. including the licence details on customs declarations and keeping detailed records).

FAQS

Would EU and UK tariffs on printed and electronic publications remain at zero?

At least in the short term, yes. The UK's tariff would be temporary for 12 months, during which the government intends to consult with industry on what more permanent tariffs should be applied. That said, as expressed in the 'tariffs' section of this advice, this approach does not look likely to change.

Will all the EU's Free Trade Agreements with non-EU countries continue to apply to the UK?

Currently, no. The UK is negotiating with these countries to continue to apply these Agreements bilaterally, but many have yet to agree, including Canada and Japan. For those that are not continued, UK exports would lose access to preferential tariffs and so too would EU exports if they incorporated a significant proportion of UK-sourced components or materials.

How would UK exports to the EU be treated for VAT?

In the same way as goods entering from other non-EU countries. For sales in the EU, UK businesses would be required to register for VAT or (depending on the EU country's VAT regime) appoint a VAT fiscal representative in the EU member states where sales are made in order to account for the VAT due. For digital services to non-business customers in the EU, VAT will be due in the EU member state where the customer is a resident.

What is an EORI number and do I need an EORI number?

EORI stands for Economic Operator Registration and Identification number. It is a unique ID code used to track and register customs information in the EU (and the UK). If you move goods in or out of the UK, you need an EORI number that starts with GB; to do the same in the EU requires an EU EORI number.

The UK Government has automatically generated an EORI number for some UK-based businesses (likely to be GB + your VAT number + 000). You can check if one has been created automatically for your business. If not, you can register and obtain an EORI number for free (here).

QUESTIONS FROM THE EVENT

Are there any pieces of advice you would like to "de-bunk"?

Chris Packwood, Geodis, said there are several reports about shortages of goods into the UK. He thinks the challenge will be more on the export side and the EU letting goods in. On the import side, the UK government is likely to let goods through.

Andrew Hood, Fieldfisher, said the biggest thing he would like to demystify is the idea that preparation is "too difficult". Speak to your suppliers, your industry partners. There are some small things that busy people and busy companies can do that keep you prepared.

Paras Junejo, Department for International Trade, reminded the audience that they can get in touch with the relevant government department for advice.

Is the country of manufacturing books or the country of the publishing company invoicing for them considered the exporter?

Chris Packwood, Geodis, said that where the goods are printed is the country of origin, but the exporter on record will be who is selling the goods.

Checklist

1. PLAN

- From a practical perspective, understanding the potential impact on your business, speaking to those in your supply chain (both your suppliers and customers), identifying good support (freight forwarders, customs agents etc.) early and thinking through how to manage any costs/risks wherever possible remains crucial;
- Once you've identified the issues you face and the impact this could have, review your contracts to understand who is likely to bear the responsibility (and potential costs) of Brexit and, if possible, look to find a solution that manages those risks before Brexit.

2. TARIFFS

- UK-EU trade in printed and electronic materials would be zero rated for import duty. But duties could apply to other exports and to exports to some non-EU countries:
- Do you export products other than books? In which case you need to identify the 'commodity code' (here) and determine the potential tariffs that may apply when exporting to the EU and beyond;
- Do you benefit from preferential rates of duty for your exports to non-EU countries that have a Free Trade Agreement with the EU? If so, check (here) whether these countries have agreed to continue this Agreement with the UK after Brexit. If any have not (e.g. Canada), determine if duties will become payable on your exports to such countries. If so, agree with your importers, distributors or customers who will be responsible for paying the duty.

3. ECOMMERCE

- Since your services will become subject to EEA states' national rules, check the rules that govern online sales activities in each EEA state in which you sell goods;
- Consider how to limit your liability, since the limitations in the EU Directive would no longer apply to intermediary service providers established in the UK.

4. VAT

- Identify the VAT requirements for your exports to the EU;
- Appoint a VAT fiscal representative or register for VAT in the EU country of importation (depending on the country's VAT regime);
- If applicable, register for the MOSS non-union scheme in an EU member state (after Brexit).

5. CUSTOMS

- Identify if the delivery of your goods between the UK and the EU is time sensitive and at risk of likely delays to cross-Channel road traffic. If so, consider alternative routing and/or increasing stocks;
- If not already in place, apply for UK and EU EORI numbers;
- Decide whether to contract the making of export declarations to freight forwarders/customs agents or to do this in-house. If the latter, ensure existing staff are trained or specialist staff recruited and, if using cross-Channel transport routes, register for 'Transitional Simplified Procedures';
- Consider who will be the importer of your goods into the EU and clarify their responsibilities. If this will be you, appoint a customs indirect representative based in the EU;
- Consider the potential impact of Brexit on the customs valuations of goods imported from non-EU countries into the UK destined for the EU, and into the EU destined for the UK, and whether a change in sourcing or distribution is warranted;
- If your exports from the UK will transit EU or other Common Transit Convention countries en route to their final destination, register for the New Computerised Transit System and be prepared to set up a guarantee to cover the value of goods while they are being moved;
- If you export 'dual-use goods' (e.g. technical manuals containing sensitive technology) from the UK to the EU or vice-versa, register for the appropriate general licence and put in place processes to fulfil the licence conditions.

Further resources

- Northern Ireland border arrangements in no deal link
- Trade tariffs (and commodity codes) link
- Temporary tariffs link
- Non-EU trade deals in no deal link
- eCommerce arrangements link
- VAT guidance in no deal link
- Transitional simplified procedures for importing in a no deal link
- Getting an EORI number link
- Relying on the common transit convention link
- Export controls –open general export licence link
- Providing services to the EU, Iceland, Lichtenstein, Norway or Switzerland (collected country guidance) link

Cross Border Data Flows

Chaired by Dan Conway, Director of External Affairs at the Publishers Association.

As international businesses trading rights around the world, publishers must ensure smooth data transfers from EU to UK in event of no deal. This panel included advice on identifying the necessary contractual clauses to achieve this smooth transition, as well as industry specific risks and workarounds.

THE SPEAKERS WERE:

- **Legal:** Eleonor Duhs, Director (Technology) at Fieldfisher
- **Industry:** Neil Ross, Policy Manager at TechUK
- **Government:** Paul Gaskell, Deputy Director, EU Data Negotiation at Department for Digital, Culture, Media and Sport

WRITTEN LEGAL ADVICE FROM ELEANOR DUHS, FIELDFISHER

INTRODUCTION

In a no deal Brexit, the overall picture is as follows:

- data protection law in the UK will essentially be the same as before Brexit.
- if you process personal data only in the UK then you should handle that data in exactly the same way after the UK leaves the EU as you did before.
- if you transfer personal data from the UK to the EU/EEA this can continue in the same way as before.
- the mechanisms for transferring data from the UK to third countries (i.e. countries outside the UK/EEA) will continue to be available.
- transfers from the EU/EEA to the UK will require new measures to be put in place. The EU's standard contractual clauses will normally be the best mechanism to rely on for those transfers. The clauses will need to be signed by you and the business in the EU/EEA which is transferring data to you.

When does data protection law apply?

Data protection law applies when "personal data" is processed. "Personal data" is a very broad term and includes any information which can be used to identify an individual. Examples include names, contact details or online identifiers such as an IP address. The concept of "processing" covers a wide range of activities, and includes holding, analysing, retrieving, accessing, viewing, disclosing, transmitting, editing or deleting data.

What laws apply currently in the UK in relation to data protection?

The main data protection law which currently applies in the UK and across the EU is the General Data Protection Regulation ("GDPR"). It sets out a number of principles for the processing of personal data. These principles ensure that the rights of individuals are safeguarded. In addition to the data protection principles, the GDPR gives individuals rights in relation to the personal data which organisations hold about them, for example the right to access their personal data, or to have it deleted in certain circumstances.

Under the GDPR personal data can flow freely between EU/EEA member states. Where personal data is being sent outside the EU/EEA, other mechanisms are needed to ensure that the data is processed in such a way as to ensure the rights of individuals are not undermined. The main mechanisms for transferring data outside the EU/EEA are EU adequacy decisions and standard contractual clauses. Where an EU adequacy decision is in place for a particular jurisdiction (e.g. New Zealand, or under the EU-US Privacy Shield), personal data will be able to flow freely from the EU/EEA to that jurisdiction.

The GDPR is overseen and enforced by independent regulators in the UK and in each EU Member State, whose role it is to ensure that the principles are adhered to and that the rights of individuals are upheld.

The UK (in common with other EU member states) has national data protection law which sits alongside the GDPR. The UK's Data Protection Act 2018 ("DPA") complements the GDPR. For example, the DPA contains exceptions designed to enable data protection rights to be balanced against other rights, such as freedom of expression.

DATA PROTECTION LAW IN THE UK AFTER A NO DEAL BREXIT

In a no deal Brexit there will be as few changes is possible to the data protection law in the UK. That means that the obligations – like making sure you have a proper legal basis for processing personal data and that the data is kept secure – will still apply after a no deal Brexit.

1. This continuity will be achieved because the General Data Protection Regulation ("GDPR") will continue to apply. Some small changes will be necessary because the GDPR will apply as UK law rather than as EU law and will be known as the "UK GDPR". The UK GDPR can be found here.
2. Broadly speaking, the differences between the GDPR and the UK GDPR reflect the fact that the UK will have left the EU. For example, the GDPR contains a "consistency mechanism" to ensure that regulators across the EU are being consistent in their approaches to particular issues. That will no longer be relevant because the UK will no longer be an EU member state. The UK GDPR therefore does not include the provisions relating to the "consistency mechanism".
3. The UK's Data Protection Act 2018 ("the DPA") will also remain in place after a no deal Brexit. Again, there will be some minor changes to the DPA after a no deal Brexit. For example, the parts of the DPA which deal with joint

operations between regulators in different EU member states will be deleted. The amended DPA can be found here.

Example: *A small UK company publishes an online journal on its website. It collects personal data of the visitors to the website. The data is stored on servers in the UK.*

Analysis: *In a no deal Brexit there will be no difference in these arrangements. The data will be held in accordance with the standards in the UK GDPR (which will be the same as the standards in the GDPR) and the DPA.*

Cross-border data flows from the UK to the EU/EEA:

4. Transfers from the UK to the EU/EEA will not be subject to any additional requirements and should continue as before. This is because UK personal data flowing to the EU/EEA will be protected to GDPR standards, so the government has taken the view that there is no need to impose further requirements to keep the data safe.

Cross-border data flows from the UK to third (non-EU/EEA) countries

5. Transfers from the UK to third (non-EU/EEA) countries should also continue in a similar way to the current regime. EU adequacy decisions can continue to be relied on to transfer personal data from the UK to third countries. The EU-US Privacy Shield will continue to be available for transfers of personal data from the UK to the US, provided participating US companies have updated their public Privacy Shield commitments to say that those commitments extend to transfers of data from the UK. EU approved standard contractual clauses can still be relied on to make transfers from the UK to third countries.

Example: *A publisher based in the UK uses a platform in the US to store its HR data. It relies on the fact that the platform is a member of the EU-US Privacy Shield to send the data to the US. The UK publisher also uses EU standard contractual clauses to send customer data to subsidiaries in the US and Australia.*

Analysis: *After a no deal Brexit the publisher can still use the US platform to store HR data, provided the US platform has updated its public Privacy Shield commitments to say that those commitments extend to transfers of data from the UK. In preparation, the publisher should check with the platform that it will be doing so. Once the UK has left the EU, the UK publisher should check the US platform's publicly available privacy notice (available through the Department of Commerce website under the US Company's name) to check that the updates have been made. As this is a transfer of HR data, there will also need to be corresponding changes to the US platform's HR privacy policy. The EU standard contractual clauses for transferring customer data to subsidiaries in the US and Canada can be relied on after a no deal Brexit in the same ways as they could before. No changes are required.*

Transfers from the EU/EEA to the UK

6. In a no deal situation a mechanism will be needed to transfer personal data from the EU/EEA to the UK. This is because the UK will no longer be a member of the EU/EEA, so data will not be able to flow freely from the EU/EEA to the UK. In that scenario, standard contractual clauses are likely to be the most relevant mechanism for making transfers from the EU/EEA to the UK.

Example: *A French publishing company with offices in the UK regularly transfers customer data to the UK for business and marketing purposes.*

Analysis: *After a no deal Brexit a mechanism will need to be put in place in order for personal data to be transferred from France to the UK. Standard contractual clauses will normally be the most appropriate mechanism. These will need to be signed by both the French and the UK office.*

Transfers from the EU/EEA to the UK in the future

7. In due course, it is hoped that the UK will gain an EU adequacy decision, enabling personal data to flow freely to the UK from the EU/EEA. Negotiations on an EU adequacy decision for the UK will begin once the UK has left the EU, but will take time. An alternative transfer method should therefore be put in place in the meantime.

BREXIT DATA PROTECTION PLANNING ON A PAGE

Post Brexit, UK data protection rules will essentially be the same as EU data protection rules (whether we have a "deal" or no deal Brexit). Despite this close alignment, certain additional compliance measures may be required over and above those taken for GDPR compliance in recognition of the fact that the UK will be a "third country" (i.e. not an EU Member State) after Brexit. A brief, high level overview of key compliance measures in different alternative scenarios is set out below.

Issue	no deal Brexit	"Deal" Brexit	Remain in EU
Data kept within UK	No impact.	No impact.	No impact.
Transfers from UK to EU/EEA	No impact. UK intends to deem EU/EEA adequate for data transfers.	No impact during transition period.	No impact.
Transfers from EU/EEA to UK	Put standard contractual clauses in place (until such time as EU makes an adequacy decision in favour of the UK).	No impact during transition period. Intention is for EU adequacy decision made in favour of UK before end of transition period, so free flow of data can continue after that point.	No impact.
Transfers from UK to Rest of World	Low impact. Current EU export solutions will continue to apply. However, to export data in reliance on EU-US Privacy Shield, check that the US company has updated its public Privacy Shield commitments to say that those commitments extend to transfers of data from the UK.	No impact during transition period.	No impact.
Binding Corporate Rules (BCR)	UK authority i.e. ICO can no longer approve, or serve as EU lead authority for, BCR for EU exports. If UK is lead authority currently, need to transfer to EU lead authority (ICO will support). Going forward, both UK and EU approvals required for UK and EU data exports under BCR.	No impact during transition period.	No impact.
Representative appointment	a. Need UK-based, if UK data protection law applies; **and** b. Need EU-based representative, if EU law still applies.	No impact during transition period.	No impact.
One-stop-shop	a. UK ICO will have jurisdiction, if UK data protection law applies; **and** b. If UK ICO was lead authority prior to Brexit, another EU lead authority will be required, if EU law applies.	No impact during transition period.	No impact.
Personal data breach reporting	a. report to UK ICO, if UK data protection law applies; **and** b. report to EU lead authority will be required, if EU law also applies.	No impact during transition period.	No impact.

High impact. Action required.

Action required. Consider level of legal risk.

Low or no impact.

FAQS

My business partners in the EU are not well informed and haven't considered putting anything in place for transfers to the UK in a no deal Brexit. How do I persuade them that something needs to be done?

Although both you and your partners must sign the standard contractual clauses, the legal risk is on the EU/EEA partner. That is because after a no deal Brexit transfers by the partners to the UK will require a mechanism to be put in place, as for transfers to other third countries. Explaining this to your EU/EEA business partners might help to persuade them to act. You could also point them to the guidance issued by the European Data Protection Board on transfers to the UK after a no deal Brexit (see below). There may also be guidance available from their local regulator. You can also assist by preparing the standard contractual clauses using the tool on the ICO website and sending them to the EU/EEA business for signature.

There are no standard contractual clauses for transfers from an EU/EEA processor to a UK controller. What solution can I use here?

This is not a straightforward matter. We can discuss the options with you at one of the free clinics on offer to publishers – see p. 28 for details.

Which provisions of UK national law are relevant in the context of a no deal Brexit?

In a no deal Brexit, the GDPR will be turned into UK national law under Section 3 of the European Union (Withdrawal) Act 2018 ("EUWA"). Section 2 of the EUWA confirms that the Data Protection Act 2018 remains as valid law in the UK.

Schedule 21 to the Data Protection Act 2018 is inserted by the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019 (SI 2019/419). Schedule 21 makes further provision in relation to the continued application in the UK of EU adequacy decisions, including the EU-US Privacy Shield (see paragraphs 4 and 6), Standard Contractual Clauses (see paragraphs 7 and 8) and Binding Corporate Rules (see paragraph 9).

What about a "deal" Brexit? What happens then?

If the UK leaves the EU with a withdrawal agreement in place it is likely that the terms of that agreement will provide for the GDPR continue to apply to the UK throughout a so-called "transition period". During the transition period, personal data will be able to continue to flow freely between the UK and the EU/EEA. Mechanisms for transfers to third countries will remain in place and will not require changes. The intention is that an EU adequacy decision will be made in favour of the UK by the end of the transition period. This will enable personal data to continue to flow freely between the EU/EEA and UK after the end of the transition period.

What if Brexit gets delayed beyond 31st October?

The UK will remain an EU Member State. The GDPR will continue to apply to the UK. Personal data will be able to continue to flow freely between the UK and the EU/EEA. Mechanisms for transfers to third countries will remain in place and will not require changes.

QUESTIONS FROM THE EVENT

The legal risk lies with the EU data controller – what's included in that? Specifically, you're a UK business but you have outsourced your HR, payroll or IT functions to cloud platforms in EU countries. How is the impacted?

Paul Gaskell, DCMS, said this is a "legal grey area" regarding the legal basis for data transfers from data processors in the EEA (i.e. cloud providers) to a third country outside the EU. This is a wider issue that has nothing to do with Brexit. It is recognised as a grey area and there are ongoing discussions about this between EU regulators and the ICO. If we leave with a no deal we do not expect for there to be regulatory action in the short term relating to data transfers from cloud providers to the UK because it is a grey area under review.

Eleanor Duhs, Fieldfisher, said there is no perfect solution here but because the GDPR is about record keeping, they want something in place to say we have done our due diligence on it and we know that when the data is transferred back to the UK it is done in a secure way. You can use the controller to controller standard contractual clause in this situation and you get the processor to sign on behalf of the controller. It is a legal fiction, but it is paper you can wave to say you have done something that shows the data is being protected. However, this is not a perfect solution.

Neil Ross, Tech UK, said the EU will keep updating GDPR and they encourage members to "show their working". Demonstrate where you have taken protections and where possible seek legal advice – show the appropriate steps you have taken.

Do you think it's realistic that data will dry up from the EU? The legal risk lies with the data controller in the EU, how risk adverse to we expect those data controllers to be?

Paul Gaskell, DCMS, said it is difficult to say. If we leave with no deal and unless the legal clauses we have spoken about are in place, it will technically be illegal to be transferring data and while we hope that EU regulators would take a pragmatic and risk based approach, European regulators are by definition independent and we cannot rule out the possibility that they will take action. The key message here is that we must be risk averse. If you are a business that sends personal data beyond Europe, you probably are already using these types of standard contractual clauses in other contracts and they will hopefully be familiar to you, so placing them in your contracts should be straightforward. However, he does not underestimate the effort and cost involved.

Do you have a sense of how worried the EU are about the data adequacy agreement? Do we have timescales?

Paul Gaskell, DCMS, said that adequacy decisions are the responsibility of the European Commission who will examine our legal framework to see if it is equivalent to that of the EU. Given we will have GDPR in UK law, we will be identical to EU standards of data protection.

We expect the process to be straightforward, but we cannot put a timeline on the decision. The most recent Japanese adequacy decision took two years, but Japan has a different data regime, so this is not a directly comparable example. We must prepare for the adequacy decision taking a significant amount of time.

Some of the EU partners that publishers engage with aren't requesting standard contractual clauses to be set up. Is this due to lack of awareness? And is it the responsibility of British businesses to set them up, or something EU companies should do?

Eleanor Duhs said it's in everyone's interest to work together on this. EU businesses are not as aware, so the UK should lead these conversations. The ICO has clauses online that you can print out, sign and share with them.

How do standard contractual clauses interrelate with the privacy shields?

Eleanor Duhs said that there are various mechanisms for transferring data out of the EU under GDPR. One is via an adequacy decision and the privacy shield is a part of the adequacy decision. If you've got a privacy shield in place, you don't also need standard contractual clauses.

To Neil Ross, TechUK: what are your concerns as a member organisation?

The concern is that UK companies will need to demonstrate confidence because the legal risk lies on the EU side, but the competitive risk is on the UK side. He said TechUK encourages members to provide evidence to EU data partners that you can handle their data well so they won't be liable for assessment or legal risk – you have to be seen as the experts to reassure people and not suffer a competitive disadvantage because across the EEA they won't have this problem. UK businesses must level up, he said.

Is there anything we should cover in relation to multinational companies with bases in Europe? Are intracompany transfers completely safe?

Eleanor Duhs said some companies have binding corporate rules that are similar to standard contractual clauses, approved at EU level. These will be capable of being relied upon for transfers to the EU, but for transfers to the UK, they must be updated. Other companies have intragroup agreements where standard contractual clauses are incorporated by reference (aka if we have a transfer that needs a standard contractual clause, they come in). These need to be amended so the UK is put in the countries of non-EU/EEA companies, but this is a small change, and these should continue to work.

We heard in the last session that there's a chance that a tax representative would need to be appointed in the EU for UK businesses. Would there be a scenario where a European data representative would be needed?

Paul Gaskell said that in some circumstances there could be a requirement on businesses that transfer personal data to have an EU rep under GDPR article 27. If your processing is only occasional or low risk or doesn't involve special categories of data, you can be exempt. It is advisable that you consult the ICO and/or legal counsel on this issue.

Eleanor Duhs added that a business could be required to appoint a representative if caught by the extra territorial provisions of the GDPR. However, this is not as high a priority as other actions. She recommends attending a legal clinic if this is a concern.

What are the chances of the UK setting its own data protection policy or is GDPR here to stay?

Paul Gaskell said there are no UK government plans to move away from GDPR but he can't say the data protection act of 2018 will never change.

Neil Ross added that GDPR will evolve as the EU updates it and the changes of it changing depend on the outcome of the adequacy decision. Divergence may therefore occur. However, he does not imagine the UK getting rid of GDPR – it's been an expensive change and set a good standard of protection.

How ready are the big tech firms?

Neil Ross said that a recent survey of Tech UK members found larger companies are more likely to be prepared – 87% said they were fairly or very prepared for a no deal exit. Their principle concern is small and medium sized businesses.

Checklist

1. MAP YOUR DATA FLOWS: WHERE IS YOUR DATA MOVING FROM/TO?

Knowing this will make the next steps much easier. Other questions to ask: who do you receive personal data from? Do you rely on any data from business partners in the EU for business continuity? If you do, you will need to consider introducing contractual clauses as an alternative legal basis for this transfer to take place in the event of no deal.

2. CHECK YOUR STATUS WITH EUROPEAN PARTNERS, SUBSIDIARIES AND PARENT COMPANIES

As you are likely to be either the same legal entity or data controller as these partner offices, this data can be transferred without restriction. However, you must check if you are the same legal entity by looking at your contracts – you can ask legal or operations colleagues for help with this and you can see what constitutes a data controller or processor on the ICO website here. If you know you are separate legal entities, you must establish who is the data controller and who is the data processor (the processor will be clear as a contract managing the use of personal data in that relationship should already be in place). Either way, if you are in doubt, standard contractual clauses are likely to be of use to provide the legal basis for international transfers in a no deal.

3. FAMILIARISE YOURSELF WITH THE ICO WEBSITE

The ICO has produced comprehensive guidance on preparing businesses for the data concerns post-Brexit and we strongly advise all members to make sure that they are familiar with the steps recommended. Further detail on the availability of each legal basis, and the processes associated with making use of them, is available from the Information Commissioner's website. The ICO's Brexit guidance can be accessed here, including a specific 6-step checklist that might be helpful.

Further resources

- The Information Commissioner's Office ("ICO") has produced helpful guidance on no deal Brexit. There is also specific guidance for small organisations to help them prepare.
- The ICO has also produced a toolkit to help small and medium sized businesses create standard contractual clauses which can be put in place between the EU/EEA and UK entity so that data can continue to be transferred to the UK after a no deal Brexit.
- The UK Government has also put out briefing on data protection and a no deal Brexit here.
- The EU institutions have also published a contingency action plan which contains paragraphs on data protection. It suggests that businesses should rely on binding corporate rules or standard contractual clauses to effect transfers to transfer data to the UK from the EU/EEA. Exceptions may also be available (albeit they are to be interpreted narrowly and are not suitable for regular data flows).
- The European Data Protection Board has also issued no deal guidance.
- The Irish Data Protection Commission's Guidance on data transfers and a no deal Brexit is here. There are also some helpful FAQs here.
- The US Department of Commerce has explained on their website what would happen as regards transfers from the UK under the EU-US Privacy Shield in a no deal Brexit.

Intellectual Property

Chaired by Ruth Howells, Deputy Director of External Affairs at the Publishers Association.

Publishing is driven by intellectual property. The UK's no deal preparation papers cite a possible unreciprocated exhaustion regime, where the UK loses reciprocal rights for parallel exports. The legal panel outlined below covers the immediate implications of this, as well as protections on Trade-Marks and Designs.

THE LEGAL PANEL WERE:

- **Legal:** Adam Rendle & Roland Mallinson, Partners (Intellectual Property) at Taylor Wessing
- **Industry:** Daniel Guthrie, Director General at Alliance for Intellectual Property
- **Industry:** Kelvyn Gardner, Managing Director at Licensing UK

WRITTEN LEGAL ADVICE FROM TAYLOR WESSING PARTNERS

The following legal advice is split into two parts, concerning registered trademarks and exhaustion – as per the legal presentation by Taylor Wessing at the Brexit Forum for Publishers.

REGISTERED TRADEMARKS

What will happen to EUTM registrations in existence at 31 October 2019?

The owners of EUTM registrations in existence as at 31 October 2019 (including for example trademarks for titles of magazines, imprints, name of characters and covering merchandise) will automatically be given a comparable new UK trademark registration (with the same priority, filing and seniority dates as the corresponding EUTM). These new UK registrations will be called comparable TMs (EU). No action or payment is needed to obtain these rights. Existing EUTMs will continue to cover the EU27 only.

What else do we know about comparable TMs (EU)?

Comparable TMs (EU) will not be issued registration certificates but details of them will be on the UKIPO database, will have the same renewal dates as the EUTMs from which they derive and will keep the same registration numbers as the EUTMs from which they derive, but will have a prefix of "UK009" added to the last eight digits.

EUTMs which have been finally refused, cancelled or withdrawn before 31 October 2019 will not be protected as comparable TMs (EU). Those seeking conversion of their EUTMs into UK national applications should obtain advice. Beware (when clearing new brands) that comparable TMs (EU) can, in some circumstances, be created after 31 October 2019 from EUTM registrations that have expired or been removed from the register.

Will EUTM applications pending on 31 October 2019 need to be refiled in the UK?

Yes, if UK protection is required. All EUTMs pending on 31 October 2019 (even those that have been accepted for registration but not yet registered) will have to be refiled in the UK if UK protection is required. Any refiled UK application can be objected to or opposed in the normal way. Usual UKIPO applications fees will apply.

There will be a nine month period (i.e. until 31 July 2020) within which EUTMs can be refiled in the UK without loss of the original priority and filing dates. To benefit from this period, the refiled UK application must relate to the same mark as the corresponding EUTM application and the specification used must be identical to, or contained within, the corresponding EUTM application.

Should new trademark applications be filed at UK as well as EU level from now?

Any EUTMs filed from now onwards will not register before 31 October 2019, even if they are filed on the "fast track". This means that a separate UK application will be required anyway. If UK protection is required reasonably quickly (perhaps for licensing or enforcement purposes), it is worth filing at both UK and EU level now, to get the ball rolling and avoid the inevitable delays at the UKIPO. Otherwise, it is better to file at EU level only and wait for the nine month priority period to file in the UK. In particular, UK application costs might be wasted if Brexit is deferred. After 31 October 2019, separate applications will be required at UK and EU level if protection is required in the UK and EU27.

Is there any advantage to renewing EUTMs early before 31 October 2019?

No. Where an EUTM is due for renewal after 31 October 2019, renewing before that date will not eliminate the need to renew the comparable TM (EU). There are no cost savings to be had by renewing EUTMs early. However, the UKIPO is allowing comparable TMs (EU) to be renewed any time up to six months after the renewal date with no late renewal fee.

What should we check in IP-related agreements?

All key licences (including publishing agreements and merchandising agreements) should be reviewed. In particular clarification should be sought on the territory covered by those licences to check if they will cover the UK after Brexit and whether Brexit will have any effect on payment (including payment of royalties). Licences of EUTMs relating to the UK will continue to apply to the comparable TM (EU). Licensees may need to be notified of the existence of the UK comparable right.

All existing co-existence agreements should be reviewed to check that the creation of a comparable UK right does not breach a term of an existing agreement.

How will EU domains be dealt with?

Those who have an establishment in the UK only (and not in the EU27) will no longer qualify to hold them. Some service providers are offering solutions to overcome this. Advice should be taken on their effectiveness. Holders of existing .eu domains with GB or GI as their residence/establishment country code will be sent a warning on 24 October 2019 and a reminder on 1 November 2019. They will have a further two months, until 1 January 2020, to demonstrate compliance or the domain will be removed from the zone file. Thereafter, emails and websites using that .eu domain will not work. After 1 November 2020, that domain can be

bought by someone else. Further details are on the EURid website here.

Is a UK correspondence address required for the comparable TM (EU)?
Not in the immediate term. An address for service within the EEA is sufficient.

Will a UK correspondence address continue to suffice for EUTMs?
Generally, no. EEA representation is necessary to handle all but the most straightforward of matters before the EUIPO. Those with in-house UK teams used to handling EUTM matters may have to consider appointing EEA based representatives after 31 October 2019. Taylor Wessing's team will be able to continue to handle the full range of actions and disputes before the EUIPO.

What will happen to EUIPO opposition and invalidity actions pending on 31 October 2019?
The EU Commission has said that UK prior rights will be disregarded in decisions issued after 31 October 2019. However, only a decision of the CJEU will ultimately decide if this is the correct approach. The outcome of an EUIPO action will not affect the comparable TM (EU) unless a final decision is issued before 31 October 2019. Separate UK proceedings might be required.

What will happen to UKIPO opposition and invalidity actions pending on 31 October 2019?
UKIPO and court proceedings based on prior EUTMs which are ongoing at 31 October 2019 will continue, but under the UK Trade Marks Act 1994 (on the basis of the law as it stood prior to 31 October 2019). Presumably, they will be based on the comparable TM (EU).

Should EUTMs be refiled at EU level if they have been used only in the UK?
Probably not (assuming they have been used fairly recently in the UK). The EU has said that use of an EUTM in the UK before 31 October 2019 is likely to count as use of the EUTM going forwards if it is within the relevant five year period. If so, presumably an EUTM would not be revoked for non-use unless and until five years after the last pre-Brexit genuine use in the UK. However, it has also said that only a decision of the CJEU will ultimately decide this issue.

Should EUTMs be refiled in the UK if they have been used only in EU27 countries?
Not if they have been used fairly recently in the EU27. Use of an EUTM in the EU before 31 October 2019 will count towards use of the comparable TM (EU) if it is within the relevant five year period. This means that a comparable TM (EU) cannot be revoked for non-use until at least five years after that last pre-Brexit use elsewhere in the EU. So, if there is genuine use somewhere in the EU27 right up to (and perhaps ongoing after) Brexit, then the comparable TM (EU) should not be vulnerable to a non-use attack until five years post-Brexit (e.g. 1 November 2024).

How are international marks designating the EU being dealt with?
These will largely be dealt with in the same way as EUTMs.

Will registrable transactions be ported across from the EUIPO?
No. It will be necessary to record any registrable transactions (e.g. of licences or security interests) at the UKIPO against the comparable TM (EU).

How will Customs Applications for Action (AFAs) be dealt with?
An AFA filed via UK Customs and designating the UK will remain in place until expiry. However, if it was filed via another EU27 customs office, a new AFA will need to be filed in the UK. This is principally because the UK Border Force and HMRC will not have access to the COPIS database that EU Customs share. Likewise, the EU Commission has said that AFAs filed via UK Customs and designating any EU27 countries will need to be reapplied for via an EU27 Customs office.

WHAT ABOUT DESIGNS?

Registered Community Designs (RCDs) will be protected in the UK as comparable rights in largely the same way as described above for EUTMs.

Unregistered Community Design (UCDs) will continue to be protected in the UK until the corresponding EU right expires. A new UK "supplementary unregistered design right" is being
created equivalent to the UCD for new designs made available after 31 October 2019. There remains debate about whether (after 31 October 2019) EU UDR will arise if first disclosure occurs in the UK and the UK supplementary right will arise if first disclosure occurs in the EU27. The former question has just been referred to the CJEU from the UK court although whether the CJEU will answer to the UK is another matter. Recent guidance suggests they will. In the interim, simultaneous disclosure in both the UK and EU27 (e.g. online) should be considered.

Note: *if the UK does not leave the EU on 31 October 2019, some of the above actions will have been unnecessary.*

EXHAUSTION

Introduction

The exhaustion of intellectual property rights plays one part in determining which products can circulate freely across which borders and what, if any, consents are required from the rights holder to do so. The EU and EEA have a specific exhaustion regime, which the United Kingdom would cease to be part of in a no deal Brexit. This note explains what that regime currently is, how it will change, what publishers can do to identify if they may be affected by the change and, if so, what they can do to react.

What is exhaustion of intellectual property rights?

Whether intellectual property rights are or are not "exhausted" determines two things. First, it determines in which countries the first sale of an intellectual property protected product (such as a book and related merchandise) can take place. Second, it determines in which countries subsequent sales of an intellectual property protected product can take place and into which countries those products circulate.

The current position in the EEA is as follows:

a. The rights holder (e.g. the author or publisher) determines the country in which the first sale of a product can take place. There will usually be a contract (e.g. a licence to publish, an exclusive publishing agreement and/or a distribution agreement) which provides in which country (or countries) a first sale can take place. In copyright terms, this right is known as the "distribution" right or the right "to issue copies to the public" and it is not "exhausted" until the first sale has been made. Subject to the next paragraph, a first sale of a product made in a country without the rights holder's consent will infringe those rights.

b. If a first sale has taken place in an EEA member state by the rights holder or with its consent, subsequent sales can generally take place anywhere else in the EEA without needing further consent from the rights holder and without infringing those rights. The product can generally be re-sold freely in the EEA without further consent. The distribution right is said to be "exhausted", as it can no longer be used to control those subsequent sales. Where intellectual property rights are exhausted the effect is that distributors, resellers and retailers in the EEA can generally source products anywhere in the EEA and resell them in the EEA without infringing those rights.

c. (c) If a first sale of a product takes place outside the EEA and the rights holder does not consent to sales in the EEA, however, that product cannot be resold in the EEA. A separate consent from the rights holder would be needed before a first sale inside the EEA can take place. Sales outside the EEA do not "exhaust" the relevant rights inside the EEA. This may be relevant, for example, to market specific editions of books.

d. Whether or not an intellectual property right is exhausted is determined in relation to each individual product (or batch of products if sold together), rather than in relation to, for example, a title or product line.

e. The law which applies to determine whether the relevant rights have been exhausted is that of the country in which the subsequent sale takes place.

What will happen to IP exhaustion in a no deal Brexit?

a. Products already on the market prior to exit day: The current version of the Withdrawal Agreement provides for "grandfathering" of rights that have been exhausted before the end of the transition period. That means that if products have been first sold in circumstances which exhausted the relevant rights, those rights will remain exhausted and the products can continue to circulate freely between and within the EEA and UK. If there is no agreement between the UK and EU on those terms:

b. Products which have been first sold in the EEA before exit day will be considered exhausted in the UK on and after exit day; and

c. the EU has not provided for what happens in relation to products whose first sale was in the UK and have not been put on the market in the rest of the EEA. It will ultimately be a question for the CJEU to determine whether the relevant rights in such products have been exhausted to enable subsequent sales in the EEA.

d. For products placed on the market after exit day, the position will be different between products sold in the UK and in the EEA:

   i. *Products in the UK*
   The UK has introduced a temporary fix known as "one way" or "unreciprocated" exhaustion which means that goods first sold in the EEA can continue to circulate into the UK without needing the consent of the rights holder. This preserves the position as it stood before exit day for imports coming into the UK from the EEA.

   ii. *Products in the EEA*
   On the other hand, the EEA has not introduced an equivalent temporary fix: the UK will be treated as a third country (equivalent to, for example, the United States) so that products first sold in the UK cannot be imported into the EEA, except with the consent of the rights holder. That is a significant change from the position as it stood before exit day.

FAQS

Who may be affected by the changes to the law of exhaustion?

Anyone whose books and other intellectual property protected products circulate from the UK to the EEA and anyone who is involved in that circulation could be affected. It affects authors, publishers, businesses authorised to sell books and related products (e.g. merchandise) and businesses who are not authorised to sell products between the UK and EEA. All of these operators will need to check their rights acquisitions and distribution models to see if the relevant permissions are in place.

Would acquiring global rights make life easier?

Yes, for the purposes of dealing with exhaustion. Doing so would mean that the publishers and/or distributors would, from an intellectual property perspective, be able to circulate products across borders without restriction. It should be borne in mind, however, that shifting to a global model may mean having to consider other legal issues (e.g. different copyright, defamation and privacy laws between each country), which may not have presented themselves when dealing only on a national or regional level.

How might future changes in law affect the position?

The UK government is currently considering options for which exhaustion regime the UK should adopt in the longer term, the options being national, regional and international exhaustion. As part of that exercise, the UK Intellectual Property Office commissioned EY to conduct a feasibility study to determine whether it would be possible to estimate the scale of parallel trade across the economy.

For present purposes, the following summary of the publishing industry's response provides useful context for what is at stake: publishers believe that the current level of parallel imports [from the EEA] into the UK is very small in this sector, because the market for English language books elsewhere in the EEA is not large. Publishing rights negotiated with authors tend to follow the IPR exhaustion model, i.e. the EEA is the relevant market for UK copyright, and publishers try to acquire exclusive copyrights for EEA area distribution. There is greater risk of parallel trade where only one global edition of a product is available, rather than different editions in different markets (e.g. different editions for the US and the UK/EEA markets).

If the UK were to adopt a "national" exhaustion regime in future, even products which have been first sold in the EEA could not be imported into the UK without the rights holder's consent. Rights holder permission would be needed for all imports of their products into the UK. By contrast, if the UK were to adopt an "international" exhaustion regime, products which have been first sold anywhere in the world with the rights holder's consent could be imported into the UK without further consent. A "regional" exhaustion regime would likely only follow a comprehensive trade arrangement with a regional trading partner (essentially a form of EEA membership); if that were to happen, a similar regime to that which exists before exit day would be reintroduced across that trading area. If businesses in the publishing industry wish to contribute to the government's consultations on these options, they should gather data about what impact each of the regimes would have on them which could be shared with the government (including via trade bodies such as the Publishers Association).

QUESTIONS FROM THE EVENT

IP is often thought to be an incredibly complex area – particularly for smaller businesses – where have you seen the best advice for small businesses? Have you seen bad advice that you'd like to take the opportunity to "de-bunk"?

Roland Mallinson, Taylor Wessing, said some of the statements from the European Commission have not accurately stated the law. The UK IPO, however, is very helpful.

The government encourages businesses to seek advice regarding exhaustion, this isn't very helpful, Adam Rendle (Taylor Wessing) said. The government advice hasn't been as direct as it could be, he adds.

Will IP be given the appropriate level of importance in FTAs post-Brexit?

Dan Guthrie, Alliance for IP, said the concern is that the technical IP debate gets traded away for another issue like agriculture.

He adds that DIT is also considering how to handle IP in the US/UK future talks. Should they say to the US – our IP frameworks are broadly the same, but have crucial differences, so let's just leave them as they are instead of unpicking them. This is the best outcome for both UK and US.

Should publishers look at acquiring rights on a global basis to shield themselves from potential exhaustion risks?

Adam Rendle, Taylor Wessing, said you must answer a preliminary question first – what do you want to bring about? Do you want to be able to continue to supply across the EU and preserve that status quo? If so, absolutely. One thing you may need to think about is exposure to wider liabilities when expanding territories, defamation laws for example.

Roland Mallinson added that in some countries you need to show a genuine commitment to using a trademark in order to have protection there.

Do you think it will be easier or harder to enforce rights in response to infringement in the event of no deal?

Roland said it will be harder in some respects because you will have to spend more money – you may have to sue in more than one country. There may be some duplication, or you run out of time – as there is a six year time limitation for legal action in the EU.

Adam Rendle said keeping the continued enforceability of contracts in mind, but the substantive law and remedies will remain the same which will hopefully mean a certain amount of certainty in the short to medium term.

Dan Guthrie said on the enforcement side, particularly PIPCU, the international cooperation with Europol on enforcement will end. Civil action may therefore become harder for smaller rights holders.

What conversations should people be having with their European colleagues to make sure they're ready for changes in this area?

Adam Rendle made the point of scope of rights acquisition – make sure you do your own due diligence on rights acquisition. Discussion and cooperation with European colleagues on this topic will be useful.

Dan Guthrie said we will need to influence European legislation even more if we leave with a no deal Brexit, because anyone who trades with the EU will be affected by European regulation. We will need to work with colleagues in Europe to shape future legislation.

Checklist

GENERAL IP POINTS TO CONSIDER:

- Consider whether you have adequate registered Trademark Protection in the UK as well as the EU, also consider not just your main brand name but also some of your key product brands, discussing this with authors and their agents where necessary and appropriate.
- Consider conducting a Rights audit to fully understand the basis on which you hold copyright in your publications, and which markets you are able to sell your product into.
- Consider the impact of an "international exhaustion" regime on your business
- Think about adopting an approach to rights acquisition that secures either global or at least world English language rights to shield yourself from potential exhaustion risks.

REGISTERED TRADEMARKS:

- Do not to let UK registrations lapse, even if duplicated by EUTMs.
- Carefully consider any new seniority claims for UK registrations.
- Review trademark strategies and watches for adequacy.
- Be alive to the possibility of fraudsters sending out even more scam invoices concerning new comparable TMs (EU), and third parties filing bogus UK applications during and particularly after the end of the nine month priority period.
- Consider whether 2019/20 and 20/21 budgets need increasing to account for renewals of additional new rights (the EU (Comparable) rights), additional UK (and possibly EUTM) applications and likely increase in watch notices and disputes.

EXHAUSTION POINTS:

- To export from the UK into the EEA, permission is needed from the rights holder. It should therefore be checked whether that permission is in place already and, if not, whether the rights holder needs to grant it to preserve the current circulation of the products or whether third parties need to have that permission to continue their importing of the products from the UK into the EEA.
- To establish whether products can circulate from the UK into the EEA, the geographical scope of the consent of the person who made the first sale in the UK will need to be checked. For example, did that person's authorised territory include both the UK and one or more EEA member state?
- For product types which, prior to exit date, freely circulated from the UK into the EEA, it should be checked on what basis that circulation was taking place – was it permission of the rights holder or reliance on exhaustion? If the latter, it should be considered what can now be done to stop that circulation (if desired) and/or what would need to be done to be enable it to continue (again, if desired).
- The territorial grants of rights and permissions should be checked in, for example, publishing and distribution agreements, to confirm whether they reflect the desired business outcome. For example, if the rights holder wants products to continue moving freely from the UK into the EEA, it will need to check and possibly amend its agreements to bring that outcome about, and vice versa.
- It should be checked whether any permissions granted to make first sales include both the UK and Ireland – if they do, it may mean that circulation can continue from the UK into the EEA, notwithstanding Brexit, where the products are sold in Ireland with the rights holder's consent.
- It should be assessed whether there would be any commercial, editorial or other benefits in relying on the potential ability to stop circulation of products from the UK into the EEA – for example, it could be explored whether it would be worth re-organising rights acquisition and/or distribution models so that separate consents are needed for sales in the UK and in the EEA.

Further resources

UK Statutory Instruments coming into force in event of a No Deal Brexit;

- The Trade Marks (Amendment etc) (EU Exit) Regulations 2018
- The Designs and International Trade Marks (Amendment etc.) (EU Exit) Regulations 2019
- The Customs (Enforcement of Intellectual Property Rights) (Amendment) (EU Exit) Regulations 2019
- The Intellectual Property (Exhaustion of Rights) (EU Exit) Regulations 2019

UKIPO and UK government papers

- No Deal Readiness Report (8 October 2019)
- Changes to trade mark law in the event of no deal from the EU (1 March 2019, updated 19 September 2019)
- Numbering system for comparable UK trade marks (21 February 2019)
- IP and Brexit: the facts (16 January 2019, updated 10 October 2019)
- Trade Marks and designs if there's no deal Brexit (24 September 2018 & 17 January 2019)
- Exhaustion of intellectual property rights if there's no Brexit deal (24 September 2018, 24 July 2019 and updated 11 September 2019)
- EY/IPO feasibility study on Exhaustion of Intellectual Property Rights (June 2019)
- Exhaustion of IP rights and parallel trade after Brexit (14 October 2019)

EUIPO and European Commission Papers

- Communication No 2/2019 of the Executive Director of the Office of 22 February 2019 on the impact of the UK's withdrawal from the EU on certain aspects of the practice of the Office (22 February 2019)
- EUIPO General Additional Guidance for Right Holders and Representatives (22 February 2019)
- EUIPO Q&A on the impact of the UK's withdrawal from the EU – EUTMs and RCDs (18 & 30 January 2018)
- Commission Notice to Stakeholders on the Withdrawal of the UK and EU rules for trademarks and Community Designs (5 December 2017 & 22 January 2018)
- Commission Notice to Stakeholders on the Withdrawal of the UK and EU rules in the field of Customs Enforcement of IPRs (4 June 2018)
- Commission Position Paper on Intellectual Property Rights (including geographical indications) (6 September 2017)
- Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, as endorsed by leaders at a special meeting of the European Council on 25 November 2018

Legal Clinics

Apply for a free private Brexit legal clinic now: https://forms.gle/hBw9EKyFrfS2jQdGA

The Publishers Association is co-ordinating free, one-to-one, legal clinics providing advice about the challenges of a no deal Brexit. These are available until 31 October 2019.

These sessions will offer personalised guidance that is specific to your organisation's day-to-day operations. We will have senior lawyers from Fieldfisher LLP on hand to answer any questions you might have about: movement of goods; intellectual property; and cross-border data flows.

These experts will be available to meet in person at their offices in London or to talk to you over the phone.

Each clinic will last up to one hour, with one clinic available to each publishing house on a first-come, first-served basis. All publishing houses in the UK are eligible to apply, but please only submit one application per company.

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