

7. ECTA Articles



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THE EXHAUSTION OF INTELLECTUAL PROPERTY (IP) RIGHTS FOR GOODS EXPORTED FROM THE UK INTO THE EUROPEAN ECONOMIC AREA (EEA) WAS ONE OF THE BIGGEST PRACTICAL CHANGES BROUGHT ABOUT BY BREXIT.

THE POSITION PRE-BREXIT

Prior to 31 December 2020, the UK was still considered part of the EEA for the purposes of the EU's regional exhaustion of IP rights regime. The principle of exhaustion of IP rights limits IP right holders' control following the first sale of their product. The rule provides that any IP rights in goods first placed on the market by (or with the consent of) the IP right holder anywhere in the EEA would be considered exhausted in

the rest of the EEA. This prevented the right holder re-asserting its national rights in one EEA country in order to prevent goods from being resold or imported in other parts of the EEA. In practice this meant that the goods could be parallel imported into the UK from the EEA and also parallel exported out of the UK into the EEA.

THE POSITION POST-BREXIT

After 31 December 2020 the UK chose to maintain the EEA's regional exhaustion regime. This regime retains the *status quo* with regards to imports of goods into the UK from the EEA and EU right holders continue to be free to export goods into the UK. However, it is an asymmetric system

because the EU has not reciprocated. IP rights in goods first placed on the market in the UK are no longer considered exhausted in the EEA. In practice this means that owners of UK IP rights are not able to prevent parallel imports from the EEA into the UK, but owners of EEA rights will be able to prevent goods put on the market in the UK from being sold in the EU.

THE CONSULTATION

In June 2021, the UK Government launched a consultation seeking views on the most appropriate exhaustion regime in the UK for IP rights in the future. The consultation period ended at the end of August and the UK Intellectual Property Office and

the Government are currently considering the responses submitted by stakeholders. Their recommendations will be published shortly.

THE FOUR OPTIONS

The consultation paper set out four options for a future exhaustion regime in the UK:

- Unilateral EEA (UK+) regime: The current regime remains in place with no further changes. Parallel imports would be permitted only from the EEA to the UK, except to the extent that any other EEA member state chooses to reciprocate and allow parallel imports from the UK. The consultation paper notes that this option is considered compatible with the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).

- National regime: IP rights would only be exhausted once goods are put on the market in the UK and therefore parallel imports from outside the UK would be prohibited. Under this regime, IP owners gain greater control over the distribution of their products but the regime would be likely to be unpopular with exporters based in the EU. However, the regime could negatively impact consumers by reducing supply and consumer choice and, in-turn, increasing the price of products. The big issue here is that the UK Government considers the regime to be incompatible

with the Northern Ireland Protocol, which allows goods to move freely from EU Member States (including the Republic of Ireland) into Northern Ireland.

- International regime: IP rights are exhausted in the UK if they are placed on the market anywhere outside the UK (and not just the EEA). Historically, and prior to EU-derived law relating to exhaustion taking effect in the UK, it is fair to say that relevant UK law developed along the lines of an international approach. Essentially, goods may freely be imported into the UK from the rest of the world without the permission of the right holder, whilst the extent of parallel exports being permitted from the UK would depend on the law in the destination country. This option could have the effect of reducing the value of IP rights (including their value to licensees), could cause product safety and quality issues and might impair access to certain goods such as pharmaceuticals and educational books. However, under this regime consumers could benefit from improved choice and reduced prices. Manufacturers who have a complex supply chain might also benefit from this regime.

- Mixed regime: A specific good, sector or IP right is subject to one regime, while all others are subject to a different regime. For example, Switzerland has a regime where most goods can be parallel imported

but there is a separate national regime for medicines. The consultation paper notes that a mixed regime may be difficult for businesses and consumers to understand. Many goods are protected by multiple IP rights and therefore it could be difficult for a business to determine where the rights in such goods are exhausted. Any formulation of a mixed regime would need to be compliant with the Northern Ireland Protocol.

CONCLUSION

The UK Government has stated that it does not have a preferred option for the UK's future exhaustion regime and will assess all options in light of representations and evidence received. However, the Government has made it clear that any new regime will need to comply with existing treaty obligations such as the Northern Ireland Protocol. This factor would count against the implementation of a national regime and, possibly, a mixed regime. The consultation sought advice not only on which options the businesses would prefer, but also the length of time that would be needed for them to adapt to a new regime. The consultation ended in August, and it is therefore expected that the results will be published in the next few months. A link to the Government's consultation document can be found [here](#).



Future Exhaustion of IP Rights Regime in the UK – the UK Government's Consultation