

Chartered Institute of Trade Mark Attorneys (“CITMA”) response to the UK Intellectual Property Office Open Consultation entitled “UK’s future exhaustion of intellectual property rights regime”

SECTION A

Introduction: CITMA and their members' interests in intellectual property law

CITMA welcomes the opportunity to provide comments in relation to the UK’s future exhaustion of intellectual property rights regime.

Founded in 1934, chartered in 2016, CITMA is a UK-based professional membership organisation representing the interests of over 1,600 trade mark and design legal professionals. Our community of members includes Chartered Trade Mark Attorneys, those in training and support roles, and barristers and solicitors with an interest in trade marks or designs.

CITMA members represent or work for a wide range of UK businesses across all industry sectors. On behalf of their clients or employees they have an active interest in the efficient operation of trade mark and design laws, including the regime for exhaustion of such rights. They have an interest in the certainty of such a regime and that any change that is made to the exhaustion regime results in a minimum of disruption for their employers or clients.

Due to the range of views and interests of the employers and clients of CITMA members, CITMA do not support any particular IP exhaustion regime. Nor does CITMA have access to data from industry as to the likely economic effect of the different proposed regimes or the volume of parallel imports in different industries.

Following the changes needed to be made to business supply chains because of Brexit, CITMA considers that it would be less disruptive and more meaningful if the consultation as to what IP exhaustion regime is adopted were postponed for three years. The additional time would provide perspective and allow data to be gathered on the effect of any change to business supply chains and the current IP exhaustion regime. CITMA’s concern is that the current effect may be hidden by transitioning to the current system and the COVID19 pandemic.

If the Government decides that a decision should be made at this stage, CITMA has provided responses below on two legal questions – Q13 and Q17, and Q.15.

Q 13: Please outline any other issues that the government should consider when deciding on what exhaustion regime to implement, including economic, trade, consumer, or societal impacts.

In the Consultation document the UKIPO states:

Interaction with unregistered design rights

Although the principle of exhaustion of IP rights affects all the four main IP rights, there may be a particular interaction with unregistered design rights. Protection

arising from an unregistered design depends on where the design was first disclosed. If a design is first disclosed in the UK, it is protected as an unregistered design in the UK. However, in that same case, first disclosure in the UK means the design is not considered new by the EU and so it is not protected as an Unregistered Community Design (UCD). The opposite is also true (i.e. a design first disclosed in the EU, gains protection as an UCD, but is no longer considered new in the UK and so is not protected as an unregistered design in the UK).

This means that there may be an issue relating to how exhaustion of IP rights works with respect to unregistered designs. For example, if a product which is protected as a UCD in the EU is first put on the market in the UK, the rights in that good may not be considered exhausted in the EEA. Therefore, permission from the rights holder would be needed to parallel export the good from the UK into the EEA, despite the product not being protected as an unregistered design in the UK. Another complication is that UCDs are an EU right, so protection as a UCD does not extend to EEA countries, whereas the exhaustion of IP rights regime for other IP rights does extend to EEA countries.

This issue does not appear to apply to copyright because protection is automatic and there is no requirement for the work to be new, so copyright protection can be obtained in all the territories. The issue also does not appear to apply to registered rights (patents, trade marks and registered designs) because there is the opportunity to apply for these rights in other territories due to grace periods and priority periods.

If a national regime was chosen, parallel trade across borders would be limited and so this issue is unlikely to occur. Should any other regime be chosen, this issue is likely to continue to occur.

CITMA's response to Q.13:

CITMA agrees that this is a valid concern, at least in theory. The owner of a UK design right might have to sell a product at near-marginal cost in the EEA due to competition (there being no UCD): yet any attempt to charge a premium on UK sales risks being frustrated by parallel imports from the EEA. This risks leaving the rights owner wholly unable to recover their fixed-cost investment in creating the design.

Likewise, were the EEA ever to consider permitting the parallel importation of products from the UK into the EEA again, it would rightfully wish to avoid EEA rights owners being undercut by their own products first sold at near-marginal cost in the more competitive UK.

However CITMA does not have any data as to the effect this issue may have in practice on business.

CITMA is not convinced the issue is wholly new. We recall that in the foundational ECJ case on exhaustion, *Merck & Co. Inc. v Stephar BV* (C-187/80), the court held that pharmaceuticals, put on the market by Merck in Italy (where patent protection for pharmaceuticals was not at the time available) could nevertheless be freely imported into the United Kingdom (where Merck did hold a patent). We note that the United Kingdom, in its submissions to the ECJ in 1981, did support *Merck's* arguments that rights should *not* be exhausted in such circumstances, but that the ECJ ruled that the principle of freedom of movement of goods was so fundamental to the EEC that it overrode other concerns. Brexit gives the UK the opportunity to revisit these arguments.

CITMA believes that broader qualification criteria for UK Unregistered Design Right, or an UK-EU agreement on mutual qualification for design rights, might help reduce or remove this concern, although we appreciate this is outside the remit of the current consultation on IP Exhaustion.

Q17: Do you have any views on the government's assessment that the Northern Ireland protocol will mean that the regime ultimately selected by the UK government will need to allow parallel imports into Northern Ireland from the Republic of Ireland and other EEA countries?

As stated above CITMA does not support any particular proposed IP exhaustion regime, however it does not consider that in selecting which IP regime is most appropriate the Government should limit the potential options as a result of the NI Protocol.

CITMA has had the benefit of reading the response to this consultation submitted by the IPLA and supports the reasoning and conclusion of that submission.

Q15: If the government were to change its exhaustion regime, what length of time would your business or organisation need to implement the change (for example, 1 year or 3 years)? Please provide information to support your answer.

If any change were to be made to the IP exhaustion regime because of this consultation then CITMA's view is that there should be at least an 18-month transition period in order to allow UK businesses time to identify and implement any necessary operational changes.

SECTION B: Respondent information

Q1: Please give your name (name of individual, business or organisation).

Chartered Institute of Trade Mark Attorneys

Q2: Are you responding as an individual, business or on behalf of an organisation?

- a) Business – please provide the name of your business
- b) **Organisation – please provide the name of the organisation that you are responding on behalf of**
- c) Individual – please provide your name

Q2a: If you are responding on behalf of an organisation, please tell us the name of the group and give a summary of the people that you represent.

Please see above introduction.

Q3: If you are an individual, which of the following statements best describes you?

- a) Academic
- b) Employer/employed in the private sector
- c) General public
- d) Law professional
- e) Professional in another sector
- f) Public sector official
- g) Other – please specify:

Not applicable.

Q4: If you are responding on behalf of your business or organisation, which of the following statements best describes your business or organisation? Please select all that apply

- a) Academic institution
- b) Distributor of goods
- c) Distributor of licensed goods
- d) IP rights holder
- e) Manufacturer reliant on IP-protected goods
- f) Retailer
- g) Trade body representing 'IP rights holders'**
- h) Other – please specify:

Q5: If you are responding on behalf of a business or organisation, which of the following best describes your organisation?

- a) UK only based organisation (if so, please specify whether your organisation's head office is based in England, Scotland, Wales or Northern Ireland).**

Head office based in England.

- b) Multinational organisation based in the UK (if so, please specify whether your organisation's head office is based in England, Scotland, Wales or Northern Ireland).
- c) Multinational organisation based in an EEA country outside of the UK, which operates in the UK (if so, please specify the country your organisation's head office is based in).
- d) Multinational organisation based in a non-EEA country outside of the UK, which operates in the UK (if so, please specify the country your organisation's head office is based in).
- e) Other (please specify).

Q6: If your business or organisation trades in IP protected goods, which one of the following best describes the destination of IP goods?

- a) Trade with EEA countries only
- b) Trade with non-EEA countries only
- c) Trade with both EEA and non-EEA countries

Not applicable.

Q7: If your business or organisation trades in IP-protected goods, which one of the following best describes your organisation's trade?

- a) Importer of IP-protected goods
- b) Exporter of IP-protected goods
- c) Importer and exporter of IP-protected goods (both finished goods and transformed goods)

Not applicable.

Q8: Which one of the following best describes the sector of your business or organisation?

- a) Agriculture, forestry & fishing
- b) Automotive or Aerospace
- c) Business administration
- d) Civil society
- e) Construction
- f) Creative industries
- g) Distribution
- h) Education / Academia
- i) Finance
- j) Food and drink
- k) Health (human or animal)
- l) Information technology
- m) Production/ Manufacturing
- n) Public administration & defence
- o) Retail
- p) Transport & Storage
- q) Wholesale
- r) **Other – please specify**

Legal sector

Q9: How many people work for your business or organisation across the UK as a whole? Please estimate if you are unsure.

- a) Fewer than 10 people
- b) 10–49
- c) 50–249
- d) 250–999
- e) **1,000 or more**
- f)

Q10: The Intellectual Property Office may wish to contact you to discuss your response. Would you be happy to be contacted to discuss your response?

Yes.

Q11: If you are happy to be contacted by the Intellectual Property Office, please provide a contact email address.

keven@citma.org.uk

Q12: Would you like an acknowledgement of receipt of your response?

Yes

CITMA

31 August 2021