

Report Q205

in the name of the Ecuadorian Group

Exhaustion of IPRs in cases of recycling and repair of goods

Under the Ecuadorian law and the Andean Common Intellectual Property Regime (Decision 486).

Remarks:

- Since Decision 486 is applicable under the Intellectual Property Law, we will refer principally to the first.
- For Decision 486 two persons shall be considered to have economic ties when one of the persons is able to exercise a decisive influence on the other, either directly or indirectly, with respect to the exploitation of the patent or when a third party is able to exert that influence over both persons.

Questions

I) Analysis of the current statutory and case laws

1) Exhaustion

In your country, is exhaustion of IPRs provided either in statutory law or under case law with respect to patents, designs and trademarks? What legal provisions are applicable to exhaustion? What are the conditions under which an exhaustion of IPRs occurs? What are the legal consequences with regard to infringement and the enforcement of IPRs?

Legal provisions of exhaustion in Decision 486:

a) Patents:

Arts. 53 and 55.

Conditions:

- A patent owner has not the following rights in connection with a patent:
 - a) acts carried out in a private circle and for non-commercial purposes;
 - b) acts carried out exclusively to experiment with the subject matter of the patented invention;
 - c) acts carried out exclusively for the purposes of teaching or scientific or academic research;
 - d) the acts referred to in article 5bis of the Paris Convention for the Protection of Industrial Property;
 - e) If the patent protects biological material that is capable of being reproduced, except for plants, using that material as a basis for obtaining a viable new material, except where the patented material must be used repeatedly to obtain the new material.

- Rights conferred by a patent may not be asserted against a third party that, in good faith and before the priority date or the filing date of the application on which the patent was granted, was already using or exploiting the invention, or had already made effective and serious preparations for such use or exploitation.

b) Trademarks:

Art. 157.

Conditions:

- Provided that it is done in good faith and does not constitute use as a trademark, third parties may, without the consent of the owner of the registered trademark, make use in the market of their own names, addresses, or pseudonyms, a geographical name, or any other precise indication concerning the kind, quality, amount, purpose, value, place of origin or time of production of their goods or of the rendering of their services, or other characteristics thereof, provided that such use is confined to identification or information purposes only and is not likely to create confusion over the source of the goods or services.
- Trademark registration shall not confer on the owner the right to prevent a third party, where proceeding in good faith, from using the trademark to announce, even in advertising using brand comparisons, offer for sale, or advertise the existence or availability of lawfully trademarked goods or services, or from advertising the compatibility or suitability of spare parts or accessories that may be used with goods bearing the registered trademark, provided that such use is confined to the purpose of informing the public and is unlikely to lead to confusion over the corporate origin or the goods or services concerned.

In case of infringement of IPPs civil, criminal and administrative actions are available.

2) *International or national exhaustion*

Does the law in your country apply international exhaustion for patents, designs or trademarks? If yes, are there any additional conditions for international exhaustion compared to regional or national exhaustion, such as a lack of marking on products that they are designated only for sale in a specific region or country or the non-existence of any contractual restrictions on dealers not to export products out of a certain region? What is the effect of breach of contractual restrictions by a purchaser?

If your law does not apply international exhaustion, is there regional exhaustion or is exhaustion limited to the territory of your country?

In case your country applies regional or national exhaustion, who has the burden of proof regarding the origin of the products and other prerequisites for exhaustion and to what extent?

Our legislation does not make a difference among regional or international exhaustion and for this reason; there are not any additional conditions for international exhaustion compared to regional or national exhaustion.

Patents:

Art. 54

- In the case of parallel imports: the patent owner does not have the right to proceed against a third party making commercial use of a product protected by a patent once that product has been introduced into the commerce of any country by the owner or another person authorized by the right holder or with economic ties to that patent owner.
- If the patent protects biological material that is capable of being reproduced, the patent coverage shall not extend to the biological material that is obtained by means of the

reproduction, multiplication, or propagation of the material that was introduced into the commerce as described in the first paragraph, provided that it was necessary to reproduce, multiply, or propagate the material in order to fulfill the purposes for which it was introduced into commerce and that the material so obtained is not used for multiplication or propagation purposes.

Designs:

Art. 131.

Conditions:

- Registration of an industrial design shall not confer the right to proceed against a third party who makes commercial use of a product incorporating or reproducing the design once it has been introduced into the commerce of any country by the right holders or another person authorized by them or with economic ties to those right holders.

Trademarks:

Art. 158.

- **Parallel Imports:** Trademark registration shall not confer on the owner the rights to prevent third parties from engaging in trade in a product protected by registration once the owner of the registered trademark or another party with the consent of or economic ties to that owner has introduced that product into the trade of any country, in particular where any such products, packaging or packing as may have been in direct contact with the product concerned have not undergone any change, alteration, or deterioration.

3) *Implied license*

Does the theory of implied license have any place in the laws of your country? If so, what differences should be noted between the two concepts of exhaustion and implied license?

The theory of implied license has not any place in the laws of our country.

4) *Repair of products protected by patents or designs*

Under what conditions is a repair of patented or design-protected products permitted under your national law? What factors should be considered and weighed? Does your law provide for a specific definition of the term "repair" in this context?

Repair of patented or design-protected products are not permitted under our laws.

5) *Recycling of products protected by patents or designs*

Under what conditions is a recycling of patented or design-protected products permitted under your national law? What factors should be considered and weighed? Does your law provide for a specific definition of the term "recycling" in this context?

Recycling of patented or design-protected products are not permitted under our laws.

6) *Products bearing trademarks*

Concerning the repair or recycling of products such as reuse of articles with a protected trademark (see the examples hereabove), has your national law or practice established specific principles? Are there any special issues or case law that govern the exhaustion of trademark rights in your country in case of repair or recycling?

Repair or recycling of products such as reuse of articles with a protected trademark is not permitted under our laws.

7) *IPR owners' intention and contractual restrictions*

- a) *In determining whether recycling or repair of a patented product is permissible or not, does the express intention of the IPR owner play any role? For example, is it considered meaningful for the purpose of preventing the exhaustion of patent rights to have a marking stating that the product is to be used only once and disposed or returned after one-time use?*
- b) *What would be conditions for such kind of intentions to be considered?*
- c) *How decisive are other contractual restrictions in determining whether repair or recycling is permissible? For example, if a license agreement restricts the territory where a licensee can sell or ship products, a patentee may stop sale or shipment of those products by third parties outside the designated territory based on his patents. What would be the conditions for such restrictions to be valid?*
- d) *Are there any other objective criteria that play a role besides or instead of factors such as the patentee's intention or contractual restrictions?*
- e) *How does the situation and legal assessment differ in the case of designs or trademarks?*

It is not regulated in our legislation.

8) *Antitrust considerations*

According to your national law, do antitrust considerations play any role in allowing third parties to recycle or repair products which are patented or protected by designs or which bear trademarks?

Antitrust considerations do not play any role in allowing third parties to recycle or repair products which are patented or protected by designs or which bear trademarks.

9) *Other factors to be considered*

In the opinion of your Group, what factors, besides those mentioned in the Discussion section above, should be considered in order to reach a good policy balance between appropriate IP protection and public interest?

10) *Interface with copyrights or unfair competition*

While the present Question is limited to patents, designs, and trademarks as noted in the Introduction above, does your Group have any comments with respect to the relationship between patent or design protection and copyrights or between trademarks and unfair competition relative to exhaustion and the repair and recycling of goods?

Our Group has not any comments.

11) *Additional issues*

In the opinion of your Group, what would be further existing problems associated with recycling and repair of IPR-protected products which have not been touched by these Working Guidelines?

Our Group has not any comments.