

## **Report Q205**

in the name of the Egyptian Group  
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### **Exhaustion of IPRs in cases of recycling and repair of goods**

#### **Introduction**

Before Egypt acceded to the WTO agreements in 1995 the expressions such as “Exhaustion of IPR” and “parallel importation” were not known in the Egyptian legal system.

After 1995 and upon the issuance of law 82 of 2002 on Intellectual Property “the Law” which superseded the previous laws on Patents and Industrial Designs (Law No. 132 of 1949), Trademarks and Commercial Data (Law No. 57 of 1939) and the Copyright Law (Law No. 354 of 1954) the expression of “Exhaustion of Rights” was introduced in the Patents, Trademarks, Industrial Designs and Copyright sections of the Law. However, to-date there are no judicial applications in Egypt to the theory of “Exhaustion”.

#### **Questions**

##### **1) 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?*

Under the Law Exhaustion of IPRs is provided for with respect to Patents (Article 10), Trademarks (Article 71), Industrial Designs (Article 127) and Copyright (Article 147) of the Law.

The pertinent wording in those articles is identical (verbatim) and reads “ the ... owner’s right to prevent a third party from importing, using, selling or distributing the commodity shall be exhausted if he proceeds with marketing or authorizes a third party to market it in any country”.

From the above wording exhaustion occurs if the following conditions are met.

- a) The IPR owner places the product in the market or authorizes a third party to do so.
- b) The marketing of the goods occurs in any other country.

Accordingly it is legal to circulate the products within Egypt.

###### *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?*

Egypt applies the concepts of International Exhaustion in Patents, Trademarks, Designs and Copyright.

There are no additional conditions required to apply the International Exhaustion such as lack of marking on the product or the non existence of any contractual restrictions not to export the product out of the country. (No court decisions issued on this matter).

A contractual breach on restriction to export by a purchaser shall be applied, by a court, as any contractual obligation between its parties, in such cases the court must assess damages for such breach (loss of profit and damage sustained). There has been no cases on the different types of Exhaustion in Egypt. The Law applies International Exhaustion and the burden of proof regarding the origin of goods lies with the claimant.

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 does not exist in Egyptian laws, however, article 148 of the Civil Law requires performance of contractual obligations to be in good faith. Accordingly, invoking Implied License may be regarded as bad faith in dealings.

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?*

The Egyptian Law does not regulate this issue. Therefore, there is no specific definition of the term "repair", it has the ordinary meaning ie. Restoring something damaged or worn to its original condition for use as intended.

Thus, there are no specific conditions that have to be met to repair a patented or design protected product.

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?*

Egyptian Law does not define recycling. Under Egyptian practice recycling connote or refer to a product that after serving its initial utility is being recycled for reuse for a second time.

Under the above meaning or connotation the recycle must be made by the IP owner of the Patent or the design otherwise we are faced with an infringement where the content of the product is not that of the Patent owner especially when such recycling undergoes a "new" manufacturing process of the product in question.

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?*

The Egyptian Law does not cover this matter. Therefore there are no principles governing this issue. If the product that is being repaired or recycled is placed in the market by another person who does not own the Trademark, then we are faced by an infringement of the Trademark in a deception case to the consumer.

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?*

The intention of the IPR owner is important and should be taken into consideration. Hence, it is useful to have a marking on the product that it should be returned after one time use.

b) *What would be conditions for such kind of intentions to be considered?*

We have to refer to lawful market practices to interpret the intent.

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?*

The contract is the law of the contracting parties; therefore, if the license agreement restricts issues then such restriction should be enforceable.

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?*

The circumstances surrounding the case in addition to the intention of the parties.

e) *How does the situation and legal assessment differ in the case of designs or trademarks?*

Should be the same.

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?*

Consumer protection Law No. 67 of 2006 prohibits any practices that may deceive or confuse the customer as to the origin of the product involved. Further such repair and recycle may fall under the unfair competition doctrine.

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?*

It is important to reach a balance between the rights of IPR owners on one hand and protecting public interests and the environment on the other hand by:

- 1) Protecting IPR owners from "new" manufacturing activity of their products;
- 2) helping in protecting the environment by eliminating waste of one time use of a product by allowing recycling; and
- 3) helping the third world countries to obtain recycled product at a reasonable price that should have proper marking to alert the customer that the product is recycled.

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?*

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?*

Egyptian Law applies the Exhaustion of Rights to copyrighted materials.

Issues of unfair competition or consumer protection are related mainly to repair and recycling, while exhaustion is related mainly to placing the product in the market directly by the IPR owner or through a third party.

## **II) Proposals for uniform rules**

1) *What should be the conditions under which patent rights, design rights and trademark rights are exhausted in cases of repair and recycling of goods?*

If no marking on the product exists that alerts the user that the product is for one time use or the container in which the product is filled, must be returned to the original manufacturer.

2) *Should the repair and the recycling of goods be allowed under the concept of an implied license?*

No.

3) *Where and how should a line be drawn between permissible recycling, repair and reuse of IP-protected products against prohibited reconstruction or infringement of patents, designs and trademarks?*

Certain activities must be defined. These activities are "refurbishment or overhaul" as opposed to "maintenance" or "replacement of" and "altering" or a "new manufacturing" or "reconstruction of" a product. Repair should be permissible as long as such activity does not alter the product and can be performed by any one. Recycling that involves new or reconstruction manufacturing activity should only be carried out by the IPR owner or his agent.

- 4) *What effect should the intent of IPR holders and contractual restrictions have on the exhaustion of IPRs with respect to recycling and repair of protected goods?*

The Egyptian group believes that an explicit license has to be given by the IPR owner for recycling in order to avoid the accusation of malicious practices under the consumer protection and antitrust laws.

Such intent, as expressed in contractual obligations, should be respected as between its parties and as long as the same does not breach the provisions of the law.

- 5) *Should antitrust issues be considered specifically in cases of repair or recycling of goods? If so, to what extent and under which conditions?*

Yes, to the extent that such repair or recycling has on the price of the product or may deceive the customer as to its origin.

- 6) *The Groups are invited to suggest any further issues that should be subject of future harmonization concerning recycling, repair and reuse of IP-protected products.*

i) Definitions of different activities should be agreed to.

ii) A clear line of distinction should be drawn between Exhaustion which should be limited to importation and resale while repair and recycling only arises after the product is placed in the market and the IPR owner exhausted his rights in the Patent or design. A special study should also be undertaken to clarify the relationship between antitrust competitive practices and unfair competition and consumers' rights and the issues raised by this question.

- 7) *Based on answers to items 1 to 6 above, the Groups are also invited to provide their opinions about how future harmonization should be achieved.*

By further discussing the matter until a need arises for concluding a convention.

### **Summary**

Egyptian Law recognizes the concept of Exhaustion with respect to Patents, Trademarks, Industrial design and Copyright before Egyptian courts. Egypt applies the concept of International Exhaustion of IP Rights and does not recognize the regional or national Exhaustion. There have been no cases on the issue of Exhaustion or court judgments on different types of Exhaustion.

There is no "official" definition of repair or recycling and its relationship with the theory of Exhaustion. Further, the different forms of repair or recycling are also not defined. The Egyptian National group believes that the issue of Exhaustion of IPR in cases of recycling and repair of goods is a very important issue that needs to be discussed in a convention with the intent of harmonizing the rules that apply to same."