

Report Q205

in the name of the Estonian Group
by Margus SARAP

Exhaustion of IPRs in cases of recycling and repair of goods

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?

In Estonia the exhaustion of IPRs is provided in statutory law in respect to patents, utility models, designs and trademarks.

§17¹ Patent Act, §15¹ Utility Model Act, §17 (6) Design Act, §16 (3) Trademark Act.

Patent, utility model, design

The proprietor of a patent/utility model/design has no right to prohibit acquisition (including import), use, distribution, sale or offer for sale of a product containing the patented invention when the product has been put on the market in the territory of the Republic of Estonia or a State party to the Agreement on the European Economic Area by the proprietor of the patent/utility model/design or with the proprietor's consent.

Trademark

The proprietor of a trade mark is not entitled to prohibit further commercial exploitation of goods which have been put on the market in Estonia or in a State party to the Agreement of the European Economic Area under that trade mark by the proprietor or with the proprietor's consent unless the condition of the goods is changed after they have been put on the market.

Legal consequences with regard to infringement and the enforcement of IPRs

The proprietor may demand:

- compensation for damage caused by unlawful use (patent, utility model, design)
- the transfer of that which is received as a result of the unlawful use (patent, utility model, design)
- termination of the unlawful use of the patent and refraining from further violation (patent, utility model).

Trademark

The proprietor of a trade mark may:

- file an action against a person infringing the exclusive right, including a licensee who violated the terms of the licence agreement:

- for termination of the offence;
- for compensation for patrimonial damage caused intentionally or due to negligence, including loss of profit and moral damage.
- file an action against the undertaking if an exclusive right is infringed by an employee or representative,
- request the destruction of unlawfully designated goods and objects solely or almost solely used or intended to commit the offence which are in the ownership or possession of the offender if it is not possible or expedient to eliminate the unlawful nature of the goods or objects in another manner,
- request from the person infringing the exclusive right, through the court, information concerning the origin, the manner and channels of distribution and the amount of unlawfully designated goods, including the names and addresses of the manufacturer, supplier, previous proprietors and resellers of such goods.

There exist also the exhaustion of the IPRs if:

- the patented invention is used on board of ships of other states (within the hull, machinery, rigging, radio-navigation equipment or other equipment) if such ships are temporarily or accidentally in the waters of the Republic of Estonia and the invention is used solely for the purposes of the ship; and
- the patented invention is used within the construction or auxiliary equipment of aircraft or land vehicles of other countries, or in the operation of the vehicles or equipment if such vehicles are temporarily or accidentally in the Republic of Estonia;
- the industrial design is used on the territory of the Republic of Estonia temporarily or accidentally within the construction or equipment of a water craft, aircraft or land vehicle which is registered in a foreign state; and
- there is the importation in the Republic of Estonia of spare parts and accessories manufactured according to the industrial design for the purpose of repairing above-mentioned craft or vehicle;

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?

No.

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

The exhaustion is limited to territory of Estonia or to territory of a State party to the Agreement of the European Economic Area.

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?

The person importing, using, distributing, selling or offering for sale of a product protected by patent/utility model/design has the burden of proof regarding the origin of the products.

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?

No.

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 only reference to the repair is put into the Industrial Design Act where:

- the importation of spare parts and accessories manufactured according to the industrial design for the purpose of repairing the construction or equipment of a water craft, aircraft or land vehicle which is registered in a foreign state and being temporarily or accidentally on the territory of the Republic of Estonia will not constitute violation of rights of owner of industrial design.

No other reference to the term "repair" in other IPR 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?

Only in conditions if the patented or design protected product has been put on the market in the territory of the Republic of Estonia or a State party to the Agreement on the European Economic Area by the proprietor of the patent/utility model/design or with the proprietor's consent.

No other legal conditions. There are no specific definition of the term "recycling" in IPRs laws in Estonia.

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?

There are no special issues. Repair and reuse of articles with a protected trademark is not infringement of the trademark rights as long as the articles originate from the trademark owner.

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?*

There are no special issues or lawsuits in that case but considering the Patent Act the express intention of the IPR owner can play role in some cases for example if the product is to be used only once etc. For example refilling of once-used ink cartridge maybe the case of infringement.

However there are no lawsuits in that situation and once again there exist the exhaustion of the IPRs if the protected product has been put on the market in the territory of the Republic of Estonia or a State party to the Agreement on the European Economic Area by the proprietor of the patent/utility model/design or with the proprietor's consent.

- 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?*

Not at all. If the protected product has been put in the market by patentee or by licensee they can not stop sale of these products by third party in the territory of Estonia or a State party to the Agreement on the European Economic Area if the third party has obtained these products from the patentee or licensee.

- 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?*
- No.
- e) *How does the situation and legal assessment differ in the case of designs or trademarks?*
- No difference.

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?

There are prohibited:

- agreements between undertakings, concerted practices, and decisions by associations of agreements, practices and decisions which have as their object or effect the restriction of competition, including those which:
 - directly or indirectly fix prices or any other trading conditions, including prices of goods, tariffs, fees, mark-ups, discounts, rebates, basic fees, premiums, additional fees, interest rates, rent or lease payments applicable to third parties;
 - limit production, service, goods markets, technical development or investment;
 - share goods markets or sources of supply, including restriction of access by a third party to a goods market or any attempt to exclude the person from the market;
 - agree on the application of dissimilar conditions to equivalent agreements, thereby placing other trading parties at a competitive disadvantage;
 - make entry into an agreement subject to acceptance by the other parties of supplementary obligations which have no connection with the subject of such agreement.

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?

No special 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?

Problems with importing/exporting products originating from the proprietor of the IPRs.

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?*

- Recycling of the goods originating from the owner of the rights,
- reuse of the once-used goods.

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

Yes.

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?*

The recycling, repair and reuse should be permitted as far as such activity will not affect the economic situation of the proprietor as there are made expenses for development.

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?*

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

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.*

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.*

Summary

In Estonia the exhaustion of IPRs is provided in statutory law in respect to patents, utility models, designs and trademarks. The exhaustion is limited to territory of Estonia or to territory of a State party to the Agreement of the European Economic Area. However, Estonian law insufficiently regulates rules regarding the exhaustion of IPRs in cases of recycling and repair of goods. The

proposals for adoption of uniform rules by the Estonian National Group remain within the principles within the principles adopted by the members of EU.

Résumé

En Estonie l'épuisement des droits de propriété intellectuelle est fourni dans la loi statutaire en ce qui concerne les brevets, les modèles d'utilité, les dessins et les marques. L'épuisement est limité au territoire de l'Estonie ou au territoire d'un État membre de l'Accord sur l'Espace Économique Européen. Pourtant, la loi estonienne ne régule pas suffisamment des règles sur l'épuisement des droits de propriété intellectuelle en cas de recyclage et de réparation de marchandises. Les propositions du groupe national estonien pour l'adoption de règles uniformes suivent les principes adoptés par les membres de l'UE.

Zusammenfassung

In Estland wird die Erschöpfung von Rechten des Geistigen Eigentums im gesetzlichen Gesetz in bezug auf Patente, Gebrauchsmodelle, Designs und eingetragene Marken zur Verfügung gestellt. Die Abführung wird auf Gegend von Estland oder auf Gegend einer Staat zur Vereinbarung des europäischen Wirtschaftsraum begrenzt. Jedoch reguliert estnisches Gesetz unzulänglich die Richtlinien betreffend die Erschöpfung von Rechten des Geistigen Eigentums in Fällen des Recyclings oder der Reparatur von Waren. Die Anträge für Annahme der konstanten Richtlinien durch die estnische nationale Gruppe bleiben innerhalb der Grundregeln, die von den Mitgliedern des Europäische Union angenommen werden.