

## **Report Q205**

in the name of the Italian Group

### **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 Italy, the Italian Code of Industrial Property (in the following: CPI) expressly provides for the exhaustion of IP rights once the product protected by an industrial property right has been placed on the market by the holder or with his consent in the territory of the Country or in the territory of a member State of European Union or of the European Economic Area (EEA).

It is not possible to enforce an IP right against somebody that uses and/or markets a product protected by said right once it is exhausted.

###### *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?*

Italian law provides for the exhaustion of IP rights only in the national and EU territory as well as in the European Economic Area.

In European Union there are no consequences as there are no restrictions. The burden lies upon the subject that claims the exhaustion of IP right.

###### *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?*

Italian law provides for an implied license when the holder of a patent relating to a new method or an industrial process supplies means univocally aimed at implementing a patented object to third parties. In this case, indeed, it is presumed that the holder has also granted to the same third parties a license to make use of that method or process, unless contrary agreements exist.

In case of implied license, there is only the presumption of an agreement between the parties, whereas in case of exhaustion there is a legal limitation foreseen by law.

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?*

In case of repair, with regard to patents, Italy follows the provisions of the Trips Agreement (article 28, letter. A) and therefore an absolute exclusive right for the holder of intellectual property right is provided, whereby the holder can prohibit any activity reserved to him (manufacturing, use, marketing, import, export). With regard to designs and models, the art. 241 CPI provides that the exclusive rights on the components of a complex product cannot be enforced in order to prevent the same components from being manufactured and sold, for the purpose of repairing a complex product with a view to restore its original look.

With regard to the word "repair", our legal system does not provide a definition of this word.

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?*

In our law there are not provisions regarding "recycling".

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?*

In our law, as it comes out from some judgements concerning the rights on the trademark in case of repair or recycling of products, repair or recycling is permitted if there is neither an alteration nor a modification of the product or a detriment of the trademark or the holder. From a trademark law point of view recycling is in any case more questionable than repair of products.

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?*

7. a) and b): see paragraphs from 4 to 6.

7. c) and d): Territorial contractual restrictions cannot exclude the exhaustion of IP rights. Our law expressly provides for the exhaustion of IP rights once the product protected by an industrial property right has been placed on the market by the holder or with his consent in the territory of the Country or in the territory of a member State of European Union or of the European Economic Area. Taken this for granted, it is not possible to check subsequent conveyances relating to the circulation of the products. The first commercialisation is lawful only when carried out by the holder or with his consent in the territory of the Country or in the territory of a member State of EU or of the EEA. In this last case these acts made by a third party are permitted. Then, for example, in case of territorial licence, the licensee cannot directly sell the products outside the territory, otherwise there would be a contractual liability, but if he sells to a third party in the territory of the agreement and this third party sells the product purchased from the licensee outside the territory defined by contract, the licensor cannot prohibit this sale, according to the Community rules of free circulation, as the exclusive right is exhausted.

Exhaustion rules are not occurring when the first commercialisation of the product is not permitted and also when the first conveyance of the product, even if lawful, takes place outside the territory of a member State of EU or of the EEA. The reason for this is that a worldwide exhaustion of IP rights is not foreseen by the Community law.

7. e) see paragraph 4.

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?*

Italian antitrust law is harmonised with the European antitrust law. Contractual restrictions of the import and resale of the patented products could be subject to examination under antitrust rules.

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?*

In the opinion of Italian Group, the rules as above are sufficient to balance 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?*

In some cases of repair or recycling of products the jurisprudence took into consideration also unfair competition law.

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?*

In the opinion of Italian Group there are no further problems which have not been touched in the matter.

### **Summary**

In Italy both the Code of Industrial Property and the L. 22.4.1941, n. 633 on Copyright protection provide for the exhaustion of IPR. More specifically, Italian law provides for the IPR exhaustion in the EU/EEA but it does not provide for the international exhaustion.

In the Italian legal system licenses of IPR must be in principle explicit, nevertheless there is a rule concerning a case of "implied licence" in relation to patents having as subject matter a new method or industrial process.

Although the Italian legal system does not provide, in relation to IPR, a definition of the words "repairing" and "recycling" Italy, by implementing the Directive n. 98/71/CE, also implemented the so called "repair clause" in relation to designs and models, today in the Code of Industrial Property. Particular issues could furthermore arise in the relationship between trademark law and the notions of "repairing" and "recycling".

Finally, as far as territorial contractual restrictions are concerned, the Italian legal system is harmonised with European antitrust law.