

Report Q205

in the name of the Mexican Group
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Exhaustion of IPRs in cases of recycling and repair of goods

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?

Exhaustion is provided for in statutory law, particularly in the Industrial Property Law. Exhaustion of IPRs occurs when the respective product covered by a Patent, Trademark or Design enters commerce. With regard to trademarks owned by foreigners exhaustion will only occur when the respective products enter local market legally; by being imported by the Registrant or its recorded licensee.

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?

International exhaustion is provided for in the case of patents and designs, while national exhaustion for the case of trademarks. Legends incorporated in the respective products with regard to marking or any other issue for that matter, are irrelevant to the issue of exhaustion. Contractual restrictions are also irrelevant to rules on exhaustion of rights, as the Industrial Property Law statutorily governs them. A purchaser found liable for breach of contractual obligations or restrictions will be the subject to civil penalties exclusively, such as damages or fines. However, no legal consequences would result from the breach under the Industrial Property Law.

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

In the case of trademarks, regional exhaustion applies.

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?

In the case of trademarks again, it is the alleged infringer who bears the burden of proof with regard to the origin of the products. It has to demonstrate that the respective goods entered the market in accordance with the Regulations to the Industrial Property Law.

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?

A non-recorded license can be deemed an implied license in México and does have effects, if only between the parties. Recordation results in the license having effects against third parties. Exhaustion, however, is a different concept and the same results when a given product leaves the realm of the IP owner, generally, when the product is sold or enters the market.

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 is not illegal in México, as the law does not contemplate such activity as infringing activity. Once a product is sold, IPR are exhausted hence, repair of these products is not illegal under Industrial Property Law. Our law does not provide for a definition of "repair".

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 is not illegal in México, as the law does not contemplate such activity as infringing activity. Once a product is sold, IPR are exhausted hence, recycling of these products is not illegal under Industrial Property Law.

Article 3 of the Regulations to the General on Ecologic Equilibrium and Environment Protection with regard to Dangerous Residues defines recycling as: "A method of treatment that consists in the transformation of residues with productive purposes".

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?

NO, there are no special issues or case law to apply nor provisions on exhaustion of trademark rights in case of repair or recycling.

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?*

No, the intention of the IPR owner is irrelevant in determining whether recycling or repair is permissible.

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

NA.

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?*

Contractual restrictions would not apply in this regard. Restrictions such as the ones noted above would be clearly non applicable in this issue.

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?*

Same as above, neither could be relevant in the case of designs or trademarks.

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?

No.

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?

a) To take into consideration the importance and need of the development of the recycling industry, to build new markets for these products.

b) To take into consideration differences in the social and economical status of the nationals of the different countries, as the alternative of repaired and / or recycled goods can make a difference to many.

c) To bear in mind that the advantage granted with a Patent shall be limited in time hence, repair and recycling can even result in a convenient manner to the Patentee to extend the need and use of its products.

d) Environmentally wise manner of disposing of used products.

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?

Copyrights constitute a totally different concept of law and, except perhaps with regard to computer software, it is rather difficult to conceive a "repaired" or "recycled" copyright. It is in the essence of Copyright Law to preserve the works covered by the same in their original and unadulterated form.

With regard to trademarks and unfair competition, it is to note that while the concept of exhaustion on trademarks is clearly defined in the statute, unfair competition lacks statutory conception and finds a rather limited insert in the Industrial Property Law. At any rate, the enforcement of unfair competition practices is limited to the extent of the different definitions provided for infringing activity under the Industrial Property Law.

Notwithstanding the above, there are some court decisions, which have found differently, although the same could hardly be deemed mandatory and contrary to the statutory provisions. While in a few cases the courts have found a defendant liable for infringement under the provisions of the Industrial Property Law, regardless of the fact that neither of the sections of Article 213 of the law were invoked (these sections contain the list of activities considered to be infringing on IPR), these cases shall be considered insufficient to change the concept of 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?

The need to regulate the quality of repaired or recycled goods, as legal provisions in this regard would surely lead to more security to consumers and legal certainty to IPR owners.

Summary

Regarding the subject of the Exhaustion of Rights of Industrial Property in Cases of Recycling and Repair of Goods in Mexico, it can be noted that the Industrial Property Law contemplates the figure of exhaustion of rights, which is produced at an international level for patents and designs, and at a national level for marks; once the product has been legally introduced to the market. The violation of the contract restrictions is irrelevant to this matter since it belongs to the civil law. In this regard, we can add that even if the non registered licenses with the IMPI could be considered implicit licenses, they only constitute a source of rights and obligations for the parties involved and not for third parties, while the exhaustion of rights of industrial property should be considered as a completely different concept, in which the control of the holder over the product is extinguished once it has been commercialized.

As of the repair and recycling of patented products, or products protected by designs or marks, legally introduced to the market, when these figures are not contemplated in the dispositions of the Industrial Property Law, it can be stated that they consist of legal commercial practices and that the contract restrictions inherent to the will of the holder of the right have no relevance in this regard.

Résumé

Concernant la question ayant trait à l'épuisement des droits de propriété industrielle en cas de recyclage et de réparation de produits, on peut remarquer que la Loi mexicaine relative à la Propriété Industrielle, prévoit en matière de brevets et de dessins et modèles industriels, la figure de l'épuisement international, et celle de l'épuisement national en matière de marques, et ce, une fois effectuée la mise dans le commerce desdits produits. A noter également que la violation des limitations contractuelles en ce domaine n'a que très peu d'importance, étant donné leur appartenance au droit civil. A ce sujet, il est bon d'ajouter que malgré le fait que les licences non enregistrées à l'IMPI puissent être considérées comme des licences implicites, celles-ci ne constituent une source de droits et d'obligations que pour les parties et non pas pour les tiers, alors que l'épuisement des droits de la propriété industrielle se doit d'être apprécié comme un concept

totalément différent, en vertu duquel le pouvoir du titulaire sur le produit s'éteint une fois que celui-ci a été commercialisé.

Quant à la réparation et au recyclage de produits brevetés ou protégés par un dessin ou par une marque, préalablement et licitement mis dans le commerce, il s'agit là d'une pratique commerciale tout à fait licite au Mexique, étant donné l'absence de dispositions relatives à de tels cas de figure dans la Loi citée supra, et que partant, les limitations contractuelles inhérentes à la volonté du titulaire du droit n'emportent aucun effet juridique à ce sujet.

Zusammenfassung

Hinsichtlich des Themas der Erlöschung der Rechte über industrielles Eigentum, in Recyclings- und Reparaturfällen von Gütern in Mexiko ist hervorzuheben, dass im Gesetz über industrielles Eigentum die Figur der Erlöschung des Rechts vorgesehen ist, welches auf internationalem Niveau in Bezug auf Patente und Muster und auf nationalem Niveau in Bezug auf Marken gilt, sobald das Produkt sich zulässigerweise auf dem Markt befindet. Der Verstoss gegen die vertraglichen Einschränkungen ist für dieses Thema nicht relevant, da es sich hierbei um Zivilrecht handelt. Wir können hier noch anfügen, dass, obwohl die beim IMPI nicht angemeldeten Lizenzen als implizite Lizenzen angesehen werden könnten, sie nur für die Parteien eine Rechte- und Pflichtenquelle darstellen, nicht aber für Dritte; die Erlöschung der Rechte über industrielles Eigentum hingegen muss als ein total verschiedenes Konzept angesehen werden, in dem die Eigentumsgewalt des Inhabers über das Produkt erlöscht, sobald dieses vermarktet worden ist.

Da diese Figuren in den Bestimmungen des Gesetzes über industrielles Eigentum in Bezug auf die Reparatur und das Recycling von patentierten oder durch Muster und Marken geschützten, zulässigerweise vermarkteten Produkten nicht vorgesehen sind, ist zu unterstreichen, dass es sich um kommerziell zulässige Handlungen handelt und, dass die vertraglichen, im Willen des Inhabers des Rechts innewohnenden Einschränkungen, keine Relevanz hinsichtlich dieses Themas besitzen.