

Report Q205

in the name of the Singapore Group
by Tony Piotrowsky

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?

The Singapore Patents Act provides that it is a defense to infringement to show that the imported product was produced by or with the consent (conditional or otherwise) of the proprietor of the patent or his license.

The Singapore Trade Marks Act states that a registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market, whether in Singapore or outside Singapore, by the proprietor of the registered trade mark or with his express or implied consent (conditional or otherwise). This is subject to the caveat that it does not apply where the conditions of the goods have been changed or impaired after they have been put on the market, and the use of the registered trade mark in relation to these goods is detrimental to the distinctive character or repute of the registered trade mark

The Singapore Industrial Designs action provides a limitation on the scope of protection for acts done in relation to genuine articles, that is, those marketed in and outside of Singapore, by the registered owner or with his consent (conditional or otherwise).

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?

Singapore applies international exhaustion for patents, designs and trademarks. It is noted, however, that the U.S./Singapore FTA contains requires that Singapore recognize a right of a patent holder to restrict importation through contracts. See also comments to question 1 above.

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?

In Singapore, intellectual property licenses can arise by necessary implication from the circumstances surrounding a transaction. Licenses are implied to lend efficacy to a business arrangement. However, the Singapore courts are less likely to imply a license for the purpose of excluding infringement altogether, even if that follows as a necessary consequence of the implication. Firm judicial caution against the exorbitant use of implied licenses to excuse infringing acts was issued by the Singapore Court of Appeal.

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?

While Singapore recognizes the non-derogation of grant doctrine (or 'repair exception') under which a person may repair an article as part of the original grant of the original design, it is has been careful applied. For example, cases have demonstrated a judicial reluctance to extend the 'repair exception' to other situations. In one case, the defendants (who made use of the plaintiffs' source code for the limited purpose of repair and maintenance) were not entitled to copy the source programs in the absence of a license. In another case, a defendant argued that it had an implied right to make an intermediate copy of a software program, in the course of reverse engineering activity, based on the 'repair exception.' The Court of Appeal dismissed this argument, on the primary ground that the 'creation of a compatible and competing product is materially distinguishable from a situation of repair.' In more recent cases, it was held that the repair doctrine did not apply to cartridge designs which had to be replaced regularly in laser printers and copiers and it also did not apply to the re-calibration of coin machines.

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?

See comments to question 4 above.

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?

See comments to question 4 above and last part of comments to question 1. In particular, The Singapore Trade Marks Act states that a registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market, whether in Singapore or outside Singapore, by the proprietor of the registered trade mark or with his express or implied consent (conditional or otherwise). This is subject to the caveat that it does

not apply where the conditions of the goods have been changed or impaired after they have been put on the market, and the use of the registered trade mark in relation to these goods is detrimental to the distinctive character or repute of the registered trade mark

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?*

Singapore jurisprudence recognizes as a matter of commercial advantage, contracting/licensing is advantageous because it allows the licensor/right owner to retain control over the use of his right. The licensor is able to maximise exploitation in terms of territory, goods or services covered and the volume of sales via the terms and condition of the agreement. However, the particular issues raised in this question have not been specially addressed. See also comments to question 2 above.

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?

Singapore has issued Guidelines on the Treatment of Intellectual Property Rights. In the Guidelines, it has been stated that Licensing arrangements can raise competition concerns if they are likely to adversely affect the price, quantity, quality or variety of products that are currently or potentially available. Accordingly, it is possible that antitrust considerations can play an issue in the recycling or repair of products if the original manufacturer tries to place license restrictions that may be deemed anti-competitive.

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?

None.

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?

None.

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?

One further point to consider is the unauthorized repackaging or bundling of products bearing trademarks with third party products. For example, this can arise when the original product bearing the trademark (in its original packaging) is bundled together with other components. While the original product alone is safe for consumers to use, some such bundlings may result in a hazardous combination. However, the trademark owner may have difficulty in preventing this because of the un-modified nature of his original product that has been bundled with the other components.