

Report Q205

in the name of the Spanish Group
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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?

Yes, in Spain, exhaustion of rights is provided for in the Intellectual Property legislation for the three types mentioned. Thus, Section 52.2 of the Patent Act, Section 36 of the Trademark Act and Section 49 of the Act for legal protection of the Industrial Design contemplate exhaustion in practically identical terms.

In conformity with the above legal provisions, exhaustion of right occurs when the rightholder, or a third party with his consent, places the product covered by patent, trademark or Design rights on the market.

All three norms relate specifically to the European Economic Space.

Spanish case law has also dealt with the subject of exhaustion of the rights. This has been contemplated for some time now, even at international level, although in a rather wavering manner and bringing it in line in general with national and regional exhaustion, until the latter prevailed in the Court of Justice of the European Communities (hereinafter ECCJ) and has been incorporated into the positive legislation.

The most recent case law on the matter will be analyzed in the context of the following question.

Concerning the conditions under which the exhaustion of rights occurs, according to the most outstanding doctrine, there are two main prerequisites for exhaustion of rights to occur.

The objective element: the first marketing within the European Economic Space by the rightholder or with his consent, such that the rightholder has already obtained an economic benefit from that marketing.

The subjective element: which is precisely the consent of the rightholder for that first marketing to take place within the scope of the EES.

Finally, with regard to the legal consequences related with the infringement and observance of Intellectual Property Rights, the doctrine indicates that the exhaustion of the right is closely related to the powers of the rightholder, and constitutes one of the limits thereto. Thus, once the

product has been marketed for the first time with fulfilment of the requirements for exhaustion legally to take place, the rightholder shall not be able to prevent third parties from subsequent marketing occurring in a regime of freedom of trade. Consequently, the legal principle of exhaustion of Industrial and Intellectual Property Rights is one of the key measures adopted to encourage the free circulation of goods and free competition. This doctrine is generally accepted in Spain.

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?

Currently Spanish case law does not apply international exhaustion, although in the past the Spanish Courts have not maintained a uniform criterion concerning the territorial scope of exhaustion.

With regard to the most recent case law of the Supreme Court which had been construed as most favourable to international exhaustion, outstanding is the BACARDI judgement of 28 September 2001.

This line of case law has been overcome, mainly as a result of a number of contrary judgements of the ECCJ, which has confirmed regional exhaustion within the European Economic Space.

Therefore, it may be stated that exhaustion of industrial and intellectual property rights in Spain is currently regional, as mentioned above, although it should be made clear that this regional nature, limited to the European Economic Space (hereinafter EES), is imposed by the consolidated case law of the ECCJ, and the Spanish Courts are obliged to follow it.

The ECCJ has issued categorical pronouncements on the matter, in a consolidated number of judgements construing the Community legislation, both on patents and on trademarks and designs and also on copyright. It has established the regulatory principle that the holder of exclusive rights has a subjective right to control the first marketing of his products within the EES, such that his industrial or intellectual property right becomes exhausted only with regard to those products which he himself introduces in the Member States or are introduced with his consent. Thus, the Agreement on the EES obliges Spain to construe the concept of exhaustion of rights in accordance with the consolidated case law doctrine of the ECCJ.

As examples of ECCJ judgements delimiting the exhaustion within the EES, we can cite the Judgement of 16 July 1988 (Matter C-335/96, Silhouette), the Judgement of 8 April 2003 (Van Doren + Q. GmbH vs Lifestyle Sports et al.) and the Judgement of 30 November 2004 (case 16-03).

In accordance with the foregoing, the former wavering case law of the Spanish Courts, referred to above, has had to be adapted to this line of case law originating in Europe. By Judgement 999/2005 (REEBOK vs A.C.Q.), of 20 December, the Division 1 of the Supreme Court has laid down the profiles of the new constructive line concerning parallel importations,

by finally rejecting international exhaustion of trademark rights and applying Community law in conformity with the clear doctrine of the ECCJ.

We highlight this judgement as the point of inflexion and necessary reference, since it contains a pronouncement on the core of the question, starting out from the necessary observance of the ECCJ doctrine and rejecting the idea that, with the prohibition to import or trade with products that have entered in the EES without the rightholder's authorization, the freedom of trade established in the Spanish Constitution was being overridden, which does not become an unlimited right. At the same time, the High Court reminds that the social function of property has multiple limitations that must be construed in conformity with Community law.

With regard to the burden of the proof when invoking exhaustion of an Industrial Property Right, in application of the general principles of proof in civil cases, the party that alleges an action or exception must always prove the existence of the constituent presumptions thereof, so that the Judge may appreciate their existence and declare it in his final sentence. Thus, as a general rule, it is the party alleging exhaustion as a defense that bears the burden of proving the existence in the case of the constituent presumptions of that exception of exhaustion of the rights blandished thereagainst, including the first marketing within the EES by the rightholder or by a third party with his consent.

Nevertheless, the ECCJ has appreciated an exception to this principle in its judgement of 8 April 2003 *Nan Doren + Q. GmbH vs Lifestyle Sports et al.*), on the basis of the necessary adaptation of the general rules of evidence to the requirements of free circulation of goods on the single market. To be precise, the ECCJ has declared that if the defendant shows that there is a real risk of compartmentalization of the national markets if they have to bear the burden of the proof, particularly when the owner of the trademark markets his products in the EES by means of a system of exclusive distribution, it is then up to the trademark owner to prove that the products were marketed initially by him or with his consent outside the EES. If this point were proven, it would then be up to the defendant again to prove the existence of a consent of the trademark owner for the subsequent marketing of the products in the EES.

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?

To respond to this question, we would have to define, in the first place, of what does the theory of implied license consist. We shall do so following the Anglo-American doctrine and authors, since it is in United Kingdom and U.S. case law where it has been forged with greater clarity.

In accordance with Campbell Evans¹, this doctrine may be defined as follows concerning patent law: in the absence of unusual circumstances, the holder of a patent right waives the right to make the patent right prevail against the purchaser of the patented technology. By acquiring the patented technology, the purchaser also acquires an implicit license that would cover those patents affecting the use of the technology precisely for that which is understood to be its purpose. This implicit license arises by force of law, instead of by agreement between the parties.

According to British case law construction, the patent owner is considered to have granted consent for the unlimited resale of the patented products unless it has been clearly stated that subsequent distribution outside the established channels is forbidden.²

¹ Campbell Evans, Paula TecTrends, 1 October 2003.

² Ganea, Peter. Exhaustion of IP Rights: Reflections from Economic Theory, Max-Planck Institute, Munich 2006.

The theory of the implicit license is predicated, as we say, in Anglo-American legal tradition, nevertheless, it lacks tradition and much less consolidation in Spanish case law.

In U.S. doctrine, there are authors who do not distinguish between the two concepts, such as Kobak.³

In pure logic, the most significant and clearest difference between the two concepts enters, nevertheless, into the sphere of the legal concepts. Exhaustion of rights is clearly a legally established limitation of these rights with a view to defending the freedom and the unity of the market and free competition. Therefore, the construction of this limitation must be restrictive. On the contrary, we understand that the implicit license, albeit imposed by Law, could be seen as a subjective right of the owner thereof further to being seen as a limitation of the rightholder's rights.

A further difference that we deem to be important is that the owner of an exclusive right may always prevent an implicit license from coming into operation by the opportune reservation of his rights, if he so considers it to be desirable, while he is under no circumstances going to be able to prevent the operation of the rules of exhaustion of his rights which in the diverse legal systems are always considered to be *ius cogens* since they affect the freedom and the unity of the market and free competition.

Generally speaking, the majority of authors in the Anglo-American field that have been consulted consider that the exhaustion of the rightholder's rights and the possible existence of an implicit license are different concepts, although, in a word, they are none other than two faces of the same coin, and operate side by side as limitations of the rights of the owner of the exclusive right, each from its own point of view and field of action, and as exceptions opposable to the owner by the ulterior marketer of the products or parallel dealer.

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?

Prior to the analysis of this question and the following one, it should be pointed out that in several examples cited in the Working Guidelines for Q205, the problem seems to be centred more on refilling or reusing than on repair or recycling. In this sense, it should be borne in mind that the Patent Act and Design Act do not include any provision relating to refilling and/or reusing of protected products, nor are these concepts defined. Nevertheless, some definitions of reuse may be found in Act 11/1997, on packaging and packaging waste. ("*any operation in which the packaging conceived and designed to perform a minimum number of trips, rotations or uses throughout its life cycle, is refilled or reused for the same purpose as that for which it was designed, with or without the aid of auxiliary products present on the market which allow the refilling of the same packaging. This packaging is deemed to be waste when it is no longer reused*") as well as in Act 10/1998, concerning waste ("*the use of a used product for the same purpose as it was originally designed for*") and in the Directive 62/1994, on packaging and packaging waste ("*any operation by which packaging, which has been conceived and designed to accomplish within its life cycle a minimum number of trips or rotations, is refilled or used for the same purpose for which it was conceived, with or without the support of auxiliary products present on the market enabling the packaging to be refilled; such reused packaging will become packaging waste when no longer subject to reuse;*")

The Patent Act 11/1986, of 20 March (PA) refers to the exhaustion of right in a general way in Section 52.2, according to which "the rights conferred by the patent do not extend to the

³ Kobak, James. Exhaustion of intellectual property rights and international trade.

acts relating to a product protected thereby after that product has been placed on the market in the territory of a Member State of the European Community by the patent owner or with his consent". The PA does not include any provision relating to the repair of a patented product, nor does it contemplate a specific definition of the term "repair".

The European Patent Convention (EPC) provides that a European patent validated in Spain confers on the owner thereof the same rights as would be conferred by a Spanish patent (Art. 64.1 EPC).

Act 20/2003, of 7 July, concerning the Legal Protection of the Industrial Design (DA) refers to the exhaustion of right in a general way in Section 49, where it provides that "the rights conferred by the registered design do not extend to the acts relating to a product incorporating a design comprised under the scope of protection of the latter when said product has been placed on the market in the European Economic Space by the owner of the registered design or with his consent"

On the other hand, the third Transitional Provision of the DA provides that "until such time as the amendments of Directive 97/71/EC of the European Parliament and of the Council, of 13 October 1998, on the legal protection of designs and models, which are adopted in fulfilment of the provisions of Article 14 thereof, are incorporated in the Spanish internal legal system, the rights conferred by the registered design may not be exercised to prevent the use of designs of components of a complex product, provided that:

- The product to which the design has been incorporated is a component of a complex product on the appearance of which the protected design depends. The object of such use is to allow the repair of the complex product to restore its original appearance.

As far as the Community Design is concerned, Regulation (EC) n° 6/2002 of the Council, of 12 December 2001, on Community Designs and Models (CDR) also includes a Transitional Provision in Article 110, where it provides that "Until such time as amendments to this Regulation enter into force on a proposal from the Commission on this subject, protection as a Community design shall not exist for a design which constitutes a component part of a complex product used within the meaning of Article 19(1) for the purpose of the repair of that complex product so as to restore its original appearance".

The DA does not contemplate a specific definition of the term "repair", although within the scope of the Act a repair must be understood to be "restoration of the original appearance of a product". The same occurs with the CDR.

The Spanish Royal Academy understands that the concept of repair is applied specifically in the case of a broken or deteriorated object.

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?

Neither the Patent Act nor the Design Act include any provision relating to recycling of protected products, nor do they include therefore any definition of the term "recycling".

There are other laws which do define the term "recycled". Thus, Act 11/1997 on packaging and packaging waste defines it as "the reprocessing of packaging waste, within a production process, for their initial purpose or for other purposes, including composting and biomethanization, but not energy recovery" (Section 2.6). Act 10/1998 on waste proposes a practically identical definition of recycling: "the reprocessing of waste within a production process, for their initial purpose or for other purposes, including composting and biomethanization, but not incineration with energy recovery" (Art.3.i).

At Community level, recycling is defined in Directive 62/1994 on packaging and packaging waste as “the reprocessing in a production process of the waste materials for the original purpose or for other purposes including organic recycling but excluding energy recovery”.

The Spanish Royal Academy considers that recycling is the act of “subjecting a used material to a process so that it may be reused”. Therefore, it seems to restrict the concept of recycling to materials, understood practically as raw material.

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?

Section 36.2 of the Trademark Act provides that the exhaustion of right of the trademark owner will not exist when there are legitimate reasons warranting that said owner be opposed to the marketing of the products, particularly when the state thereof has been modified or altered after the marketing thereof.

The repair or recycling of products covered by a registered trademark is one case of alteration or modification of said products which have already been placed on the market. Consequently, it must be appreciated in each particular case whether these operations warrant the opposition of the trademark owner to their later marketing.

It is considered that it is harder for the owner to oppose the operation of repairing a legitimate product placed on the market, particularly if the repair restores the product to its original state, in which case there is no alteration. It is easier for alteration or modification to take place in recycling operations.

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 Patent Act contains no specific provision prohibiting this type of operation and therefore, in principle, like what happens with the figure of exhaustion, the owner's intention does not distort this possibility for any third party.

The existence of an express indication by the owner in the sense that the product must be used only once and must be disposed of or returned after a time of use is irrelevant, since there is no legally established prohibition contemplating this situation.

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

In a free market system where intellectual property rights are, per se, a limitation to free competition, it is considered to be very hard to establish additional conditions allowing the owner's intention to be able to broaden in any way the rights of exclusion that this type of right confer on him.

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?*

In principle, any clause restricting or limiting or conditioning the free competition system is inadmissible. Only in certain cases is the imposition of conditions for contractually imposed restrictions to be exercisable against the other contracting party warranted.

Nevertheless, no contractual restriction, for its very nature, would be exercisable erga omnes and, therefore, the product could circulate freely, without prejudice to any legal action that the patent owner could take, as the case may be, against the concessionaire for breach of contract.

- 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?*

There are no criteria.

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

The legal situation as far as trademarks and designs are concerned does not differ from that described in the foregoing paragraphs. Only, to the extent that trademark legislation expressly contemplates the possibility of the trademark owner opposing the subsequent marketing of the products distinguished by his mark in those cases where said opposition is warranted, which the law considers occurs when the product has been modified or altered after marketing thereof, may this possibility be established as a valid contractual restriction.

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?

The bond between Competition Law and recycling or repair of protected products has no direct coverage in Spanish law in the matter of free competition. Neither Act 15/2007, of 3 July, of Defense of Competition, hereinafter DCA, nor the laws in force up to 1 September 2007 specifically mention any course of action related with recycling or repair of products and their use by third parties not being owners of an intellectual property right. In the same way, neither the resolutions of the Defense of Competition Tribunal (up to September 2007) nor those of the national Competition Commission (from that date) have made any mention of the problem enunciated in this paragraph.

Notwithstanding the above, the exhaustion of intellectual property rights has some relationship with the right of free competition insofar as it represents a limit for these rights to the extent that it is a limitation of a monopoly of use⁴.

With regard to the concrete case, both the use of a trademark, of a patent or a design after the repair or recycling of the protected product, and the prohibition of using these intellectual property rights in the cases mentioned, dose not appear to constitute either a collusive pact, prohibited by Section 1 of the DCA, or an act of abuse of dominant position, a course of action dealt with in Section 2 of the DCA. Another thing is that relating to acts of unfair competition affecting free competition, contemplated in Section 3, DCA, in virtue of which the National Competition Commission is empowered to act in cases of unfair behaviour which because of their importance, are susceptible of affecting the market. In any case, we refer to the provisions of the section corresponding to questions of unfair competition.

⁴ In this sense, certain doctrinal contributions on the matter should be cited, outstanding among which is: MASSAGUER FUENTES, JOSE. "Los derechos de Propiedad Industrial e Intelectual ante el Derecho de la Competencia: Libre Circulación de Mercancías y defensa de la Competencia", Ed. IDEI, Madrid 1995.

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?

No new factors beyond those mentioned in the foregoing section are considered.

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?

The positive legislation only contemplates one case of exhaustion of copyright, provided for the distribution of the original or copies of a work on a tangible support, either by sale or other title of conveyance of ownership.

Furthermore, the special nature of copyright does not allow one to speak, in the majority of cases, of repair or recycling. Only those intellectual works materialized on a tangible support (product provided with certain original features with regard to its design) are susceptible of being repaired (although the most appropriate term in this case is "restoration").

In any case, the moral right to the integrity of the work and the rights of ownership over the original work in the cases of derived work (on which it would be possible to speak, with more or less propriety, of repair or recycling) allow the owner of such rights to take action in those cases where the original work has been altered.

As far as unfair competition is concerned, part of the positive regulation has been devised to try and safeguard situations where it is not possible to invoke an exclusive right, or this does not exist, and consequently does not contemplate the figure of exhaustion of the right and therefore does not affect the positive regulation thereof, contained in other laws.

The repair or recycling of products may only constitute any of the cases contemplated in Act 3/1991, of 10 January, on Unfair Competition, when the conditions under which these occur make said behaviour objectively contrary to the requirements of good faith (Sec. 5, general clause).

Another question is to determine the concrete presumptions of unfair competition in which the party responsible for the repair or recycling of the products may incur.

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?

No other problems derived from the repair or recycling of IPR-protected products is known.

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?*

The conditions under which patent rights, design rights and trademark rights are exhausted in matters of repair and recycling of goods should be those in which: (i) there has been no substantial modification of the product in question; (ii) the repair or recycling is motivated by justified reasons.

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

Generally speaking, we consider that the “repair” or “recycling” of a product may not be deemed to be allowed under the concept of “implied license”. In this sense, to respond to this question, we cannot obviate the true interests at stake, by differentiating the patent system and the trademark system.

In the case of patents, it is true that the main interest it is wanted to protect is that of the inventor/owner of a patent, such that, by the grant of a limited time monopoly, the aim is to “reward” the effort and investment made, with the sole purpose of trying to provide incentive for research and development.

Nevertheless, in the trademark system, further to the interests of the entrepreneur/trademark owner, also at stake are the interests of the consumer, such that, there must be guaranteed a system whereby the latter know clearly and obviously that the product they are acquiring, under a particular trademark, originates in a particular business and offers a guarantee of quality.

Therefore, if it were considered that by the fact of acquiring a product that has been marketed by the trademark owner in the European Economic Space any third party would be legitimated to freely “repair it” or “recycle it” (under the concept of “implicit license”), we would be allowing a system in which the consumers’ interests are not guaranteed and the essential functions of the trademark would be “distorted”.

Therefore, our opinion, with a view to safeguarding the legitimate interests of the consumers (and of the trademark owner himself), is that it would be advisable that any party that makes repairs or recycling of a product that could alter the intrinsic characteristics of this product, should be obliged to mention it expressly and visibly on the product, so that the consumer may be aware of this fact.

Where patents are concerned, the question is more complex, since, in reality, the system does not protect so much the end consumer but the inventor/owner of the patent. Nevertheless, we consider that, in general terms, the answer has to be the same. In this sense, the current legislation is really restrictive in the matter of patent licenses, expressly establishing that patent licenses will only be valid if they are set down in writing. Therefore, to speak of “implicit license” in the matter of patents is complex, since the legislator himself has established a prohibitive system in this sense. A different question would be — as we have analyzed above — that as a consequence of repair or recycling, no infringement could be understood to exist since these acts are enframèd within the concept of “exhaustion of the right” of the patent owner. We have already analyzed these questions in the previous section.

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?*

In general, we are currently evolving towards a society trying to avoid the over-exploitation of raw materials, reduce the amount of waste and lay down some principles of sustainable development. In this sense, if techniques are developed allowing the working life of an “worn out” or deteriorated product, or even one devised as disposable, by recycling, repair or refilling etc. techniques, the “system” should not put the brake on these techniques without a justified cause, but rather on the contrary should try to promote them. Therefore, we understand that the prohibited acts should be clearly defined as exceptions to the general rule, which should be that of allowing recycling, repair and reuse.

Where patents are concerned, the exceptions to the general rule of allowing recycling, repair and reuse should be limited only to those cases where there has been a “substantial modification” of the patented product. A “substantial modification” of the product would

occur when the invention, or an essential part thereof, has lost its identity at some time during the recycling, repair, refilling, etc., process. If the invention does not lose its identity, the recycled, repaired or refilled product is not a “new product”, but it is the same product which was placed on the market by the owner of the patent. If, on the other hand, the invention loses its identity at a particular moment, this means that, subsequently, the invention is regenerated (it regains the lost identity) and a “new product” is generated.

- 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 intent of the holders and any intended contractual restrictions should not affect the consequences derived from the figure of exhaustion of rights of such holders.

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

In the terms established in Section 8 of the chapter on the analysis of legislation and case law, the intervention of free competition law is not considered necessary in the cases of recycling or repair of products protected by an IPR beyond those cases signifying unfair competition behaviour susceptible of affecting the balance of the market and competition. In any case, this behaviour is already contemplated in Spanish legislation in the matter of free competition (Sec. 3, Defense of Competition Act).

- 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.*

We have no further questions to propose.

- 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.*

Further to the comments contained in points 1 to 6 of this section II, we would like to express the following two opinions:

- The Spanish Group considers that it is not desirable to introduce the concept of implicit licenses in our legislation, and proposes that if the repairs or recycling substantially alter the internal features of products subject to IPR, the obligation to indicate this fact expressly and visibly on the product would have to be imposed.
- Additionally, it would be of interest to raise the possibility of establishing in the clearest possible way a limit to the exclusive right in the cases in hand, by adding in patent regulations, for example (which in the case of Spain would be Sec. 52 PA) a reference of the type: “The rights conferred by the patent do not extend: (...) g) to the repair, recycling, refilling or manipulation in general not having the consequence of regenerating the essentiality of the invention”.

Summary

The Spanish legislation expressly recognises the figure of exhaustion of intellectual property rights, with the application thereof depending on there having been a first marketing of the product in the territory of the European Economic Space (EES) with the consent of the rightholder. The main legal consequence of the foregoing is that the rightholder shall not be able to prevent, in principle, third parties from performing subsequent marketing operations.

Thus, the Spanish legislation does not expressly contemplate international exhaustion for Patents, Designs or Trademarks, but that the exhaustion is regional, restricted to the EES.

Spanish procedural law imposes the burden of the proof on the party invoking exhaustion of the right, without prejudice to the opposite party being able to prove, in turn, that such exhaustion has not taken place.

The Spanish legislation does not regulate the theory of implicit licenses, part of Anglo-American legal tradition.

The Spanish Patent and Design Acts do not contemplate specific definitions for the terms “recycling” and “repair”, nor do they establish the conditions under which repair or recycling of a patented product or of one protected by a design are allowed, although there are other laws, such as Act 11/1997 on packaging and waste, which do contain a definition of “recycling”.

The Spanish Trademark Act provides for an exception to the general rule of exhaustion, allowing the owner of a trademark to oppose subsequent marketing of the product when there are legitimate reasons, particularly when the state of the products has been altered or modified after the first marketing.

The exhaustion of the Trademark, Patent or Design rights provided for in the respective Acts is not affected by the intent of the holders of intellectual property rights when subscribing to marketing contracts for patented products or those marketed under a particular trademark, without prejudice to the liability that may be attributed to the parties to such contracts for breach of the clauses stipulated therein relating to recycling or repair of the product.

On the other hand, the extent to which these clauses fit the rules of the Spanish defense of Competition Act will determine the validity of such clauses.

Under certain circumstances, the Unfair Competition Act and the General Act for the defense of Consumers and Users are applicable to the repair and recycling of products covered by intellectual property rights.

With regard to copyright, the Spanish Intellectual Property Act contemplates exhaustion, although only in connexion with the right of distribution.

To conclude, the Patent and Design Act regulate the regional exhaustion of rights, without laying down specific conditions in the case of recycling and repair of the products and only the Trademark Act exceptionally empowers the owner of a trademark to oppose successive marketing operations when the products have been altered or modified.