Question Q205

AIPPI

National Group: [Thailand]

Title: **Exhaustion of IPRs in cases of recycling and repair of goods**

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I) Analysis of the current statutory and case laws

The Groups are invited to answer the following questions under their national 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 Thailand, the Exhaustion Doctrine was first established by case law rather than the statutory law. In 1997, the Intellectual Property and International Trade Court held in the trademark infringement case that when the trademark owner puts his products on to the market anywhere in the world, his right will be exhausted. This decision was given despite the fact that there was no provision in the Trademark Act B.E 2534 (1991) referring to the exhaustion of right. The Supreme Court, in its judgment No. 2817/2543, affirmed the IPIT Court decision with a slightly different reason.

In statutory law, the exhaustion issue was introduced in Patent Act. Section 36 (7) of the Patent Act (2nd Revision) B.E. 2542 (1999) provides that the patent holder cannot exercise his right over the patented products once they are sold by the patent holder or with his consent. Though this section does not expressly states that those products can be marketed anywhere in the world, Thai lawyers have a common understanding that the international exhaustion doctrine will be applied for invention patent.

As for design patents, no person except the patent holder shall have the right to use the patented design in the manufacture of a product or to sell, have in possession for sale, offer for sale or import a product,embodying the patented design, except the use of design for the purpose of study or research. (Section 63 of the Patent Act) Some academics believe that it was not the intention of the drafter not to introduce the exhaustion doctrine into design patent. It was just a mistake during the drafting process. Therefore, the exhausion doctrine will not apply to the patented design.

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?

Under the case law and statutory provision, the doctrine of international exhaustion can be applied unconditionally. The Court, along with the provision of the patent law, has not yet limited the scope of international exhaustion. This implies that any restriction which bans the purchaser to import IPR-protected products will not be effective.

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?

Under the Patent Act, the use, sale, having in possession for sale, offering for sale or importation of a patented product shall not constitute a patent infringement when the product has been produced or sold with the authorization or consent of the patent holder.

We are of the view that the exhaustion rule is founded on the implied license rational that a purchaser of a patented product receives an implied license to use and resell the article without further obligation or payment to the patent holder.

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?

It is not clear whether a "repair" of patented product is permitted under the exhaustion doctrine pursuant to Section 36 paragraph two (7) of the Patent Act. No statutory definition of the term "repair" is prescribed under the Patent Act (as amended). Case law does not have any clarification either.

With regard to the design-protected product, the exhaustion doctrine is not recognised under the Patent Act (as amended).

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?

It is not clear whether a "recycling" of patented product is permitted under the exhaustion doctrine pursuant to Section 36 paragraph two (7) of the Patent Act. No statutory definition of the term "recycling" is prescribed under the Patent Act (as amended). Case law does not have any clarification either.

With regard to the design-protected product, the exhaustion doctrine is not recognised under the Patent Act (as amended).

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?

The Supreme Court ruled in the passing off cases that the reuse of article bearing trademark of others with intention to mislead public as to ownership or source of goods constitutes the passing off offence under the Penal Code.

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 question of whether a repair or reuse of patented product constitutes an infringement of patent does not depend on the intention of the patent holder. The question to be answered is whether such act infringes the right to manufacture or use of the patent holder. In this regard, any marking which restricts the use of patented product is unimportant. However, a breach of that restriction may constitute a breach of contract if the purchaser fully agrees with such restriction.

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

In some circumstances, the patent holder may limit the scope of use by the purchaser of patented product. For example, if the patent holder sells the same patented products at different prices, he may restrict the use of those lower-priced patent products. Therefore, use outside the scope of the license agreement may constitute a breach of contract. However, according to the exhaustion doctrine, it seems difficult to regard such act as an infringement of patent right.

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?*

A license agreement between the patent holder and his licensee will not bind the third parties. Even though the third parties are informed about such condition in the license agreement, they are able to resell or use the patented products freely.

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?*

None

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

With regard to the contractual restrictions, trademark and design laws seem to be the same.

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?
It seems unnecessary to raise the anti-trust issues to allow third parties to recycle or repair IPR-protected products. However, business undertakings may be liable under anti-trust law if their act is regarded as an unfair trade practice.

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?
The exhaustion doctrine should not be absolute. Other factors, such as the price or quality of the products or the purpose of selling those products, should also be 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?
In general, the exhaustion doctrine will be applied to copyrighted materials. Similar to the patent and trademark cases, unfair competition law seems to play a little role in this regard.

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?
None

II) Proposals for uniform rules

The Groups are invited to put forward proposals for adoption of uniform rules regarding the exhaustion of IPRs in cases of recycling and repair of goods. More specifically, the Groups are invited to respond to the following questions:

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 purchaser of IPR-protected products should be free to repair or recycle those products for their own use without any restriction. However, when such repaired or recycled products are resold, there must be a statement which informs the end user.

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?*

Points to be considered include portion of the product to be repaired or recycled and nature of the goods.

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?*
There shall be no effect.

5) *Should antitrust issues be considered specifically in cases of repair or recycling of goods. If so, to what extent and under which conditions?*
No.

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.*
Consumers should be allowed to repair or recycle IP-protected products without any restriction.

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.*
If necessary, law relating to the above issues can be harmonized if they are provided in international IP laws.