

Report Q205

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

As a preliminary comment we would observe that the question, by its title, and by the order of the specific questions that it asks, is potentially misleading, at least from the perspective of UK law, in presupposing that the issues of recycling and repair of goods are necessarily only to be addressed under the law of exhaustion. In the UK, the threshold question initially to be addressed when considering whether recycling or repair gives rise to an infringement is (for patents and designs) whether or not a new article is made and (for trade marks) whether or not the goods after recycling or repair remain the goods of the trade mark proprietor (as opposed to some new goods for which the proprietor is, in substance, not responsible). It is only if in the course of such recycling or repair (for patents and designs) no new article is made or (for trade marks) the goods remain the goods of the trade mark proprietor, but there is some other potentially infringing act, that one then gets to the secondary question of exhaustion or implied licence in the context of subsequent dealings in such articles. Exhaustion and implied licence are alternative mechanisms for preventing subsequent dealings in articles which are unchanged, or which have been recycled or repaired from amounting to infringement of an intellectual property right. However, exhaustion and implied licence do not, at least under UK law, sanction subsequent dealings in articles that have been recycled or repaired to such a degree as to render them “new”.

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?

Exhaustion of IPRs applies to import and sale in the UK of all goods first placed on the market in another Community or EEA Member state by or with the consent of the rights holder under the ECJ case law as to Article 28 (ex 30) EC Treaty (“Community exhaustion”). The treatment of goods placed on the market outside the EEA is determined by secondary Community legislation, where applicable, or by domestic law.

Patents – Exhaustion of patents only expressly exists in English law to the extent that it is mandated by the EC Treaty¹. Under domestic law, it is the concept of implied licence, as set out in *United Wire v Screen Repair Services (Scotland)* [2000] UKHL 42 that explains why,

¹ The Biotechnology Directive (98/44/EC), which has its own specific provisions as to exhaustion, supplants in this respect UK law as to implied licence as to those types of patent claim to which the Directive applies.

notwithstanding the apparent breadth of the patentee's rights, a person who has acquired the product with the consent of the patentee may use or dispose of it in any way he pleases².

Trade Marks – The Trade Mark Directive (89/104/EEC) and Community Trade Mark Regulation (40/94) mandate Community exhaustion and preclude exhaustion of trade mark rights for goods put on the market outside the EEA by the rights proprietor or with his consent.

Designs – The Designs Directive (98/71/EC) and Community Design Regulation (6/2002/EC) mandate Community exhaustion and preclude exhaustion of UK and Community registered designs and Community unregistered designs for goods put on the market outside the EEA by the rights proprietor or with his consent. The effect of ss 228(3) and (5) Copyright Designs and Patents Act 1988 (CDPA 1988) is to mandate Community exhaustion for UK unregistered design rights under domestic law.

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?

Patents – As stated at I(1), exhaustion of patents only expressly exists in UK law to the extent that it is mandated by the EC Treaty. Under domestic law, it is the concept of implied licence, as set out in *United Wire v Screen Repair Services (Scotland)* that explains why, notwithstanding the apparent breadth of the patentee's rights, a person who has acquired the product with the consent of the patentee may use or dispose of it in any way he pleases.

The concept of implied licence applies irrespective of where the product is first placed on the market by the rights holder and as such has a practical effect akin to international exhaustion. However, the concept of implied licence can be excluded by express notice given at the time of sale. In order to exclude the implied licence to resell a patented product after acquiring it with the consent of the patentee, the purchaser must have knowledge that there is a restriction on dealing with the goods at the time of purchase. If the purchaser lacks such knowledge or acquires it after completing the purchase, the restriction on dealing will not be effective. Thus in *Roussel Uclaf v Hockley International* [1996] RPC 441, which related to the purchase of goods from a UK patentee in China which were then imported into the UK for resale, it was held that if no limited licence is imposed on the first purchaser of the goods at the time of purchase, a general licence will apply and the patentee will not be able to impose such terms at a later date. Here, in the absence of evidence that it was the invariable practice to label

² However Lord Hoffmann, who gave the main judgment in *United Wire* in which this distinction is drawn had, in his earlier speech in the Privy Council, on appeal from the Court of Appeal of Hong Kong, in *Canon KK v Green Cartridge Co* [1997] AC 728, suggested that exhaustion formed part of UK law. Lord Hoffmann did not suggest that UK law differed in this respect from the Hong Kong law in issue when he observed that "Because repair is by definition something which does not amount to the manufacture of the patented article, it is not an infringement of the monopoly conferred by the patent. It cannot therefore be an unlawful act and needs no special licence to make it lawful, unless as part of the general implied licence to use the patented product at all, which is sometimes used to explain why mere user does not infringe the patentee's monopoly. But this is perhaps better regarded as a consequence of the exhaustion of the patentees' rights in respect of the particular article when it is sold."

containers of a herbicide sold in China with notices restricting export from China, the Court refused to enjoin the import of the product into the UK where it fell within the scope of a UK patent on the herbicide.

However, where the reseller has purchased a product manufactured by the licensee of a non UK patent, the concept of implied licence does not apply where the patentee has parallel rights in the UK. Accordingly, any import of such a product into the UK would constitute an act of infringement (*Minnesota Mining & Manufacturing Company v Geerpres Europe Limited* [1974] RPC 35, applying *SA des Manufactures de Glaces v Tilghman* (1883) 25 Ch. D.1, followed in *The Wellcome Foundation v Discpharm and others* [1993] FSR 433³).

Trade Marks – As stated at I(1), the Trade Mark Directive and Community Trade Mark Regulation mandate Community exhaustion and preclude exhaustion of trade mark rights for goods put on the market outside the EEA by the trade mark proprietor or with his consent. The ECJ decision in *Zino Davidoff v A&G Import* [2001] ECR I-8691 confirmed these principles and established that although the trade mark proprietor could consent to such goods first put on the market outside the EEA being marketed within it, implied consent to such marketing could not be inferred from his mere silence. Moreover it established that it was for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence. There have been several subsequent cases in UK courts in which attempts to establish such implied consent have failed. These cases are listed in *Mastercigars Direct Limited v Hunters & Frankau Limited*, [2007] EWCA Civ 176, in which however, on its special facts, such implied consent was established. Similarly, implied consent was established more recently in *Honda v Neesam* [2008] EWHC 338 (Ch).

Designs – As stated at I(1) the Designs Directive and Community Design Regulation mandate Community exhaustion and preclude exhaustion of UK and Community registered designs and Community unregistered designs for goods put on the market outside the EEA by the design rights proprietor or with his consent. It can be expected that the approach to implied consent established in the field of trade marks in *Zino Davidoff* will apply to design rights in respect of goods first put on the market outside the EEA being marketed within it. Although ss 228(3) and (5) CDPA 1988 mandate Community exhaustion for the UK unregistered design right, they are silent as to whether the import into the UK of goods placed on the market outside the EEA by or with the consent of the design rights owner constitutes infringement. Accordingly, UK domestic law on matters of implied licence can be expected to apply.

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?

As will be apparent from the previous answers, the theory of implied licence, where its application is not excluded by virtue of the Community harmonisation of intellectual property rights (IPRs), or by virtue of express statutory wording to the contrary (as was the case of copyright, even before this was harmonised at a Community level) plays a fundamental part in UK intellectual property law. In contrast exhaustion of rights forms no part of the national legal tradition in the UK. It was stated in *United Wire v Screen Repair Services (Scotland)* that the two differed in that 'an implied licence may be excluded by express contrary agreement or made subject to conditions while the exhaustion doctrine leaves no ... rights to be enforced.' In practice however the scope to exclude an implied licence by express contrary agreement under UK law is limited, as discussed at I(2) above and at I(7) below.

³ These are all decisions of the English Courts. In *Christian Salvesen (Oil Services) v Odfjell Drilling and Consulting Co (UK)* 1985 SLT 397, a decision of the Scottish Courts, the UK exclusive sub-licensee was unable to sustain an action against a purchaser from the exclusive licensee which was itself a subsidiary of the patentee.

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?

Patents – ‘Repair’ is not expressed to be an act of patent infringement in UK law and so the question to be addressed is whether the act complained of consists of ‘making’ the product, which is expressed to be an infringement. Whether dealing in a repaired product is an infringing act or covered by implied licence/exhaustion is likely to be determined by whether the repair constituted ‘making’ the product. Thus in *United Wire v Screen Repair Services (Scotland)* the House of Lords considered whether the acts complained of constituted ‘making’, rather than seeking to formulate principles expressed in terms of repair. They noted that “repair” could cover a wide range of activities from mere remedial action in order to make good the effects of wear and tear, involving no replacement of parts; or it may involve substantial reconstruction of the patented product. A substantial reconstruction could infringe a patentee’s rights whereas mere remedial repairs might not.

The House of Lords held that the pre Patents Act 1977 statement in *Sirdar Rubber Co Ltd v Wallington, Weston & Co* (1907) 24 RPC 539, that ‘you may prolong the life of a licensed article but you must not make a new one under the cover of repair’ remained good law. Whether an act of ‘repair’ carried out in relation to a patented product constitutes making that product is a matter of fact and degree to be assessed in each case. In *United Wire* the House of Lords held that the reconditioning of a sifting screen should be construed as making the product, and thus infringed. In reconditioning the screen, the defendant, rather than simply patching the screen, had repaired the frame and then made a new screen from its constituent parts in the same way as would have been done originally. Accordingly, the Defendant had made an essential part of the invention as claimed and so infringed. The House of Lords also observed that the concepts of implied licence or exhaustion of rights had no part to play in this exercise, because the sale of a patented article ‘cannot confer an implied licence to make another or exhaust the right of the patentee to prevent others from being made.’

Designs – For UK and Community registered designs and Community unregistered designs ‘making’ a product in which the design is incorporated or to which it applied is expressed to infringe the rights in such designs. For the UK unregistered design right the corresponding infringing act is making articles to the design. It is thus suggested that the same approach as that in *United Wire* for patents would be applied to the question of repair of an article protected by design right, and thus the question to be answered is whether or not the act complained of consists of ‘making’ the product.

A further issue relating to repair may arise in relation to the degree to which spare parts are themselves protected by a patent or design right. In *Dyson v Qualtex (UK)* [2006] EWCA Civ 166, the Court of Appeal considered whether Qualtex’s manufacture of spare parts for the repair of Dyson vacuum cleaners constituted an infringement of Dyson’s UK unregistered design rights in the respective parts. The scope of s.213(3)(b)(i) CDPA 1988 (the “must fit” exception) was considered. This provides that “design right does not subsist in features of shape or configuration of an article which enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function.” Article 7(2) of the Designs Directive and Article 8(2) of the Community Design Regulation contain corresponding provisions, not yet considered by the English courts, which also prevent design rights being available for the interface between the consumable or spare and the rest of the article. However the main issues in the *Dyson* case concerned s.213(3)(b)(ii) CDPA 1988 (the “must match” exception). This provides that “design right does not subsist in features of shape or configuration of an article which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part.” The Court held that a spare part would not be protected by unregistered design right if a change to the

appearance of that spare part would render the appearance of the product as a whole to be “radically different”. There is a similar provision under Article 110 of the Community Design Regulation. There is no such limitation for patent rights.

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?

As with repair there is no definition of “recycling” in UK law. As with repair, whether recycling constitutes an act of infringement of patents or designs depends on whether the acts involved are such as to constitute “making”. If however the product is simply reused as such without transformation, there can be no “making” so subsequent dealings are permitted either under the exhaustion principle or under the principle of implied licence.

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 *PAG Ltd v Hawk Woods Ltd* [2002] FSR 46 the claimant secured an injunction preventing the defendant from refurbishing the claimant’s battery units by opening up the casing and replacing the battery inside and then selling the unit under the trade mark “PAG Lok”. The Court considered whether the goods returned to the customer after the defendant had carried out all acts on it were the goods of the trade mark proprietor. Here the cells forming the essential part of the battery pack had been replaced by cells which were not those of the proprietor and accordingly, the claimant’s trade mark was being applied to goods which were not those of the claimant and without the consent of the claimant. The Court noted that the approach adopted in the case of patents in *United Wire v Screen Repair Services (Scotland)* “was not ... a very different question from the question of whether the goods returned to the customer in the present case are the goods of the proprietor or some new goods for which the proprietor is, in substance, not responsible.”

The PAG case concerned the situation where the repair is such that the goods can no longer be said to be those of the trade mark owner and, therefore, the question of exhaustion does not arise. However, where the goods after repair can still be said to be those of the trade mark proprietor and where those goods were first put on the market outside the EEA, their importation and sale in the UK would constitute an infringement under the *Zino Davidoff* principle unless the defendant can prove consent. Where the repaired goods were first put on the market with the trade mark owner’s consent within the EEA, the brand owner could only prevent the resale of the repaired goods if it can establish a legitimate reason to oppose such resale under Article 7(2) Trade Mark Directive. We would suggest that a failure to identify that the goods have been recycled or repaired would constitute such a legitimate reason.

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?*

There is no recent UK case law on the effect of terms imposed on patented articles by notice when they are sold, other than in the context of parallel imports as discussed above

at I(2). There is however old English case law under which use and resale restrictions were enforced against purchasers of patented goods who had notice of such restrictions, in one such case it being observed that “it does not matter how unreasonable or how absurd the conditions are.”⁴ However most such decisions concerned restrictions such as those imposing tying provisions and minimum resale prices, and which were in due course specifically reversed by statute and would now often be unenforceable as contrary to competition law. No such decisions related to purported restrictions on repair or re-use. Moreover, they long predate the Patents Act 1977 and so date from a time when the extent of the patent monopoly in the UK was judge made, rather than established by statute. Although as discussed above at I(2) territorial restrictions on resale can still in theory be imposed in certain cases by adequate notice at the point of initial sale, we believe that the English courts would be reluctant to enforce restrictions on repair and recycling that fall short of “making” as against purchasers of patented goods who had notice of such restrictions. This approach could be justified on the basis of the change in law wrought by the introduction of the express statutory monopoly under Patents Act 1977.

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

See the discussion above at I(7)(a), and the practical difficulty of providing adequate notice of restrictions as demonstrated by *Roussel Uclaf v Hockley* discussed at I(2) above.

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?*

The example provided with this question is directed to the situation in which the product in issue is made not by a patentee but by a licensee. *Minnesota Mining & Manufacturing Company v Geerpres Europe Limited* [1973] FSR 133 and *SA des Manufactures Glaces v Tilghman*, (1883) 25 Ch.D. 1 referred to at I(2) above, establish that a licensee cannot grant a broader right to subsequent purchasers than the licensee has itself. However, on the approach outlined at I(7)(a) above this would not affect the scope for purchasers of patented goods with notice of such restrictions lawfully to undertake repair and recycling of such goods that fall short of “making”, although dealings in such goods would be subject to territorial restrictions of which purchasers had proper notice.

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?*

Although this question appears in a section headed “IPR owners’ intentions and contractual restrictions” it is not expressed to be so limited. The only objective criteria under UK law is whether or not (for patents) repair or recycling constitutes “making”.

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

Although this question appears in a section headed “IPR owners’ intentions and contractual restrictions” it is not expressed to be so limited. The only objective criteria under UK law is whether or not (for designs) repair or recycling constitutes “making” and (for trade marks) whether or not the goods after recycling or repair remain those of the trade mark

⁴ See *Incandescent Gas Co. v Cantelo* (1895) 12 RPC 262 at 264 quoted in Chafee – “Equitable Servitudes on Chattels” – Harvard Law Review Vol XLI pp 945-1013 June 1928 at p 999 and see also the other cases cited at Footnotes 23 and 149-151.

proprietor (as opposed to some new goods for which the proprietor is, in substance, not responsible) and if they do, whether there exists a legitimate reason to oppose their resale for reasons such as those set out under Article 7(2) Trade Mark Directive.

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?

Domestic UK anti-trust law under the Competition Act 1998 reflects EC antitrust law under Articles 81 and 82 EC Treaty but without the requirement that the activity complained of has the potential to affect trade between Member States. The ECJ spare parts cases of *Renault* (53/87) [1988] ECR 6039 and *Volvo* (Case 238/87) [1989] 4 CMLR 122 demonstrate that the mere assertion of IPRs in spare parts and a refusal to grant licences of such rights to spare parts manufacturers is not in and of itself an abuse of a dominant position. It is however possible to envisage extreme situations in which certain activities by IPR holders in relation to consumables might be regarded as an abuse of a dominant position, as the ECJ did in *Volvo* and in Case C-53/92 *Hilti AG v Commission* [1994] ECR I-667.

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?

Certain restrictions on recycling and repair may be inconsistent with environmental law requirements, such as those set out in Europe in several Directives prescribing recycling. We would suggest that in such cases, or in other cases in which it is thought desirable (for example on environmental or social grounds) to permit certain acts of repair or recycling that would otherwise infringe, then this should be the subject of a specifically drawn statutory exception, which would set out a specific test.

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?

To the extent that copyright can be used to protect designs we would suggest that similar considerations as to repair and recycling should apply to copyright as to designs. Thus in *Canon KK v Green Cartridge Co* [1997] AC 728 the Privy Council held that there was no "spare parts" defence that would sanction the manufacture of replacement toner cartridges the design of which infringed copyright in design drawings for such cartridges⁵.

⁵ At the time Hong Kong still protected designs by means of copyright in the drawings from which such designs were copied, as had been the case in the UK until, subject to transitional provisions, this was replaced by the UK unregistered design right under CDPA 1988. In *Canon* the Privy Council criticised (as not "truly founded upon any principle of the law of contract or property" and as "instead an expression of what the House perceived as overriding public policy, namely the need to prevent a manufacturer from using copyright (as opposed to patent or design right) in order to control the aftermarket in spare parts"), and refused to extend the principle of "non derogation from grant" that had been established by the House of Lords in *British Leyland Motor Corporation v Armstrong Patents* [1986] AC 577. This principle had provided a defence to a manufacturer of replacement exhaust pipes which infringed copyright in the design drawings for the plaintiffs' exhaust pipes on the basis that the owners of cars had the implied right to repair them and the plaintiff could not derogate from the grant of that implied right.

Copyright law is of wider interest in this connection as it provides examples of specifically drawn statutory exceptions from infringement for activities akin to repair or recycling based on public policy considerations and thus provides a precedent should it be thought desirable (for example on environmental or social grounds) to permit, by a specifically drawn statutory exception, certain acts of repair or recycling that (for patents and designs) constitute making a new article or (for trade marks) render the goods in issue no longer those of the trade mark proprietor (as opposed to some new goods for which the proprietor is, in substance, not responsible). Thus in the UK s.65 CDPA 1988 provides an exception for reconstructing a building. One can also consider the exception for correcting errors under Article 5.1 of the Software Directive, which Recital 18 of the Directive suggests cannot be excluded by a contractual term to the contrary.

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 use of technological protection measures in an attempt to prevent repair and recycling has been the subject of litigation in the USA and could usefully be studied⁶.

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

For the reasons discussed above, we disagree with the premise on which questions (1) and (2) are based. We would suggest that determining whether or not (for patents and designs) repair or recycling constitutes “making” and (for trade marks) whether or not the goods after recycling or repair remain those of the trade mark proprietor (as opposed to some new goods for which the proprietor is, in substance, not responsible) provides a useful touchstone for drawing the line between permissible repair or recycling. If however it is thought desirable (for example on environmental or social grounds) to permit certain acts of repair or recycling that do constitute such “making” or that render the goods no longer those of the trade mark proprietor, then this should be the subject of a specifically drawn statutory exception, which would set out a specific test.

- 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 rights owner has the right to prohibit those activities that constitute “making” or that render the goods no longer those of the trade mark proprietor (namely some new goods for which the proprietor is, in substance, not responsible) and so, for such activities, the rights owner should with appropriate notice be able to grant a limited licence that, for example, gives a choice to consumers: either to purchase at the full price and be able to dispose of the product as they wish, or to purchase at a discounted price if they agree to send the product

⁶ See for example *Lexmark v Static Control Components*, 387 F.3d. 522 (6th Cir. 2004).

back to the original manufacturer for recycling purposes⁷. However, where repair or recycling would not constitute an infringing act absent contractual prohibition then such a contractual prohibition should not make any difference to whether or not there is infringement.

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

Antitrust considerations will be appropriate to issues of repair or recycling to the degree consistent with the usual thresholds for competition law to apply, such as abuse of a dominant position in the relevant market. Given the potential ease of proving dominance in the relevant market in the case of repair or recycling antitrust considerations are likely to be a more significant issue for repair or recycling than is often the case.

- 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.*

As mentioned under I(11) the use of technological protection measures in an attempt to prevent repair and recycling has been the subject of litigation in the USA and could usefully be studied.

- 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.*

We would suggest, consistent with our introduction to this response, that it is unhelpful to analyse the issues of recycling and repair primarily in the context of exhaustion or implied licence. Instead we would suggest that the initial enquiry should be whether or not (for patents and designs) repair or recycling of an article constitutes “making” and (for trade marks) whether or not the goods after recycling or repair remain those of the trade mark proprietor (as opposed to some new goods for which the proprietor is, in substance, not responsible). If so, the rights owner should with appropriate notice be able to grant a limited licence to carry out such activities. If not, we do not consider that subsequent dealings in an article that has been repaired or recycled should be susceptible to restriction by notice at the original point of sale on the basis of patent or design rights. However, a trade mark proprietor should be able to prevent the resale of goods that after recycling or repair remain its goods where there exists a legitimate reason to oppose such resale for reasons such as those set out under Article 7(2) Trade Mark Directive, such as a failure to identify that the goods have been recycled or repaired. If however it is thought desirable (for example on environmental or social grounds) to permit certain acts of repair or recycling that do constitute such “making” or that render the goods no longer those of the trade mark proprietor, then this should be the subject of a specifically drawn statutory exception, which would set out a specific test.

Summary

We consider that it is unhelpful to analyse the issues of recycling and repair primarily in the context of exhaustion or implied licence. Instead we would suggest that the initial enquiry should be whether or not (for patents and designs) repair or recycling of an article constitutes “making” and (for trade marks) whether or not the goods after recycling or repair remain those of the trade mark proprietor (as opposed to some new goods for which the proprietor is, in substance, not responsible). If so, the rights owner should with appropriate notice be able to grant a limited licence to carry out such activities. If not, we do not consider that subsequent dealings in an article that has been repaired or recycled should be susceptible to restriction by notice at the original point of sale on the basis of patent or design rights. However, a trade mark proprietor should be able to prevent

⁷ Such as that in issue in the US case *Arizona Cartridge Remanufacturers Association v Lexmark International* 290 F. Supp. 2d 1034 (N.D. Cal. 2003), aff'd, 421 F.3d 981 (9th Cir. 2005).

the resale of goods that after recycling or repair remain its goods where there exists a legitimate reason to oppose such resale for reasons such as those set out under Article 7(2) Trade Mark Directive, such as a failure to identify that the goods have been recycled or repaired. If however it is thought desirable (for example on environmental or social grounds) to permit certain acts of repair or recycling that do constitute such “making” or that render the goods no longer those of the trade mark proprietor, then this should be the subject of a specifically drawn statutory exception, which would set out a specific test.

Résumé

Nous considérons qu’il n’est pas utile d’analyser les questions de recyclage et de réparation de prime abord dans le contexte d’épuisement ou de licence implicite. Nous suggérons à la place de considérer en premier lieu (pour les brevets et dessins et modèles) si oui ou non la réparation ou le recyclage d’un produit équivaut à la “fabrication” du produit objet du brevet ou du dessin et (pour les marques) si oui ou non les produits ayant fait l’objet d’une réparation ou d’un recyclage demeurent ceux du propriétaire de la marque (par opposition à de nouveaux produits pour lesquels le propriétaire n’est, en substance, pas responsable). Si oui, le titulaire des droits devrait pouvoir octroyer, sur notification adéquate, une licence limitée afin de permettre de telles activités. Sinon, nous sommes d’avis que toute activité future concernant un produit ayant fait l’objet d’une réparation ou d’un recyclage ne devrait pas être soumise à une limitation signalée au point de vente initial sur la base de droits de brevet ou de dessins. En revanche, un propriétaire de marque devrait être capable d’empêcher la revente de produits qui, ayant fait l’objet d’une réparation ou d’un recyclage, demeurent néanmoins ses produits lorsqu’il existe une raison légitime de s’opposer à une telle revente pour des raisons telles que celles visées par l’Article 7(2) de la Directive 89/104/CE, comme par exemple parce qu’il n’a pas été signalé que les produits en question ont été réparés ou recyclés. Si, en revanche, il est désirable (pour des raisons environnementales ou sociales) de permettre certaines activités de réparation ou de recyclage qui constituent un acte de “fabrication” ou qui ont pour effet de transformer les produits de sorte qu’ils ne sont plus ceux du propriétaire de la marque, alors cela devrait faire l’objet d’une exception statutaire spécialement rédigée à cet effet et qui mettrait en place un test spécifique.

Zusammenfassung

Wir halten es nicht für hilfreich, die Themen Wiederverwendung und Reparatur hauptsächlich im Zusammenhang mit der Erschöpfung eines Rechts oder einer konkludent geschlossenen Lizenz zu betrachten. Statt dessen würden wir vorschlagen, zunächst zu fragen, ob (für Patente oder Geschmacksmuster) die Reparatur oder Wiederverwendung einer Ware ein „Herstellen“ darstellt und (für Marken) ob die Waren nach der Wiederverwendung oder der Reparatur solche des Markeninhabers bleiben (und nicht neue Waren werden, für die der Inhaber materiell nicht verantwortlich ist). Ist dies der Fall, dann sollte der Rechteinhaber durch eine entsprechende Benachrichtigung in der Lage sein, eine beschränkte Lizenz zu erteilen, um solche Aktivitäten zuzulassen. Ist dies nicht der Fall, so sehen wir es nicht als möglich an, dass der weitere Vertrieb einer Ware, welche wiederverwendet oder repariert wurde, durch eine Benachrichtigung am Ort des Verkaufs auf der Basis von Patent- oder Designrechten beschränkt werden kann. Jedoch sollte ein Markeninhaber die Möglichkeit haben, das Wiederverkaufen von Waren zu verhindern, welche nach der Wiederverwendung oder der Reparatur seine Waren bleiben, wenn es einen legitimen Grund wie die in Artikel 7(2) der Markenrechtsrichtlinie genannten Gründe dafür gibt, sich dem weiteren Vertrieb der Waren zu widersetzen, wie zum Beispiel, wenn nicht ausgewiesen ist, dass die Ware wiederverwendet oder repariert wurde. Wenn es hingegen als wünschenswert angesehen wird (zum Beispiel wegen Umwelt- oder sozialen Gründen), bestimmte Wiederverwendungs- oder Reparaturtätigkeiten zuzulassen, welche ein solches „Herstellen“ darstellen oder welche dazu führen, dass die Waren nicht mehr solche des Markeninhabers sind, dann sollte dies in einer gesetzlichen Regelung als Ausnahme und mit den relevanten Anforderungen festgehalten werden.