



AIPPI, Minutes of ExCo Session IV, Q205

3.30pm Tuesday 9 September 2009, Boston

Chair of session:	Thierry Mollet-Viéville
Responsible Reporter General:	Shoichi Okuyama, Assistant Reporter General [SO]
Chair of Working Group:	Trevor Cook, UK [TC]
Co-Chair of Working Group,	Lamberto Liuzzo, Italy
Co-Chair of Working Group,	Casey Kook-Chan An, South Korea.
Secretary of Working Group:	Claudio Roberto Barbosa, Brazil

1. Introduction

The Chair introduced the session and participants. SO gave a short introductory presentation on relevant legal cases and explained some examples that could be referred to in the discussion. Exhaustion, repair and recycling were defined. For the purposes of this question patents, trade marks and designs were considered. Copyright and other rights were excluded. The work in Q101 dealt with international exhaustion. 35 reports were received before the summary report was finalised. Four more were subsequently received. The summary report shows that some countries but not all have statutory provisions on exhaustion. The concept of implied licence is important in the UK. There was no clear line between permissible repair and infringing reconstruction. There was consensus that the intent of an IPR owner should not influence the concept of exhaustion.

2. The draft resolution

TC introduced the structure of the draft (copy attached as Appendix 1). The starting point for discussion was the work of Q101 and Q156. The WC had to establish a framework for analysis of the question of exhaustion. In the wording under "considering that", the words "which are" were to be inserted before "subject of intellectual property rights". This was not in the paper text before the ExCo.

The question of copyright protection was a matter for further study. Repair and reconstruction is often encountered as regards spare parts. In certain countries design protection is excluded for spare parts. It is not appropriate to take a position on this, at this stage, without doing further work. That is detailed within paragraph 3 of the "considering" section.

Recycling may be considered as the reduction of a product to its constituent ingredients e.g. in the chemical industry. What it is was addressed in the WG so we should not adopt a position on it.

Paragraph 5 reflected a vigorous discussion on environmental issues related to recycling. The conclusion was that at present, issues associated with recycling can be dealt with in the current framework of IP law.

It is not possible to draw a clear and precise line between permissible repair and infringing reconstruction. These are questions of fact and degree. Some guidance is provided as to what is

repair and reconstruction. The first two paragraphs of the resolution affirm the two previous resolutions against the concept of international exhaustion.

At the third paragraph, the words "having regard to the scope of the" is an important qualification because one must analyse the question of repair/reconstruction within the scope of the IPR in issue.

The wording then defined the scope of repair. The wording was based on the French group report. It included maintenance and minor interventions. If the patent rights were exhausted before repair then they were exhausted after that repair. In the UK, there is a strange concept that the rights have to be exhausted to start with.

Reconstruction, again, was defined based on the conclusions of the French text, that was, changing or reproducing an essential component of such product e.g. refilling the ink in a Canon® printer cartridge. Regard must be had for the scope of the patent in issue.

Recycling was defined in accordance with WG terminology and not by reference to the acts excluded under "considering" paragraph 4.

Designs do not raise any different issues. See paragraph 4.

As regards trade marks, the same principles should apply but an issue that needed to be further addressed was where the condition of the goods was changed or impaired after they have first been put on the market.

The EU principle on exhaustion seemed to be a sound principle for repair and recycling. There was one further qualification: the overriding qualification of having regard to the scope of the trade mark was more difficult to apply than for patents or designs. Therefore there is an insertion of "only" to emphasise the importance of the principles set out here.

Paragraph 6 addressed the extent to which one can qualify the principle of exhaustion by some notice at the point of first sale. As the *LG v Quanta* case and the uniform law throughout EU showed, one cannot qualify the principle of exhaustion by some notice or condition at the point of sale but it may be that one can contract with the person to whom you have sold the goods or others down the chain who acquired the goods. AIPPI did not exclude that possibility. That was the reason for the qualification at this paragraph.

Paragraph 7 made clear a point, if there were defences that applied, e.g. a private and non commercial use defence then these are not affected by these principles: just because the defence applies does not affect the general principle set out before, i.e. once goods have been the subject of infringing reconstruction the principle of exhaustion does not apply.

Resolution 1

No comments. Put to vote. Yes 97, No 0, Abstain 3. Adopted.

Resolution 2

No comments. Put to vote. Yes 95, No 0, Abstain 5. Adopted.

Resolution 3

Discussion opened on 3(i). The Peruvian Group questioned whether, if the intervention changed certain parts or pieces, exhaustion should apply. TC replied that there are circumstances that might not strictly be repair but still, in all the circumstances, would not make the resultant product a new product. Those would be included within "minor intervention". An ExCo member remarked

that he would like to insert the words "using original or authorised parts". The Chair opened the vote on the amendment. Put to Vote. Yes 22, No 76, Abstain 2. Defeated.

There were no further comments on this paragraph 3(i). Put to Vote. Yes 95, No 3, Abstain 2. Adopted.

Paragraph 3(ii). No comment. Put to vote. Yes 91, No 4, Abstain 5. Adopted.

Paragraph 3(iii). No comment. Put to vote. Adopted.

Resolution 4

Paragraph 4. A member of the Swedish group stated that this is a general statement re designs. This seems inconsistent. TC said that "considering" number 2 makes the scope of 4 clear because there one is talking about the Canon[®] cartridge-type example - if protected by design, one could assert against reconstruction and refilling as one could do for patent rights. That is different to the spare parts situation where it is going in a larger article. A member of the Netherlands group, commented that he would support the same principles for different IPR. He wondered what the essential components of the design are - those characterising features or non characterising features? TC said this arises in design cases and should not affect the application of this principle to designs.

Vote for deletion of paragraph 4. Put to vote, Yes 17, No 81, Abstain 2. Defeated.

Vote on paragraph 4 as it stood. Put to vote, Yes 86, No 12, Abstain 2. Adopted.

Resolution 5

Paragraph 5. TC recommended the insertion of the word "only" after "legitimate reasons" – the question of the scope of protection of trade marks is more difficult. The further qualification is the very basis of how one should analyse this position.

A member of the French Group asked why the word "only" should be inserted. TC explained that there was a real need for legitimate reasons.

Mr. Bertram Huber (Germany) from the Programme Committee, said that the insertion of "only" clarifies that there must be legitimate reasons which cannot only subsist based on the fact that the plaintiff/claimant is the trade mark owner. A member of the French group disagreed and called for a vote because this was not discussed in the WG.

The Peruvian Group pointed to a contradiction in the last two lines of paragraph 5. They proposed deletion of the words from "such as" to the end. TC argued against the deletion of those words which stem from the EU Directive and Regulation.

The Peruvian Group then suggested replacing the words "such as" with "particularly in". TC said he did not think it appropriate. These words would limit the reasons. There may be other legitimate reasons.

The French Group suggested the word "especially" (being the word used in the Directive) and removing the word "only" which is not in the Directive.

Mr. Clark Lackert from the US Group said it was just a matter of emphasis.

The German Group took the example of a car motor which is patent protected and bears a trade mark. The piston is replaced. That would not be patent infringement. Reconstruction could be legal but if you disallow the word "only", the trade mark owner could disallow the use of the trade mark.

A vote in favour of using "especially" instead of "such as" was held. Yes 36, No 53, Abstain 11. Defeated.

A vote on the proposal to replace "such as" with "particularly" and retain the rest of the sentence was held. Yes 10, No 86, Abstain 4. Defeated.

A vote to delete the adverb "only" was held. Yes 44, No 48, Abstain 8. Defeated.

A vote to delete the words "where the conditions of the goods....." to the end was held. Yes 18, No 80, Abstain 2. Defeated.

A vote in relation to whole paragraph 5 was held. Yes 93, No 4, Abstain 3. Adopted.

Resolution 6

Paragraph 6. Mr. Hans Mertens for the Netherlands group suggested that the second word "should" seemed to mean that we take a position on what national contractual law should do. He asked to replace "should" with "may". TC commented that this makes it more emphatic.

The Austrian Group said the words should allow for the possibility. The word "may" would add to the confusion. TC liked the word "does". He proposed changing the word "should" to "does".

A vote to replace "should" with "does" was held. It was adopted. There were no further comments. A vote on the whole resolution was held. Yes 96, No 4, Abstain 0. Adopted.

Resolution 7

The Swedish Group commented that this introduced a new concept. It did not add anything substantial. It burdened the resolution. They proposed that the paragraph should be deleted. TC said he thought it was worthwhile stating this to emphasise to people that there are a wide range of defences which may be open to people in these circumstances. In the present climate any enforcement attempt by IPR owners may be represented as overbearing. It was good to restate that there are defences which may apply in such circumstances.

TC proposed deleting the word "infringing" at the start of the 3rd line and adding "which otherwise would constitute infringement" after the word "reconstruction". The Chair asked the Swedish Group to comment.

Mr. David Hill of the US group stated that the words "to such reconstructed product" were a little strange as there was no reference to the product in this paragraph. TC said that they tracked the words in paragraph 3(ii).

Mr. Jeremy Brown of UK Group said that the last sentence seemed unnecessary. TC commented that it was to clarify that the principle of exhaustion does not apply to such reconstructed product. Mr. Brown confirmed he was satisfied with the explanation.

Mr. Stefan Naumann of the French Group suggested the deletion of the second sentence of the proposal. If a Defendant had prevailed it would seem strange that he might not be able to sell the product because the right was not exhausted. TC said that was not strange.

Mr. John Allen of the Netherlands Group said he did not support the French position.

A vote was suggested on the proposal to delete the last sentence.

A point of order was raised that the ExCo should - vote on the Swedish amendment first. This was rejected by the Chair.

A vote on whether to delete the last sentence was held. Yes 27, No 70, Abstain 3. Defeated.

A vote on the motion to insert at the end of the first sentence "which otherwise constitute infringement" with the deletion of "infringing" was held. Yes 93, No 6, Abstain 1. Adopted.

A vote on the final text. Yes 74, No 25, Abstain 1. Adopted.

Open discussion on recitals

Notes

Paragraphs 1 to 3. Mr. Yves Bizollon of the French Group commented it was strange that nowhere in the resolution was there any mention of the relationship between the ownership right and the IP right. TC said there was no statement on any conflict between the owner of something and the owner of IPR. These are inherent, not something that would need to be said. No further comments.

A vote was held on the three paragraphs of "noting" section. Yes 99, No 0, Abstain 1. Adopted.

Considering Section

Paragraphs 1 to 6. Mr Braun from the Belgian Group commented that it was difficult to reconcile point 6 with the point 3 of the resolution. TC said this was fair because of the tension between that statement and what is in 3(i) and 3(ii) but in those statements there is scope for flexibility. It is a very fact specific subject.

Mr. Naumann of the French Group suggested "uniform criteria" instead of "clear criteria". TC said the WG would accept that. The Belgian Group commented that this was good progress.

A member of the Swedish Group said that the same drafting modification as was made to point 7 should also be made here. TC said that was fair and acceptable.

A member of the Japan Group stated that in relation to repair and reconstruction, we should instead have used the word "recycling". TC said the problem, as seen in paragraph 5, was that we have some idea of repair versus reconstruction. Recycling could be a much wider concept. TC resisted inserting the word "recycling". It would confuse the issue.

The Japanese speaker said that recycling should be addressed within the context of repair or reconstruction. TC said it is addressed. We accept recycling is broader and less clear. Considering paragraph 5 takes that form of recycling out of the analysis.

A member of the Portuguese Group suggested that in paragraph 1 reconstructed goods should be added. It was missing. TC said it was a good idea. It would be accepted.

The Hungarian Group commented that the statement at paragraph 6 that no uniform criteria emerged is true for recycling too. He proposed the words "repair, reconstruction and recycling, no uniform criteria emerged". TC said we need to say "among" because we have 3 alternatives. SO commented that this defeated the wording of 3(iii).

The German Group said that they did not support the amendment. Paragraph 3(i) deals with the issue. It is confusing to have "recycling" in this consideration.

A vote on the proposal for paragraph 1, namely to add in the second line the word "reconstructed" was held. Yes 94, No 3, Abstain 3. Adopted.

A vote on the whole of paragraph 1 was held. Yes 99, No 1, Abstain 0. Adopted.

A vote on paragraph 6, adding the word "recycling" was held. Yes 46, No 51, Abstain 3. Defeated.

A vote on replacing "clear" with "uniform" was held. Yes 90, No 10, Abstain 0. Adopted.

A vote on paragraph 6 as a whole was held. Yes 87, No 12, Abstain 1. Adopted.

A vote on the considering paragraphs 1 to 6 was held. Yes 91, No 1 Abstain 8. Adopted.

The Chair thanked everyone for their attention and the members of the WC for their hardwork.

Nicola Dagg
Assistant Reporter General
9 September 2009