



DEPARTMENT OF INTELLECTUAL
PROPERTY
MINISTRY OF COMMERCE



Regional Seminar on the Effective Implementation and Use of Several Patent-Related Flexibilities

Topic 14: Exhaustion of Rights

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Territoriality

- Patent rights, like other intellectual property rights, are territorial in nature, which means that each patent provides its owner the exclusive right of exploiting the invention within the limits of the country or countries where the patent was granted.
- One invention could be the object of patent protection in several countries, creating rights that are independent from each other (Article 4*bis* Paris Convention)

TRIPS Provisions

- Article 28 of the TRIPS Agreement (Rights Conferred) enumerates the exclusive rights. It includes among them the “right of importation” because the exclusive right derived from a patent could be affected by the importation of the patented product from another country.
- Article 28 contains a footnote regarding the right to prevent importation, stating that this right, “like all other rights conferred under this Agreement in respect of the use, sale, importation or other distribution of goods, is subject to the provisions of Article 6.
- Article 6 of the TRIPS Agreement does not establish which level of exhaustion (i.e., national, regional or international) members shall adopt.

National Exhaustion

- National level of exhaustion, the rights of the owner of the patent are exhausted only in respect to goods that have been put on the market in the country with his consent.
- It seems that this level of exhaustion has been adopted by several African countries, such as Ghana, Liberia, Madagascar, Morocco, Mozambique, Namibia, Tunisia, Uganda, and a certain number of Asian countries, such as the Philippines.

Exhaustion (national)

- BHUTAN : *Section 13 (4) (i) of the Industrial Property Act of the Kingdom of Bhutan, 2001*

(4) (a) The rights under the patent shall not extend :

(i) to acts in respect of articles which have been put on the market in Bhutan by the owner of the patent or with his consent;

Regional exhaustion

- Regional exhaustion takes place when goods are released with the consent of the owner of the patent in any country member of a regional market or union.
- An example of regional exhaustion is that of the European Union, based on Articles 28 and 30 of the Treaty of Rome dealing with the free movement of goods.

EU Exhaustion regime

- The elaboration of the regional exhaustion doctrine in the European Union goes back to a groundbreaking decision of the European Court of Justice (ECJ) in the early 1970s. *Deutsche Grammophon, GmbH v Metro-SB-Grossmarket, GmbH & Co*, Case 78/70, [1971].
- “the guarantee that the patentee, to reward the creation effort of the inventor, has the exclusive right to use the invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licenses to third parties, as well the right to oppose infringements” ECJ, Case 15-74 [1974], *Centrafarm BV et Adriaan de Peijper v Sterling Drug Inc.*

International exhaustion

- Under a system of international exhaustion, goods put on the market by or with the consent of the patent owner anywhere in the world would result in the patent owner's rights being exhausted in the country concerned.
- Some examples of countries applying international exhaustion are: In Africa, Egypt (Section 10(1) of the Law on the Protection of Intellectual Property Rights no. 82/2002) and South Africa (Section 15c of the Medicines Act). Also several Latin-American countries have adopted international exhaustion, such as Argentina (Article 36c) of the Patent Law), the Member countries of the Cartagena Agreement (Art. Decision 486), and Costa Rica (Section 16 of its Patent Law of 25/04/1983, No. 6867). In Asia, some examples are: India, Malaysia and China (it seems that Article 63 of the Patent Law, modified in 2009, provides an international exhaustion system).

Exhaustion (international)

- CHINA : Article 69(1) of the Patent Law of 12/03/1984 as last amended on 27/12/2008

None of the following shall be deemed an infringement of the patent right:

(I) Where, after the sale of a patented product or products directly obtained by using the patented process, which was made by the patentee or an entity/individual authorized by the patentee, any other person uses, offers to sell, sells or imports that product;

No legislative provisions, so case law...

- Certain countries, such as Japan^[1] or the United States of America,^[2] have not adopted express legislative provisions on exhaustion, leaving it to jurisprudence to determine the evolution of this matter;

^[1] In Japan, a recent decision of the Supreme Court seems to point to an international level of exhaustion (*Recycle Assist, Co. Ltd. v Canon, Inc.*, Japan Supreme Court, Heisei 18 (jyu) 826).

^[2] In the U.S.A. the exhaustion doctrine has been developed since the 1873 case *Adam v Burke* in which the Supreme Court enunciated the principle according to which a patent's monopoly ends with the first sale or disposition of an article embodying the claimed invention by the patentee, or by a licensee of the patentee acting within the scope of the license. Historically this doctrine seems more oriented towards national exhaustion, but openings to international exhaustion are found in a recent decision of a U.S. federal court of first instance, *LG Electronics Inc. v Hitachi, Ltd.* (No. 07-6511 CW, ND Cal, 13th March 2009).

Countries analyzed: Exhaustion

Region	National	Regional	International
Africa	12	16	2
Central and Latin America	9	0	14
Asia and Oceania	13	0	8
Europe	5	31	1
OECD countries	2	16	0

Statistics: Exhaustion

Region	National	Regional	International
Africa	40 %	53,3 %	6,6 %
Central and Latin America	39,1 %	0 %	60,8 %
Asia and Oceania	61,9 %	0 %	38 %
Europe	13,8 %	83,3 %	2,7 %
OECD countries	11,1 %	88,8 %	0 %



Thank you!

Marco M. Aleman

**Deputy Director, Patents and innovation
Division and Head, Legislative and Policy
Advice, WIPO**

marco.aleman@wipo.int

