



REPUBLIC OF SOUTH AFRICA



# Regional Seminar for Certain African Countries on the Implementation and Use of Several Patent-Related Flexibilities

***Topic 14: Exhaustion of Rights***

**Durban, South Africa  
January 29 to 31, 2013**



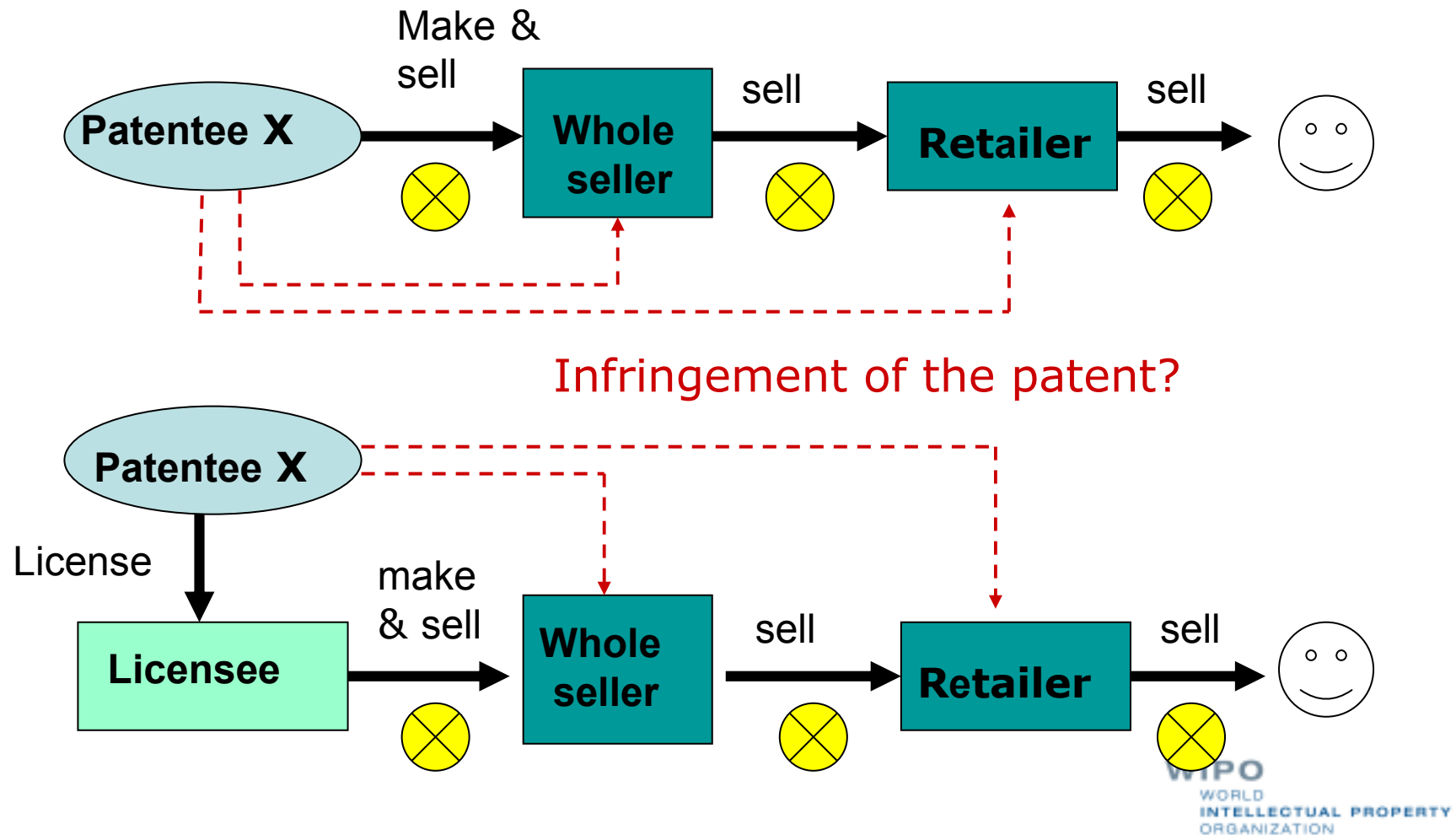
## **Topic 14: Exhaustion of rights**

### **Regional Seminar on Patent-Related Flexibilities**

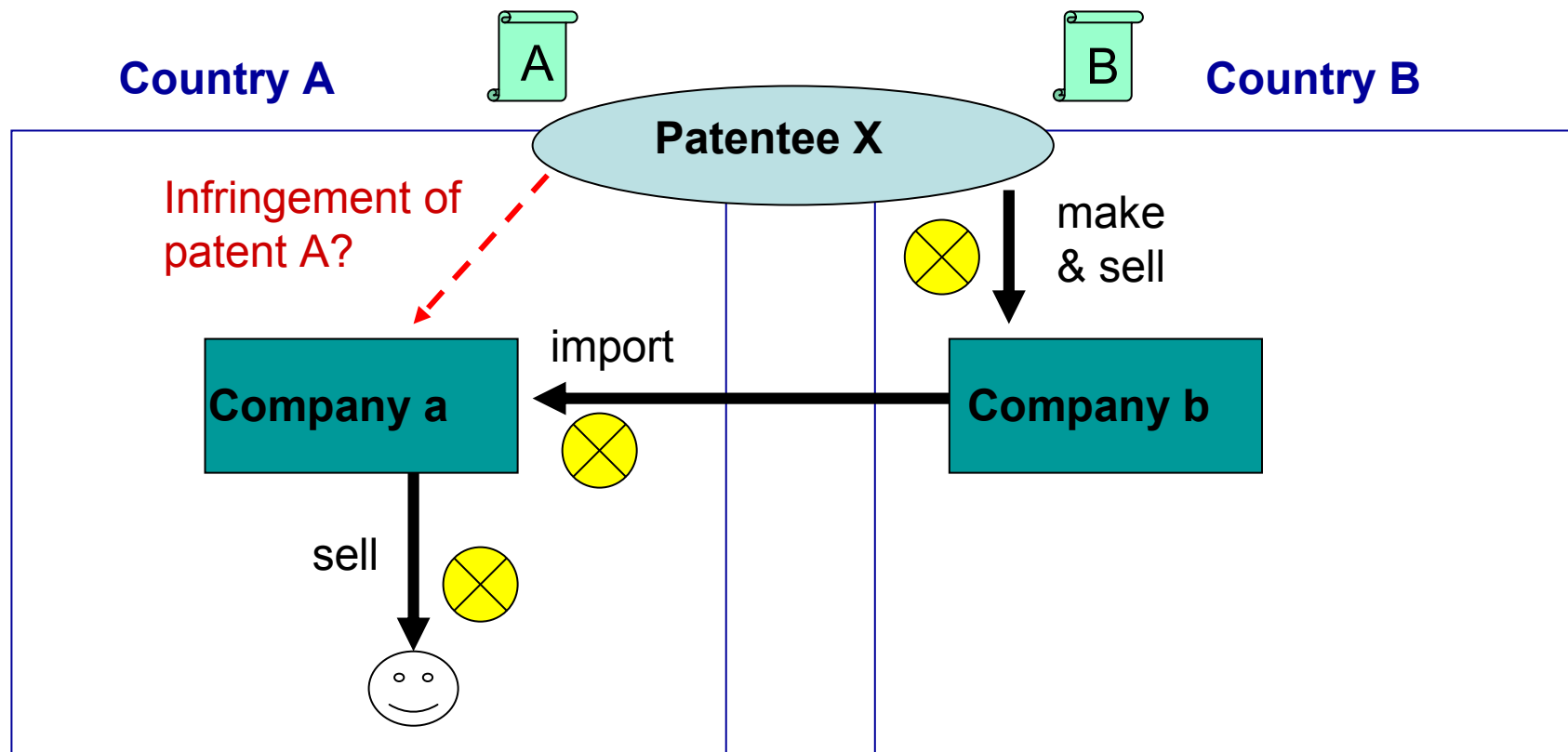
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# Goods in the market chain



# Goods in the international market chain



Parallel import: importation of genuine goods lawfully put on the market of an exporting country by, or with the consent of, the patentee

# Territoriality of patent rights

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

# Doctrine of exhaustion of rights

- Once a patented good is put on the market by, or with the consent of, the patent owner, the patent owner's right to control further sale and use of that good is "exhausted".
  - Authorized first sale exhausts the patentee's rights
  - The patentee (seller) gave implied consent to the buyer to dispose the patented goods without any restriction (implied license)

# Different types of exhaustion

## ■ National exhaustion

- Once the goods are put on the domestic market by, or with the consent of, the patentee, his right with respect to those goods is exhausted in that country

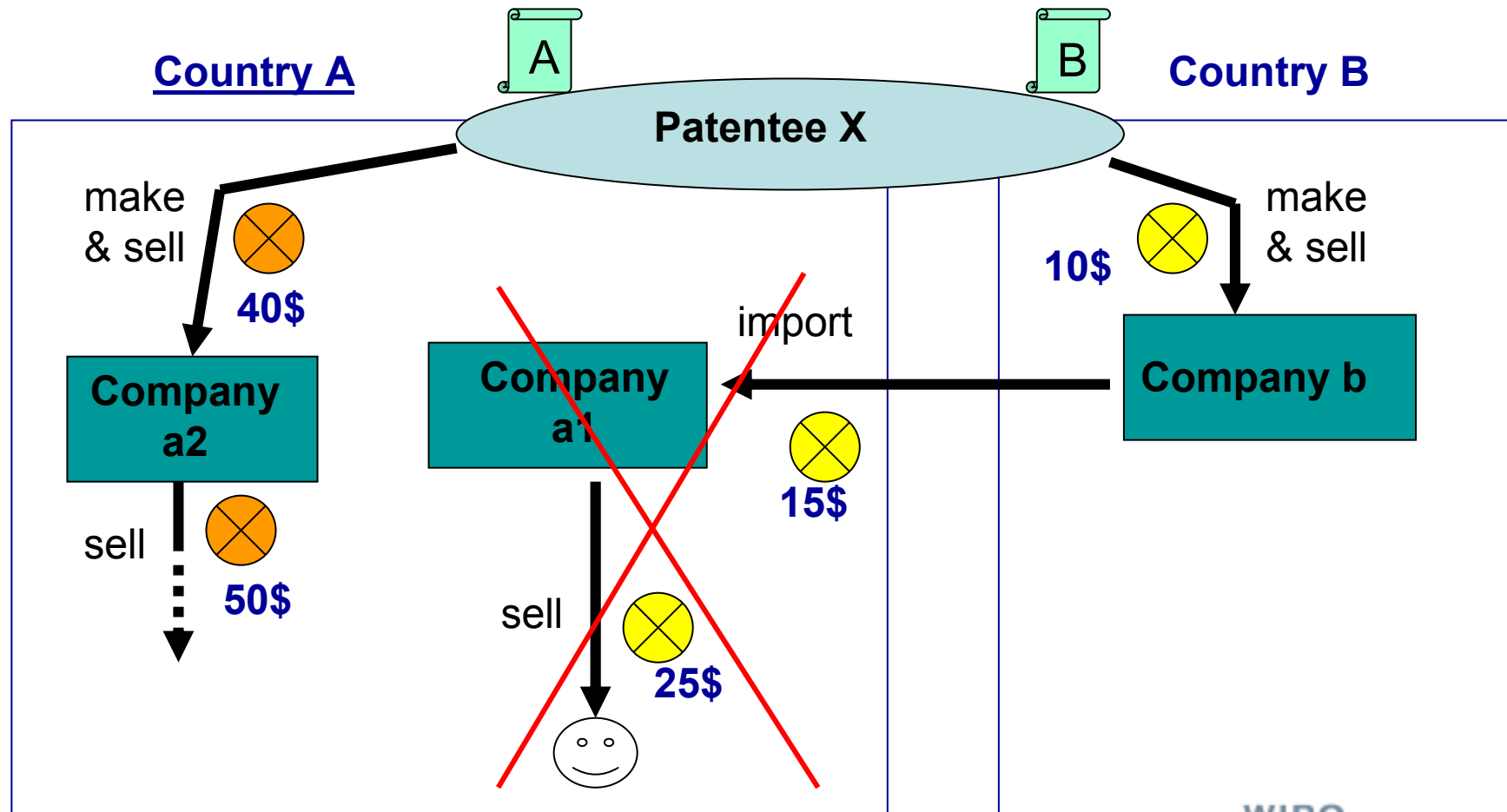
## ■ International exhaustion

- If the goods are put on the market by, or with the consent of, the patentee, in any country, his right with respect to those goods is exhausted in all countries where he obtained patent protection

## ■ Regional exhaustion

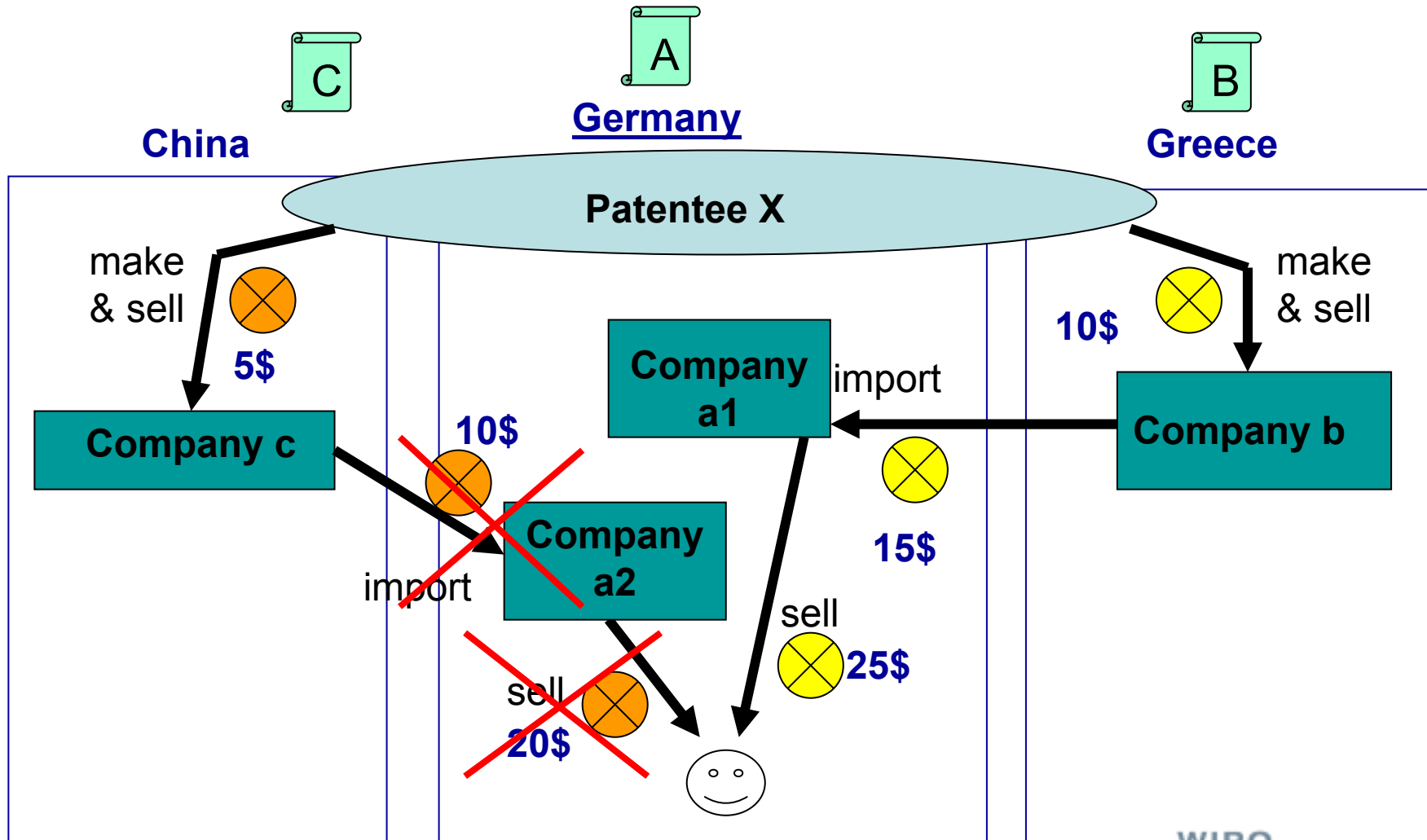
- Similar to national exhaustion, insofar as once the goods are put on the regional market by, or with the consent of, the patentee, his right with respect to those goods is exhausted in the region

# National exhaustion





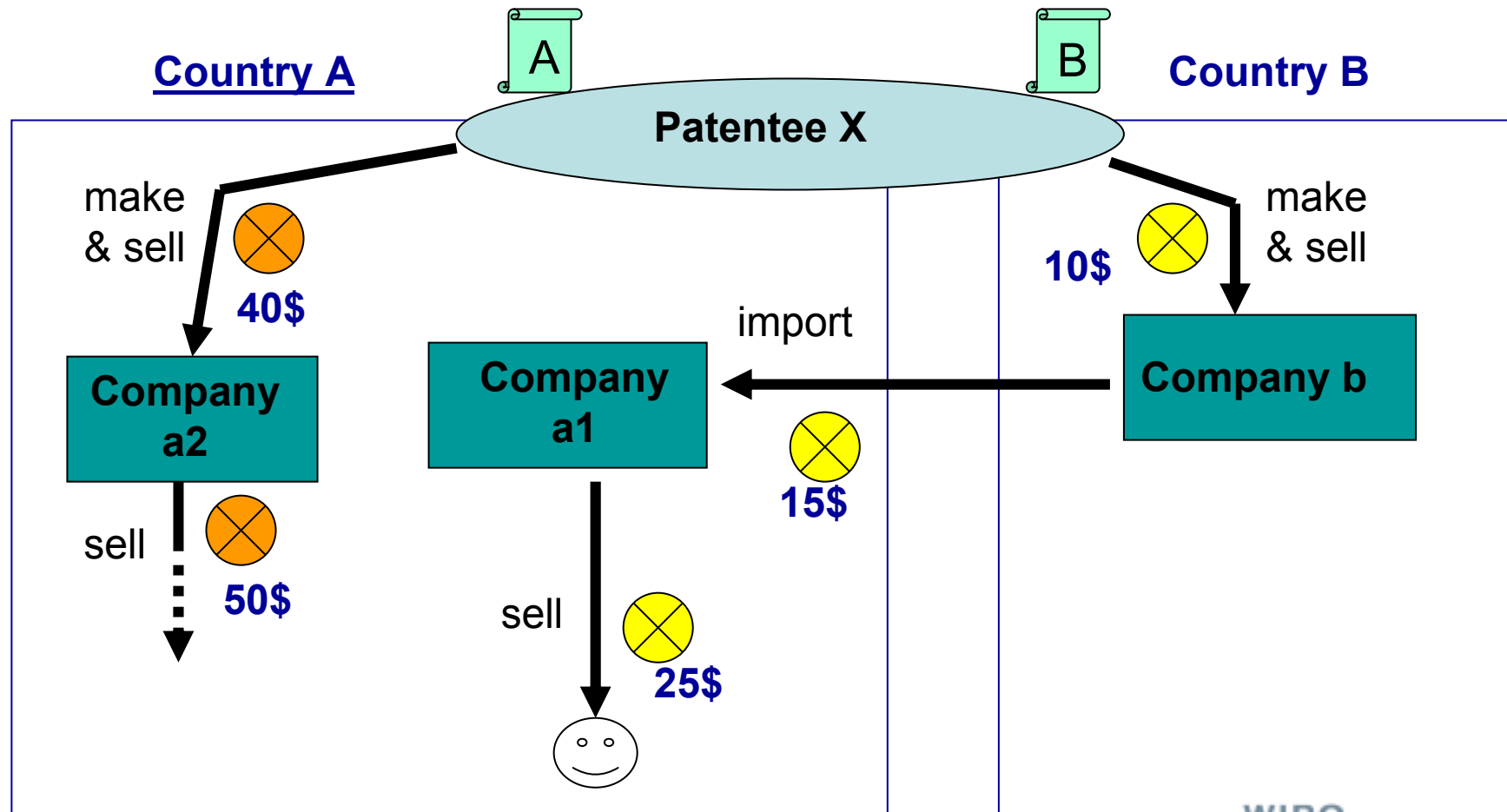
# Regional exhaustion



## Regional exhaustion: OAPI and EU

- OAPI: Article 3 of the 1999 Bangui Agreement provides that rights shall be independent national rights subject to the legislation of each member state in which they have effect. Article 8 on patents states that rights shall not extend to subject matter brought on to the market of the territory of a member state by the patent owner or with his consent
- 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



## International exhaustion: Mauritius

- MAURITIUS, *Section 21 (4)(a) & (b) of the Patents, Industrial Designs and Trademarks Act 2002:*

*Any right under the patent shall not extend (a) to act in respect of articles which have been put on the market in Mauritius or in any other country by the owner of the patent or with his consent, by any other authorized party (b) in respect of articles which have been put on the market in Mauritius or in any other country or imported into Mauritius.*

# 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 states that for the purpose of dispute settlement, nothing in the TRIPS Agreement shall be used to address the issue of exhaustion. This has generally been interpreted as leaving it to the individual countries which level of exhaustion (i.e., national, regional or international) they wish to adopt.

## No legislative provisions, but case law...

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

<sup>[1]</sup> 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).

<sup>[2]</sup> 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).

## Some countries and their exhaustion regime

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

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