

From: James Love, CPTech
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To: Members of Study Group on Enforcement of Judgments, Secretary of State Advisory
Committee on Private International Law

Re: First Sale Doctrine (parallel trade, exhaustion of intellectual property rights).

CPTech seeks to ensure that US consumers will benefit when it is appropriate to apply the "first sale doctrine," to goods, including intellectual property goods. We are hoping the US Department of State will support the inclusion of the new section Article 1, Paragraph 3, n), that reads as follows:

3. The Convention shall not apply to proceedings that have as their main object any of the following matters -

... n) parallel trade or the exhaustion of intellectual property rights.

As you know, the first sale doctrine is essential for a variety of things, including lending rights in libraries, rental rights in video stores, second hand sales of books and other items, and the re-importation (parallel trade) of medicines or other items where firms charge different prices in different countries.

Firms often try use contracts to limit the resale of goods, and national policies vary and vary over time on the enforceability of these provisions. However, under the proposed Convention, the exclusive choice of court provision in these contracts would be generally be mandatory, unless excluded specifically by the Convention. The current exclusions in Article 1.3 now include 13 categories, such as wills and succession, nuclear liability, patent validity and other items. We propose a new category, to ensure that the convention does not change global policy on parallel trade or the first sale doctrine. This would make the convention similar to the TRIPS, which in Article 6, specifically allows broad national discretion on matters involving exhaustion of rights. Since some courts may interpret the restrictions on parallel trade as a matter of contract, I have included in the proposal both the terms "parallel trade" and "exhaustion of rights," which would cover all relevant cases.

ATTACHMENTS - ARTICLES 6, 3 and 4 of the TRIPS

ANNEX 1C

AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Article 6

Exhaustion

For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.

Article 3

National Treatment

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection³ of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.

Article 4

Most-Favoured-Nation Treatment

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a Member:

³ For the purposes of Articles 3 and 4, "protection" shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.

- (a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;
- (b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;
- (c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;
- (d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.