It would thus seem to be in a developing country's interest to enforce a detailed and comprehensive disclosure system.[602] The additional information would assist knowledge hungry countries and would accelerate the development of that country. An information laden disclosure system does however have a significant drawback: as patent offices are currently struggling to process the information at present, it would be unclear how it would cope where the disclosure requirements would to be increased.[603] One possibility to overcome this overload and still maintain a wide dissemination of information would be to make increased use of digital applications. Another would be to make references to foreign fillings. A further possibility would be to ease the proceedings for oppositions to patent grants.[604] As failure to make a sufficient disclosure in the patent application can lead to the annulment of the patent,[605] an extended opposition period together with a simplified and inexpensive opposition process would also help ensure that the disclosure requirement serves its purpose of transferring knowledge.[606]

V. Exhaustion

The exhaustion of rights doctrine is the 'principle that once the owner of an intellectual property right has placed a product covered by that right into the marketplace, the right to control how the product is resold in the marketplace within that internal market is lost'.[607] The basic principle behind the doctrine of exhaustion is that the rights of an intellectual property rights holder do not extend *ad infinitum*[608] The

602 The transfer of technology and the development of poor countries is one of the core goals of the TRIPS Agreement. The disclosure requirement should be interpreted in this regard; failure to do so would ensure that patents become a barrier to trade and contrary to the TRIPS Agreement and WTO Agreements as a whole. To ensure this does not occur, developing Member States are legitimately empowered under the TRIPS Agreement to structure the disclosure requirement to further the 'developmental and technological objectives' and the 'transfer and dissemination of technology'.

603 *Watal*, Intellectual Property Rights in the WTO and Developing Countries (Kluwer The Hague 2001) p. 107.

604 *Watal*, Intellectual Property Rights in the WTO and Developing Countries (Kluwer The Hague 2001) p. 108.

605 EPC Art 138(1)(b), German Patent Act sec 21(1)(2).

606 TRIPS Agreement preamble, Art 7.

607 Webster's Third New International Dictionary.

608 For a brief introduction to the principle of exhaustion see *Hubmann*, Gewerblicher Rechtschutz (6th edn CH Beck Munich, 1998) p. 174-175. A further key aspect of the exhaustion doctrine is that the product or service which embodies the intellectual property right must be put onto a/the market with the intellectual property rights holders consent. Cf. *Burrell*, Burrell's South African Patent and Design Law (3rd edn Butterworths Durban 1999) p. 135, *Splittgerber and Schröder*, Lizenzen und Open Source rechtlich einwandfrei nutzen (Interest Kissing 2005) p.11. Contrast *UNCTAD/ICTSD,* Resource Book on TRIPS and Development (CUP New York 2005) p. 106-107 where there is the suggestion that any legal or legitimate putting onto the market would suffice. This would thus extend to products produced under a

boundary of the rights is the point at which the rights are deemed to be exhausted, i.e. terminate. The boundary is, like the rights themselves, a creature of law, i.e. they are established and terminated by statute or court decisions. Determining when a rights holder's rights will expire is a matter for each country to determine. Article 6 of the TRIPS Agreement confirms this.[609] The effect of Article 6 is that exhaustion is *ultra vires* for the DSB.[610] In other words and with the exception of Articles 3 and 4, the DSB shall not make a ruling on a material TRIPS provision when it relates to exhaustion. This is confirmed in footnote 6 to Article 28 which states that the making, using, offering for sale, selling or importing of a patent shall likewise not apply to the exhaustion of intellectual property rights.

There are three generally accepted forms of the doctrine of exhaustion: domestic exhaustion, regional exhaustion[611] and international exhaustion.[612] A domestic / national exhaustion regime will only deem the rights holder's rights to be exhausted

compulsory license. This view would be reasonable where the compulsory license was granted to rectify an anti-competitive or abusive practice. Cf. *Rott*, Patentrecht und Sozialpolitik unter dem TRIPS-Abkommen (Nomos Baden Baden 2002) p. 251. *Abbott* notes that rules regulating parallel trade may in fact constitute a non-tariff trade barrier in terms of Art XI of the GATT Agreement and may also fail to meet the safeguard requirements set out in Art XX(d). He also notes rules implementing domestic exhaustion may constitute a discriminatory practice in favour of domestic producers. Cf. *Abbott*, 1 JIEL 4 (1998) p. 632-633.

609 For a brief history of negotiations leading up to Art 6 of the TRIPS Agreement and a discussion of the economic impact of parallel imports see *Abbott*, 1 JIEL 4 (1998) at 609-624. *Straus* and *Katzenberger* note that Art 6 can be viewed in other ways, in particular, that Art 6 can be interpreted to exclude international exhaustion. Another view is that Art 6 in fact requires international exhaustion. Cf. *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 38-47.

610 Art 6 states that 'nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.' Under the TRIPS Agreement the 'freedom' to determine when the rights will be exhausted is subjected to the proviso that the exhaustion regime does not infringe the basic trade principles of MFN and national treatment. Compare *Rott*, Patentrecht und Sozialpolitik unter dem TRIPS-Abkommen (Nomos Baden Baden 2002) p. 246 fn. 1340, *Stothers*, 1 JIPLP 9(2006) p. 589, *Gervais*, The TRIPS Agreement: Drafting History and Analysis (2nd edn Sweet and Maxwell London 2005) p. 112-113, *Beier*, 26 GRURInt 1 (1996) p. 9. Contrast *Straus,* Implications of the TRIPS Agreement in the Field of Patent Law in: *Beier and Schricker* (eds) From GATT to TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights (VCH Weinheim 1996) p. 202, *Einhorn*, 35 CML Rev 5 (1998) p. 1083.

611 Some authors classify regional exhaustion as being a part of international exhaustion. A distinction should however be made between regions which display a degree of unity, as does the EC, SACU, the NAFTA states and other regions linked through treaties creating a common market. Compare *Straus,* Implications of the TRIPS Agreement in the Field of Patent Law in: Beier and Schricker (eds) From GATT to TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights (VCH Weinheim 1996) p. 202, *Rao and Guru*, Understanding TRIPS: Managing Knowledge in Developing Countries (Response New Delhi 2003) p. 55.

612 *Abbott*, 1 JIEL 4 (1998) p. 611. Further, the freedom to elect an exhaustion regime is not subject to any restriction from the Paris Convention, including Art 5quater.

when that rights holder himself brought the product onto the domestic market.[613] Similarly the rights will be deemed to be exhausted under a regional exhaustion regime when the product was put onto any country within the regional market.[614] Under the international exhaustion regime the rights over the product will be deemed to be exhausted when they are brought onto any marketplace around the globe.[615] The three largest markets, the US, the EC and Japan provide examples of all the above. The US, by way of the doctrine of first sale and the patent ex-haustion doctrine, apply a system of IPR primacy and thus have, in general, restricted themselves to a domestic exhaustion regime.[616] The EC accepts that the putting into commerce of a product anywhere in the EC market will exhaust the rights holder's intellect-tual property rights over the product – enabling a common market primacy.[617] In Japan the courts have acknowledged that, in certain circumstances, the rights holder's rights can be exhausted when the product is put onto a foreign market by the patent holder.[618]

613 The corollary is that the protection rights will not be exhausted when they have been brought onto the market in a foreign country. Cf. *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 7.

614 Of principal importance for regional exhaustion is a common market or economic area that is sufficiently integrated. Cf. *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 8.

615 Cf. *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 8-9.

616 The US expressly denied the exhaustion doctrine. This denial is has been rationalised by the application of the doctrine of 'first sale' and 'common control'. The first sale doctrine is however limited to copyright law and is codified in sec 109 of the USA Copyright Act. Cf. *Letterman*, Basics of International Intellectual Property Law (Transnational Publishers New York 2001) p. 20. Despite this, the US regime does allow international exhaustion where the rights holder in the US and in the country where it was first put onto the market is one and the same. Cf. *Barrett*, 24 EIPR 12 (2002) p. 571-573, 575, *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 24-26. The doctrine of common control is restricted to trademarks. Cf. *UNCTAD/ICTSD,* Resource Book on TRIPS and Development (CUP New York 2005) p. 95, *Chiapetta*, 21 Mich.J.Int'l.L 3 (2000) p. 347, 350-351.

617 *Centrafarm v. Sterling Drugs*, 15/74 [1974] ECR 1147, *Merck v. Stephar*, 187/80 [1981] ECR 2063, *Merck v. Primecrown,* C267/95 [1996] ECR I-6285. Compare *Stothers*, 1 JIPLP 9(2006) p. 579-586, *Abbott*, 1 JIEL 4 (1998) p. 610-11.

618 The Japanese Supreme Court has accepted the application of international exhaustion. Cf. *BBS Kraftfahrzeugtechnik AG v. KK Lassimex* Heisei 7(wo) 1988, 1.7.1997. *Straus* and *Katzenberger* state that the position taken by the Japanese High Court mirrors the UK implied license doctrine and thus permits patent holders to contract out of the international exhaustion regime. Cf. *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 29-30. Compare *Beier*, 26 GRURInt 1 (1996) p. 1, 8-9. Further examples arise in England and South Africa whereby international exhaustion will apply where the original seller did not sell the product subject to export limitations. Cf. *Heath*, 27 IIC 5 (1997) p. 624, *Burrell*, Burrell's South African Patent and Design Law (3rd edn Butterworths Durban 1999) p. 136.

A prominent example of an international exhaustion system within the scope of patents, health and the TRIPS Agreement is the South African Medicines and Related Substances Control Act which permits the importation of any medicine put onto a foreign market with the consent of the patentee into South Africa – thus allowing parallel importation.[619] Despite initial objections from the US[620] and a highly politicised court action between the South African government and the Pharmaceutical Manufacturers Association (PMA)[621] the opposing parties reached an agreement which, *inter alia*, stated:

> 'In reliance of this commitment, the referenced applicants recognize and reaffirm that the Republic of South Africa may enact national laws or regulations, including regulations implementing Act 90 of 1997 or adopt measures necessary to protect public health, and broaden access to medicines in accordance with the South African Constitution and TRIPS'.[622]

There is also strong academic support for an international exhaustion regime.[623] *Abbott*, *Cottier* and *Stucki* identify Articles III and XI of the GATT Agreement as being grounds for declaring a domestic or regional exhaustion regime as being GATT-inconsistent.[624] This view finds an echo in the TRIPS Agreement itself where Article 40 states that the creation of exclusive territories, *inter alia*, for the marketing of products may be regarded as being anti-competitive.[625] By their nature domes-

619 South African Medicines and Related Substances Control Act 101 of 1965 (as amended) sec 15 C(b). Cf. *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 32-33.

620 *USTR*, Special 301 Report (2000). The Report notes that the 'new law, at 15C(b) allows for the parallel importation, a violation of TRIPS Article 28 which while not actionable through WTO dispute settlement procedures, poses a serious threat to the viability of American pharmaceutical investment in South Africa'.

621 *Pharmaceutical Manufacturers Association et al v the President et al*, TPD, 4183/98 [not published]. It has been suggested that domestic challenges to the exhaustion system are not exempted by Art 6 of the TRIPS Agreement. Cf. *UNCTAD/ICTSD,* Resource Book on TRIPS and Development (CUP New York 2005) p. 105.

622 Joint Statement of Understanding between the Republic of South Africa and the Applicants (19.04.2001). The US

623 Compare *Grubb*, Patents for Chemicals, Pharmaceuticals and Biotechnology (4th edn OUP Oxford 2004) p. 407-408.

624 *Abbott*, also citing *Cottier* and *Stucki*, notes that rules regulating parallel trade may in fact be a non-tariff trade barrier in terms of Art XI of the GATT Agreement and may also fail to meet the safeguard requirements set out in Art XX(d). He also notes rules implementing domestic exhaustion may constitute a discriminatory practice in favour of domestic producers. Cf. *Abbott*, 1 JIEL 4 (1998) p. 632-633, 635, *Hermann*, 13 EuZW 2 (2002) p. 41. *Hermann* notes that the exclusion of the concept of exhaustion from the scope of the TRIPS Agreement does not render immune to the remaining WTO rules. Being a *lex specialis* means that where there the TRIPS Agreement does not regulate a provision the regulation of that provision must then be corresponding *lex generalis*, in this case the GATT Agreement.

625 Compare the US where courts have rejected intellectual property protection to re-imported goods. Cf. *Rao and Guru*, Understanding TRIPS: Managing Knowledge in Developing Countries (Response New Delhi 2003) p. 56. The authors also note that a domestic exhaustion regime may effectively grant the patentee double protection.

tic exhaustion rules are an impediment to trade and contrary to the general terms, spirit and structure of the WTO.[626]

Other academics come to another conclusion in respect of Article 6. They state that Article 6 is merely procedural in nature and that the material rights granted to a patentee under the TRIPS Agreement and the prohibition of discriminatory treatment effectively ban inter-national exhaustion as an alternative for Member States.[627] *Straus*, the most noteworthy proponent of this view, states that as Article 6 is not a material provision that international exhaustion of patent rights be only be tolerated under the TRIPS Agreement in exceptional circumstances and in these circumstances the exceptions to the general rule will have to be justified under the material provisions in the TRIPS Agreement, i.e. Article 30 or Article 31.[628] *Straus* further substantiates his view by saying that although international exhaustion may at first appear to run contrary to free trade principles, the aim of the TRIPS Agreement was ensure Member States implemented adequate intellectual property protection in their *own* legal system, i.e. the focus was on the each country's domestic intellectual property regime and not the desire to create a global territory in which the rights would be exhausted after any sale around the world. As strange as it may seem, a globally implemented international exhaustion would in fact mean that poorer countries would have to pay more expensive prices than under a regional or domestic exhaustion regime. The reasoning is that under a domestic exhaustion regime rights holders tend to adjust their prices according to the 'wealth' of the country in which they intend to sell.[629] Further, the implementation of an international exhaustion regime by a developing country would defeat one of the purposes of the TRIPS Agreement, i.e. promoting the transfer of technology and the creation of a viable technology base.[630] *Straus* finds support for his opinion not only amongst academics[631] but also the WIPO Secretariat who, notwithstanding Article 6, view the territorial restrictions in the Berne Convention as being applicable.[632] Rightly or wrongly,

626 *Chiapetta*, 21 Mich.J.Int'l.L 3 (2000) p. 346.

627 Compare *Straus,* Implications of the TRIPS Agreement in the Field of Patent Law in: Beier and Schricker (eds) From GATT to TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights (VCH Weinheim 1996) p. 202.

628 *Straus* states that regional exhaustion will only be justified under Art 30 of the TRIPS Agreement where the region in question is sufficiently integrated. Cf. *Straus,* Implications of the TRIPS Agreement in the Field of Patent Law in: *Beier and Schricker* (eds) From GATT to TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights (VCH Weinheim 1996) p. 202.

629 For a further of the social and political value of not implementing an international exhaustion regime see *Stothers*, 1 JIPLP 9(2006) p. 590-591, *Straus,* Implications of the TRIPS Agreement in the Field of Patent Law in: *Beier and Schricker* (eds) From GATT to TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights (VCH Weinheim 1996) p. 202 *et seq*.

630 *Einhorn*, 35 CML Rev 5 (1998) p. 1083.

631 *Einhorn*, 35 CML Rev 5 (1998) p. 1082-1083.

632 *Gervais*, The TRIPS Agreement: Drafting History and Analysis (2nd edn Sweet and Maxwell London 2005) p. 113-114.

this view is a minority view amongst academics.[633] The diverging views, not only amongst academics but also amongst the WTO Member States themselves, created a large degree of uncertainty in how to implement a TRIPS-compliant exhaustion regime.[634]

Despite the differing opinions on what Article 6 permits, it is clear that the inability of the TRIPS negotiators to reach a common understanding on the matter means that the issue is, at least *prima facie*, up to the Member States to decide upon.[635] This 'agreement to disagree' in Article 6 of the TRIPS Agreement guarantees Member States the freedom to construct an exhaustion regime that would best suit the domestic circumstances.[636] The sheer magnitude of diverging exhaustion regimes, even amongst developed Member States, and the inconsistencies in their national application[637] would render any attempt to implement a common system futile and inappropriate. The ability to tailor each Member States exhaustion system permits Member States to optimise their intellectual property rights system to better reflect public interest policies.[638] The benefits of an international system of exhaustion grant Member States more flexibility to source products beyond its borders, thus providing a competition stimulus.[639] It would also enable a government the possibility to suspend the exhaustion regime when there is either a transfer of technology, improved access to the product or to encourage the local production of the product.

D. Conclusion

The TRIPS Agreement is a remarkable treaty. Never before have so many countries been able to reach an agreement that went to the core of intellectual property rights. The price for this global consensus is the treaty itself. Despite having the effect of reaching deep into the national legislative domain it lacks the clarity and precision a national statute would require. This lack of precision – both intentional and unintentional – has been the source of much disagreement in the WTO arena. Yet without the intentional ambiguity, termed 'flexibility, no agreement could have been

633 *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 41.

634 The dispute surrounding the South African compulsory license for the importation of certain medication is effectively a question relating to international exhaustion. See Chapter 4(B)(II) above.

635 *Gervais*, The TRIPS Agreement: Drafting History and Analysis (2nd edn Sweet and Maxwell London 2005) p. 114.

636 *Chiapetta*, 21 Mich.J.Int'l.L 3 (2000) p. 339, 346.

637 *Straus and Katzenberger*, Parallelimporte: Rechtsgrundlagen zur Erschöpfung im Patentrecht (Schweizerische Eidgenossenschaft Munich 2002) p. 10-35, *Chiapetta*, 21 Mich.J.Int'l.L 3 (2000) p. 347-348.

638 For a discussion of the factors that are relevant in deciding which system is most appropriate *Chiapetta*, 21 Mich.J.Int'l.L 3 (2000) p. 333-392.

639 *Carboni*, A Review of International Exhaustion Development in Europe in: Hansen (ed) International Intellectual Property Law & Policy (Juris Huntington 2001) vol 6.