WIPO Circular C.9089

Contribution to the preparation of a draft reference document on the exception of exhaustion

I. Description of the Exception

There is no statutory regulation of the exhaustion principle in German patent law - with the exception of the regulation in Section 9b German Patent Act on the exhaustion of patent protection concerning biological material obtained through propagation or multiplication (cf. Section VII below). The doctrine of exhaustion of patent rights has been established by case law at the beginning of the 20th century[1] and has been an established principle ever since.[2] The principle of exhaustion is expressly regulated in statutory provisions in other areas of German intellectual property law (see Section 24 German Trade Mark Act, Sec. 48 German Act on the Legal Protection of Designs; Sec. 17 (2) German Act on Copyright and Related Rights) and is considered a general principle in the law of intellectual property.[3]

According to the principle of exhaustion, a product is no longer subject to the patent holder's exclusive right if it has been put on the market in Germany, a Member State of the European Union or a state that is a contracting party to the Agreement on the European Economic Area either by the patent holder himself or with his consent by a third party.[4]. The exclusive right conferred by a patent relating to a product is "exhausted" in respect of those objects which have been put on the market by the patentee or with his consent. The lawful acquirers as well as subsequent third party acquirers are entitled to use these objects for their intended purpose, to sell them to third parties or to offer them to third parties for any of these purposes.[5]

II. Objectives and Goals

The doctrine of exhaustion was developed to ensure the free movement of goods while safeguarding the rights of the patent holder.[6] A patent grants the patentee the exclusive right to use an 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 as the right to oppose infringements.[7] However, once the patent holder has exercised his patent right by putting a product on the market himself or permitting a third party to do

---

[1] *Reichsgericht* RG [Imperial Court of Justice], judgement of 26 March 1904, ref: I 403/01, RGZ 51, 139– Guajakol-Karbonat.

[2] *Bundesgerichtshof* – BGH [Federal Court of Justice], judgement of 24 September 1979, ref: KZR 14/78, GRUR 1980, 38 – *Fullplastverfahren*; BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate*.

[3] Mes in: Mes, Patentgesetz, 5th edition 2020, Section 9 marginal number82 seq.

[4] BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate*.

[5] BGH, judgement of 17 July 2012, ref: X ZR 97/11, GRUR 2012, 1118 – *Palettenbehälter II*; BGH, judgement of 24 October 2017, ref: X ZR 57/16, BGHZ 2016, 300 –*Trommeleinheit.*

[6] BGH, judgement of 24 September 1979, ref: KZR 14/78, GRUR 1980, 38 – *Fullplastverfahren*.

[7] Court of Justice of the European Communities (CJEC), decision of 31 October 1974, case: 15/74, GRUR Int. 1974, 454 – *Negram II*.

so, there is no reason to reserve to the patent holder any influence on the further fate of the product.[8]

In the event that the protected object is put on the market in another Member State of the European Union by the patent holder or a third party with the holder's consent, the exhaustion of the patent right arises from Art. 34 of the Treaty on the Functioning of European Union (TFEU) according to which all quantitative restrictions on imports and all measures having equivalent effect are, on principle, prohibited between Member States. If a patentee could prevent the import of protected products marketed by him or with his consent in another Member State, he would be able to partition off national markets and thereby restrict trade between Member States.[9]

III. Applicability

The doctrine of exhaustion of patent rights is applicable regarding the rights of the patent holder in respect of a product which is the subject-matter of the patent (Section 9 No. 1 German Patent Act) and the rights of the patent holder in respect of a product which is produced directly by a process which is the subject-matter of the patent (Section 9 No. 3 German Patent Act). It is however not applicable regarding the rights of the patent holder in respect of a process which is the subject-matter of the patent (Section 9 No. 2 German Patent Act).[10]

Exhaustion of patent rights does not occur when the patent holder puts on the market a device which itself is not protected, but which serves to carry out a process which is the subject-matter of a patent. However, in case of the supply of such a device, it can generally be assumed that the contract between supplier and buyer includes the grant of a licence for the appropriate use of the protected process.[11]

IV. National and EU/EEA-wide exhaustion

If the patent holder or a third party acting with his consent has put the patented product or the direct product of a patented process on the market **in the Federal Republic of Germany**, that product is no longer subject to the patent holder's exclusive right conferred by a patent granted with effect in Germany.[12].

In the event that the patented product or the direct product of a patented process is put into circulation by the patent holder or by a third party with his consent in another **Member State of the European Union**, exhaustion of the patent rights follows from the prohibition of quantitative import restrictions and measures having the same effect (Art. 34 TFEU).[13]

---

[8] BGH, judgement of 26 September 1996, ref: X ZR 72/94, GRUR 2997, 116 – *Prospekthalter;* BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate*.
[9] CJEC, decision of 31 October 1974, case: 15/74, GRUR Int. 1974, 454 – *Negram II*.
[10] BGH, judgement of 24 September 1979, ref: KZR 14/78, GRUR 1980, 38 – *Fullplastverfahren*.
[11] BGH, judgement of 24 September 1979, ref: KZR 14/78, GRUR 1980, 38 – *Fullplastverfahren.*
[12] BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate*.
[13] BGH, judgement of 3 June 1976, ref: X ZR 57/73, GRUR 1976 – *Tylosin*; BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate*; CJEC, decision of 31 October 1974, case: 15/74, GRUR Int. 1974, 454 – *Negram II*.

Furthermore, the rights conferred by a patent granted with effect in Germany are also exhausted if the patent holder or an authorized third party has put the product into circulation in a state that is a contracting party to the Agreement on the **European Economic Area.**[14]

If, on the other hand, the patent holder or a third party with his consent has put the patented product or the direct product of the patented process on the market **outside the territory of the European Union and the European Economic Area**, exhaustion of the patent does not occur under German Law.[15]

V. Legal consequences

According to the principle of exhaustion, a product is no longer subject to the patent holder's exclusive right if it has been put on the market either by the patent holder himself or with his consent by a third party.[16] (. The occurrence of exhaustion is strictly object-related, i.e. it only takes effect for the specific object that has actually been put on the market by or with the consent of the patent holder.[17] The lawful acquirers as well as subsequent third party acquirers - including competitors of the patent holder - are entitled to use these objects for their intended purpose, to sell them to third parties or to offer them to third parties for any of these purposes.[18]

Use as intended includes maintenance and restoration of usability when the functionality or performance of the concrete item is partially or wholly compromised or lost due to wear, damage or for other reasons. Not included in intended use, on the other hand, are all measures resulting in the new manufacture of a product as described by the patent. The exclusive manufacturing right of the patent holder is not exhausted when the product is put on the market by the patentee or with his consent.[19]

Two more recent court cases clarify the delineation between intended use and new manufacture:

- In the case „*Palettenbehälter II*“[20] the BGH decided on the question whether the intended use of a patented product put on the market by the patent holder or with his consent includes the replacement of parts of the product:

  The BGH decided in this judgement that the replacement is considered as intended use if the identity of the product as manufactured is preserved. Whether this is the case or whether the measures taken do amount to remanufacturing the patented product depends, inter alia, on consumers' expectation of the relevant parts to be replaced

[14] BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate.*
[15] BGH, judgement of 3 June 1976, ref: X ZR 57/73, GRUR 1976 – *Tylosin*; *BGH*, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate.*
[16] BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate*.
[17] Rinken in: Schulte, Patentgesetz, 11th edition 2022, Section 9 marginal number 21.
[18] BGH, judgement of 24 October 2017, ref: X ZR 57/16, BGHZ 2016, 300 –*Trommeleinheit.*
[19] BGH, judgement of 17 July 2012, ref: X ZR 97/11, GRUR 2012, 1118 – *Palettenbehälter II*; BGH, judgement of 24 October 2017, ref: X ZR 57/16, BGHZ 2016, 300 –*Trommeleinheit.*
[20] BGH, judgement of 17 July 2012, ref: X ZR 97/11, GRUR 2012, 1118 – *Palettenbehälter II.*

during the lifetime of the product, and the extent to which the replaced parts especially reflect the technical result of the invention. Whether the replaced parts specifically reflect the technical result of the invention is, as a rule, only decisive where consumers expect parts to be replaced during the lifetime of the patented product. The decisive factor for this is whether there is a public perception that replacement is a normal maintenance measure which does not cast doubt on the identity of the overall product as a marketable asset.

- In the judgement „*Trommeleinheit*“[21] the BGH further specified the parameters for assessing the question of whether the replacement of parts of a product put into circulation with the permission of the patent holder falls under intended use or constitutes a new manufacture. The BGH clarified that the decisive point of reference is always the protected product. This also applies when the patent holder has put the protected product into circulation only as a component of an object comprising more components. In this case, however, an actual opinion of the relevant public, which under the principles stated in the *Palettenbehälter II* judgement must be considered primarily when delineating between intended use and new manufacture, cannot be ascertained with regard to the protected product. An opinion of the relevant public can only be formed with respect to a product that has actually been put on the market in this form. However, the protected product was only put on the market as a component of an object comprising further components Therefore, the delineation between intended use and new manufacture in this case must be based solely upon whether the technical results of the invention are reflected in precisely the replaced parts.

VI. Burden of proof

Exhaustion constitutes an exception to the exclusive rights of the patent holder. The party invoking exhaustion has, on principle, the burden of proof as to the preconditions.[22]

[21] BGH, judgement of 24 October 2017, ref: X ZR 57/16, BGHZ 2016, 300 –*Trommeleinheit.*
[22] BGH, judgement of 14 December 1999, ref: X ZR 61/98, GRUR 2000, 299– *Karate*.

VII. Special provision: Section 9b German Patent Act

Section 9b of the German Patent Act contains a special provision on the exhaustion of patent protection concerning biological material obtained through propagation or multiplication.

Section 9b

If the proprietor of the patent or a third party, with the consent of the proprietor of the patent, places on the market biological material which possesses specific characteristics as a result of the invention, in the territory of a Member State of the European Union or in a Contracting Party to the Agreement on the European Economic Area, and if further biological material is obtained from this biological material through propagation or multiplication, the effects of section 9 shall have no effect where the propagation or multiplication of the biological material was the purpose for which it was placed on the market. This shall not apply where the material obtained in this way is subsequently used for further propagation or multiplication.

Section 9b of the German Patent Act implements Article 10 of the Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions into German national law.