

MODIFYING PATENTED GOODS POST-SALE: REPAIRING OR REMAKING?

12 July 2019 | Australia

Legal Briefings - By **Lachlan Sievert and Bryce Robinson**

A recent decision by the Full Federal Court has shed further light on the rights of businesses when selling or acquiring patented goods. The Court has made clear that modifications that go beyond mere repair and instead ‘remake’ or ‘repurpose’ the product will infringe the underlying patent.

In *Calidad Pty Ltd v Seiko Epson Corporation*,¹ three judges affirmed that unless a patent holder explicitly imposes conditions on a purchaser at the time of sale, an implied licence is granted to the purchaser to use and dispose of the patented goods as they wish. However, the Court clarified that this licence, although largely unrestricted, does not allow purchasers to make modifications that go so far as to repurpose or remake patented goods.

Although concurring on the ultimate outcome, their Honours elected to deliver individual opinions, hinting that some ambiguity remains with respect to the position under Australian law.

THE CASE

Seiko Epson Corporation (**Seiko**) manufactures and sells printer cartridges overseas. Those cartridges are protected by patent in Australia. Ninestar Image (Malaysia) SDN (**Ninestar**), a large manufacturer of generic printer consumables, obtained used Epson cartridges (the **cartridges**) and restored them to working conditions, which were then imported and sold in Australia by Calidad Pty Ltd (**Calidad**).

The present case was an appeal from a Federal Court decision handed down in 2017.² In that case, the primary judge accepted that because Seiko sold the cartridges without any explicit restrictive conditions imposed at the time of sale, there was an implied licence that authorised at least the import, use and further disposal of the cartridges. In respect of some (but not all) of the categories of cartridges, it was found that the modifications extinguished the implied licence, and thus infringed the patents. This was because the implied licence applied to the cartridges as they were sold by Seiko, and not to the refurbished cartridges that were effectively new products or embodiments of the patented invention.

THE DECISION

The Full Federal Court found that the modifications made by Ninestar constituted a repurposing of the cartridges, as articles embodying the patent, which amounted to ‘remaking’ the invention as specified in the patents. As such, Ninestar infringed the patents by exercising Seiko’s exclusive right to ‘make’ their patented product. Calidad, therefore, also infringed the patent by importing and selling those cartridges.

The Court emphasised that the correct analysis was not that this conduct had extinguished or terminated the implied licence—as the primary judge had found—but that it simply fell outside the scope of that licence.

There are several key points from the judgment to note.

1. **Whatever the scope of implied licence, it does not permit remaking the patented invention.** The licence encompasses ‘the normal rights of an owner’ of personal property, which does not include a right to ‘make’ a patented invention.
2. **There was no clear consensus regarding the existence of a ‘right to repair’ in Australian law.** Although the judgments did not rule out a general right to repair a patented good, the Court chose to leave this question aside. Jagot J commented that UK cases on this question ‘involv[ed] an assessment of the scope of the implied licence which arises on unrestricted sale of a patented article’. Greenwood J avoided the discussion, while Yates J put the question to one side, determining that it was unnecessary to consider on the facts of the case. This question may be addressed by the High Court, should Calidad seek leave to appeal this decision.
3. **If it exists, the right of repair does not extend to what is, in reality, the creation of a new article embodying the invention.** The Court rejected the argument that Ninestar was ‘repairing’ the cartridges. ‘Repair’ implies some defect requiring rectification to enable the article to function as intended, or to prolong its life. Here, the cartridges ceased to function when they ran out of ink—in an irreversible way—because that is precisely what they were designed to do. By modifying the cartridges to become refillable, Ninestar had repurposed the spent article to recreate the cartridge defined in the patent. This goes further than ‘repair’, and constitutes ‘making’ a

product embodying the invention.

4. **Whether Australian law should or might recognise the US doctrine of ‘exhaustion’ of a patent holder’s exclusive rights upon the first sale of the patented goods was left untouched.** Calidad included this argument in its appeal, but only to leave this question open for later consideration in a potential appeal to the High Court. The Court did not explore the matter.

CONSEQUENCES FOR BUSINESSES THAT SELL PATENTED GOODS

- The decision of the Full Court largely reinforced the key findings of the primary judge. Crucially, if you wish to impose restrictions on a purchaser’s use of patented goods, those conditions must be clearly expressed to the purchaser at the time of sale.
- Further, the purchaser must have actual knowledge of the conditions. Inbuilt features of the goods that make them difficult to modify do not amount to putting a purchaser on notice of limitations of use. Nor do the limitations ‘run with the goods’, meaning that subsequent purchasers will not be bound by any such restriction unless it is actually brought to their attention.
- If you do not impose any conditions at the time of sale, the purchaser will benefit from an implied licence to (at least) use, dispose and import the patented goods. Whether they have a right to repair remains to be confirmed, but what is certain is that this licence will not shield purchasers from infringement for making, or remaking, the invention.

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ENDNOTES

1. Full decision available here: [Calidad Pty Ltd v Seiko Epson Corporation \[2019\] FCAFC 115](#).
2. [For a more detailed discussion of the first instance decision, refer to our earlier article: ‘Licence to Refill: When will patent rights in a product be exhausted?’](#)

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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