

**Dauster, Katja:** Is selling refurbished Cartridges legally safe in Europe?

In: RecyclingTimes, 2014, Issue 46, page 19

### **Is Selling Refurbished Cartridges Legally Safe in Europe?**

According to a recent study, 35% of the German population says that environmental protection is among the most pressing problems today (see *Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit (2013) "Umweltbewusstsein in Deutschland 2012"*). With the appropriate technique, an empty cartridge can be reused several times, and by recycling and refurbishing cartridges, waste can be reduced. Thus, using a refurbished cartridge can be an environmental-friendly alternative to using a new cartridge.

Although the benefits of recycling and refurbishing are significant for nature and for people, one must not forget the obligation to ensure that Intellectual Property Rights (IPRs) of others are not infringed, when commercially placing goods on the market. There is no environmental protection act stating that refurbished or recycled products are excluded from this obligation. Why is it still possible to place a refurbished product on the market without inducing a patent infringement, whereas placing a compatible cartridge on the market having identical technical features induces a patent infringement? The answer lies in the principle of exhaustion of IPRs or *first sale doctrine*.

#### **Principle of Exhaustion**

An Intellectual Property Right (IPR) such as a patent or a design right grants its user the exclusive right to economically exploit the protected item. This time-limited monopoly is intended to reward the IPR holder for the investment made when developing the product. Third parties shall be prevented from benefitting from this investment. However, according to the principle of exhaustion or first sale doctrine it is assumed that the holder of the IPR receives a sufficient economic return when first placing the product on the market.

According to the principle of exhaustion or first sale doctrine, the right of the IPR holder to control the use or movement of one particular product is extinguished ("exhausted") with the first sale of this product by the IPR holder or with his consent. Provided that no contractual use restriction between the IPR holder and the purchaser exists, the purchaser is allowed to use the product *ad libitum* (with complete freedom). However, when selling one particular product, none of the inventor's IPRs is ever transferred to the purchaser of the product.

Limitations exist on the exhaustion of patent rights, which will be further discussed. It should be noted that until today patent law is not harmonized across Europe. Therefore, patent issues when taken to court may be decided differently by a German court than by a court in the U.K. This article focuses on the German jurisdiction.

#### **Permissible Repair vs. Impermissible Reconstruction**

The purchaser of a product has the right to use the product "as intended". According to established German case-law, the intended use includes the maintenance and the

restoration of the functionality of the patented product, in the case when the functionality of this particular product is affected by wear or damage. A repair, including a replacement of a part, may be carried out by a competitor, who purchases the product in a condition requiring repair, and sells the product after repair to a third party. However, in case the patented product is recreated, the measures are no longer deemed to be a permissible repair, but an impermissible reconstruction (see Bundesgerichtshof (BGH -German Federal Supreme Court) „Flügelradzähler“ 04.05.2004 docket No. X ZR 48/03; „Palettenbehälter II“, 17.07.2012, docket No. X ZR 97/11; „Förderrinne“, 21.11. 1958, docket No. I ZR 129/57.)

In a recent judgment (see BGH, „Palettenbehälter II“, 17.07.2012, docket No. X ZR 97/11), the Bundesgerichtshof (BGH - German Federal Supreme Court) has stated that the replacement of a part falls under the intended use of a patented product, in case when the identity of the product as originally manufactured is preserved. The crucial question is whether, according to the average consumers' expectation, a replacement of a particular part is a normal maintenance measure, which does not cast doubt on the identity of the overall product.

In the underlying case giving rise to this judgment, the court held that if the product concerned, i.e. a pallet container, is regarded as worthless when a particular element has to be replaced, the replacement of this particular part constitutes a re-construction and, hence, a patent infringement. If, on the other hand, the average consumer expects that this particular part will have to be replaced during the lifetime of the pallet container, it is necessary to examine whether the technical effects of the invention are embodied within the part to be replaced. If the replaced part reflects the technical effect of the invention, the replacement is still considered an infringing act.

It should be noted that the question, whether a replacement of the part is considered an infringement, does not depend on whether the replaced part itself is a reproduced or a recycled item. According to German case law, a non-permissible reconstruction is also assumed when a patented device is recreated from parts of one or several objects which were destroyed or otherwise deemed useless (see Busse, Patentgesetz, 7th edition, sec 9, para. 148; BGH “Förderrinne” 21. 11.1958 docket No. I ZR 129/57)

### **Consent of the Patentee**

The right to control the movement of a particular product is only exhausted if the product has been put on the market by the IPR holder or with his consent. Obviously, neither a counterfeit cartridge nor any third party compatible cartridge have ever been put on the market with the consent of the OEM. In consequence, placing a remanufactured counterfeit cartridge or a remanufactured compatible cartridge on the market is not different from first placing said counterfeit cartridge or said compatible cartridge on the market.

Across Europe, it is still an open issue whether or not the IPR holder can validly impose a limitation on the use of a product when selling the product such as under the Lexmark Prebate® program.

### **National, Regional or International Exhaustion**

In case a country applies the concept of international exhaustion, the IPR is exhausted, once the product has been put on the market by the IPR holder or with his consent anywhere in the world. However, the following European countries do not apply a principle of international exhaustion of patents (list not conclusive) (*www.wipo.int (October 2013)*; *The United Kingdom does not apply a principle of international exhaustion of patents, but in addition has a doctrine of implied license, which functions as an exhaustion doctrine. "This doctrine was established in Betts vs. Willmott (1871) LR 6 Ch App 239 where it was held that, on selling a patented product, the patentee transfers with the goods a license for the purchaser to sell or use the article. The principle applies regardless of whether the first sale is made in the U.K. or elsewhere". see*

<http://www.wipo.int/export/sites/www/scp/en/exceptions/replies/uk2.pdf#S8>): Austria, Bosnia and Herzegovina, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, the Netherlands, Portugal, Romania, Spain, and Sweden.

In Germany, according to established case-law, rights from a patent effective in the Federal Republic of Germany are exhausted, when the protected product has been put on the market by the patent proprietor or with his consent in Germany, a Member State of the European Union or a Member State of the European Economic Area (EEA). Exhaustion under patent law does not occur if the patented subject matter was put on the market outside the EU or the EEA .

As mentioned above, up until now patent law is still not harmonized across Europe. However in 2012 the majority of the Member States of the European Union and the European Parliament have agreed on the so-called "patent package" consisting of the Unitary Patent Regulation, a Regulation establishing a language regime applicable to the unitary patent, and the Agreement on a Unified Patent Court. The patent package is not yet in force. It is expected to come into force in 2015. According to Art. 6 of the Unitary Patent Regulation, the principle of exhaustion applies to products that have been placed on the EU market by or with the consent of the patent owner

### **Seek Qualified Legal Advice**

Therefore, it is strongly advisable to take measures to ensure that only those empties are refurbished for the EU market that have been placed by the OEM on the EU market. Please note that the aim of this article is not to provide legal guidelines, but to help towards avoiding conflicts. If you are in the refurbishing business, you should be aware of the IPR issues for the products you are refurbishing, and seek qualified legal advice.