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Trading Refurbished Cartridges in Europe? Watch Out!

Three retailers selling refurbished (remanufactured) cartridges were found guilty of infringement of the “*Dongle Gear Patent*” (EP 2 087 407 B1) by the regional court in Düsseldorf, Germany (Landgericht Düsseldorf, 4a O 44/14; 4a O 45/14; 4a O 45/14). Will this mean the end of the refurbishing industry in Germany?

For many years, OEMs have not attacked retailers selling refurbished cartridges. This may have given retailers a false sense of security, assuming that—unlike selling new built compatibles—selling refurbished cartridges is legally safe.

However, there isn't any act that states that refurbished or recycled products are excluded from obligations to ensure that Intellectual Property Rights (IPR) such as patents or design rights of others are not infringed when placing products on the market.

Retailers selling refurbished cartridges may not be aware that they are relying only on the so-called *principle of exhaustion* or *first sale doctrine*. According to this *principle of exhaustion*, it is assumed that the holder of the IPR receives sufficient economic return when first placing the product on the market. Consequently, the right of the IPR holder to control the use or movement of one particular product is exhausted with the first sale of this product either 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*. According to established German case-law, permissible use includes the maintenance and the restoration of the functionality of the patented product. 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 then sells on the product after repair. However, if the patented product has been recreated, these measures are no longer deemed to be a permissible repair. They are an impermissible reconstruction of the patented product. Under IPR: selling a reconstructed product is regarded as being identical to selling a new product.

How do you distinguish permissible repair from impermissible reconstruction? According to the German Federal Supreme Court (Bundesgerichtshof – BGH, decision Palettenbehälter II, docket No. X ZR 97/11), the first step is to examine whether the replacement of a particular part is a normal maintenance measure, which does not cast doubt on the identity of the overall product. If the answer is “no” and the product is regarded as worthless when a particular element has to be replaced due to wear or tear, the replacement of this particular part constitutes a re-construction and, hence, a patent infringement. If, and only if, in the first step the answer is “yes”, and the average consumer expects that this particular part will have to be replaced during the lifetime of the product, then it is then 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.

Applying the principles established in this German Federal Supreme Court decision, the three retailers selling refurbished cartridges were found guilty of infringement of the "*Dongle Gear Patent*".

The "*Dongle Gear Patent*" protects an electrophotographic photosensitive drum unit (EPD unit) comprising an electrophotographic photosensitive drum and a coupling member. According to the court, the EPD unit became commercially worthless due to the defective drum. Therefore, with regard to this patent, replacing the drum according to the court is an impermissible reconstruction.

These judgements are surely not the last words on this issue. The judgements may be lifted by the higher regional court, or the German Federal Supreme Court.

Nevertheless, these judgements reflect the legal opinion of the regional court in Düsseldorf, which today is Europe's leading court for patent infringement actions. It should be noted that 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, say, in the U.K.