

Calidad Pty Ltd v Seiko Epson Corporation [2020] HCA 41

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Facts

- Seiko Epson Corporation ("**Seiko**") manufactured and sold printer ink cartridges under the brand name "*Epson*".
- After the original Epson cartridges have been used, a third-party ("**Ninestar**") obtained them from a variety of sources and modified them so that they could be refilled and re-used.
- Calidad Pty Ltd ("**Calidad**") acquired the modified cartridges from Ninestar and imported them into Australia for sale to the public.
- Seiko was the patentee of two patents in which the inventions embodied in the original Epson cartridges are claimed.
- Section 13(1) of the *Patents Act 1990* (Cth) states that "*a patent gives the patentee the exclusive rights ... to exploit the invention*". The definition of the term "exploit" includes "*make, hire, sell or otherwise dispose of the product*" and to "*use*" it.
- Seiko commenced proceedings in the Federal Court, alleging the Calidad had infringed its rights as patentee.
- The primary judge found that the modifications made to certain categories of the original Epson cartridges extinguished any implied licence.
- On appeal, the Full Court of the Federal Court found that in none of the categories of the original Epson cartridges were the modifications authorised by any implied licence, and that the modifications to the original Epson cartridges constituted a making of a new embodiment of the invention claimed in the patents.
- Calidad appealed to the High Court arguing that a doctrine that a patentee's monopoly rights of use and sale with respect to a product arising from statute are exhausted upon the first sale of that product (the "*exhaustion doctrine*") should be applied instead of the implied licence doctrine.

Issues

- Did the "exhaustion doctrine" have application in Australia?

Held

- The High Court held that the doctrine of exhaustion applies to patented products in Australia. This replaces the former implied licence doctrine, and means the rights of patentees in respect of a product are exhausted upon the first sale.

- The doctrine of exhaustion is that in the absence of a contractual provision to the contrary, a patentee's exclusive rights to hire, sell, use or otherwise dispose of a patented product are "*exhausted*" after sale (while the patentee retains the exclusive rights to "*make*" the product). Essentially, those rights do not extend to allowing the patentee to control what purchasers can do with the patentee's product after it sale.
- The refilled and restored cartridges were simply modified versions of Seiko's products. The modifications were within the scope of the rights of an owner of a chattel to prolong the life of a product and make it more useful.

Quotes

“When all of Ninestar's modifications to each of the categories of cartridges were completed what remained were the original Epson cartridges with some modifications which enabled their re-use. The modifications did not involve the replication of parts and features of the invention claimed. There was no true manufacture or construction of a cartridge which embodied the features of the patent claim.”

Full Text

The full text is available here:

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