



HIGH COURT OF AUSTRALIA

12 November 2020

CALIDAD PTY LTD v SEIKO EPSON CORPORATION [2020] HCA 41

Today the High Court allowed an appeal from a judgment of the Full Court of the Federal Court of Australia. The appeal concerned the scope of a patentee's exclusive statutory rights to exploit an invention which is a product, and whether modifications made to a product to enable its re-use amounted to a making of a new product and infringed the patentee's exclusive rights on that basis.

The first respondent manufactures and sells printer ink cartridges under the brand name "Epson" ("the original Epson cartridges"). After the original Epson cartridges have been used, a third party ("Ninestar") obtains them from a number of sources and modifies them to be refilled and re-used. The appellants ("Calidad") acquire the modified cartridges from Ninestar and import them into Australia for sale to the public. The first respondent is 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) relevantly provides that "a patent gives the patentee the exclusive rights ... to exploit the invention". The term "exploit" is defined to include "make, hire, sell or otherwise dispose of the product" and to "use" it.

The respondents (together "Seiko") commenced proceedings in the Federal Court of Australia alleging that Calidad had infringed the first respondent's rights as patentee. The proceedings were conducted by reference to the principle that the purchaser of patented goods that are obtained without restriction on their sale or use has the ordinary rights of ownership because the law implies a full licence (the "implied licence doctrine"). The primary judge found that the modifications made to certain categories of the original Epson cartridges were such as to extinguish any implied licence. On appeal the Full Court of the Federal Court, in separate judgments, 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 from the Full Court's decision and asked that the High Court hold that, in cases of this kind, 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.

Allowing the appeal, a majority of the High Court found that the modifications to the original Epson cartridges did not amount to an impermissible making of a new product and that the exhaustion doctrine should be accepted. The refilled and restored cartridges were merely modified versions of the products sold by Seiko. 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. The result reached by the Full Court of the Federal Court would likely have been different if that Court had been in a position to apply the exhaustion doctrine. Matters informing the adoption of a policy of the law as to the scope of the patent rights to sell and use a product pointed strongly to an acceptance of the exhaustion doctrine and away from the implied licence doctrine. Further, principle, authority and the provisions of the *Patents Act* did not require that the implied licence doctrine continue to be applied.

- *This statement is not intended to be a substitute for the reasons of the High Court or to be used in any later consideration of the Court's reasons.*