

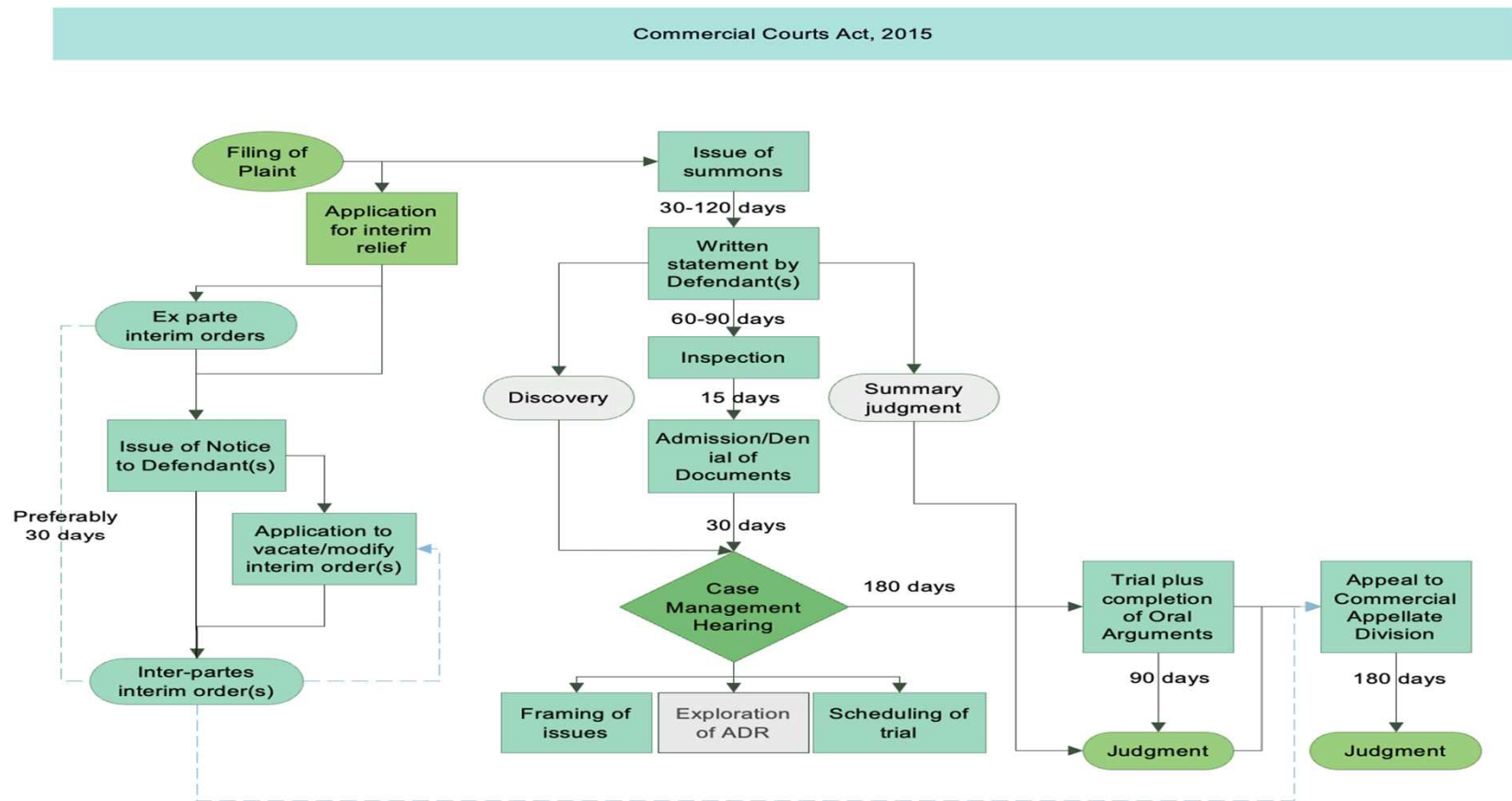
JSIP 2023: Mock Trial-India

Before his Lordship, Hon'ble Mr. Justice Yashwant Varma

For the Plaintiff: Mr Adarsh Ramanujan, Advocate

For the Defendant: Mr. Saikrishna Rajagopal, Advocate

Process of IP INFRINGEMENT LITIGATION IN INDIA



INTERIM RELIEFS- IN PATENT SUITS

- Since, trial usually takes substantial time, and since IP rights, especially patent rights, are for a limited period, the stage of seeking interim reliefs is very crucial for a right holder.
- Such interim reliefs can be sought either *ex-parte* on the very first day, or after the Defendant is notified of the suit proceedings and prior to proceeding to trial.
- The following provisions are very relevant for the issue of interim reliefs:
 - (i) **Order XXXIX Rule 1 & 2 of the Code of Civil Procedure, 1908** provide for grant of interim reliefs including that of interim injunction and security in favour of the Plaintiff.
 - (ii) Further, **Rule 5 (v) of High Court of Delhi Rules Governing Patent Suits, 2022** also prescribes that during the course of first hearing of the suit *“Upon infringement being prima facie established, the Court may pass directions for monetary payments instead of an injunction, in exceptional situations, and on such terms and conditions as the Court may deem fit.”*

FACTORS TO BE SATISFIED FOR GRANT OF ANY INTERIM RELIEFS ARE AS FOLLOWS:

1. *Prima facie* case,
2. Balance of convenience; and
3. Irreparable harm to Plaintiff

Kashi Math Samsthan v. Srimad Sudhindra Thirtha Swamy, (2010) 1 SCC 689.

“In fact, if the Plaintiff fails to prove a prima facie case, it is not open to the Court to grant injunction in its favour, only because it has made out a case of balance of convenience in its favour or is able to demonstrate that it would suffer irreparable loss and injury if no injunction order is granted.”

Natco Pharma Limited. Vs Bristol Myers Squibb Holdings Ireland Unlimited Company and Ors. 263(2019) DLT622

“34. Although, there are special features in litigation involving infringement of patents, that still would not obviate the Court dealing with the question of grant of interim injunction to record the three important elements as have been stressed in a large number of decisions of the Supreme Court. It is not necessary that the order granting or refusing interim injunction should expressly state about the above elements but a reading of the order should indicate the forming of an opinion by the Court on the said aspects.”

At the interim stage the Court also considers issues of invalidity of the asserted patent, if such a defence is raised by the Defendant in the suit. However, at the interim stage the Court only considers if there is any “credible challenge” raised against the validity of the suit patent.

F. Hoffmann-La Roche Ltd. & Anr. Vs Cipla Ltd. 2009 (110) DRL 452(DB)

*“55. The question before this Court is when can it be said that the defendant has raised a credible challenge to the validity of a patent held by the plaintiff in an infringement action? During the course of the argument it was suggested by counsel that the challenge had to be both strong and credible. Also, the defendant resisting the grant of injunction by challenging the validity of the patent is at this stage required to show that the patent is “vulnerable” and that the challenge raises a “serious substantial question” and a triable issue. **Without indulging in an exercise in semantics, the Court when faced with a prayer for grant of injunction and a corresponding plea of the defendant challenging the validity of the patent itself, must enquire whether the defendant has raised a credible challenge.** In other words, that would in the context of pharmaceutical products, invite scrutiny of the order granting patent in the light of Section 3(d) and the grounds set out in Section 64 of the Patents Act 1970. **At this stage of course the Court is not expected to examine the challenge in any great detail and arrive at a definite finding on the question of validity.** That will have to await the trial. **At the present stage of considering the grant of an interim injunction, the defendant has to show that the patent that has been granted is vulnerable to challenge.** Consequently, this Court rejects the contentions of the plaintiffs on this issue and affirms the impugned judgment of the learned Single Judge.”*

MOCK TRIAL

The present mock trial, will involve a hearing of the interim injunction application filed by the Plaintiff.

Arguments have already been advanced on why the asserted patent is not valid.

Court has not expressed its view on whether there is a “credible challenge” to the validity of the patent.

The focus of the present hearing is in relation to the defense of international exhaustion as asserted by the Defendant.

ISSUES IN THE MATTER (FOR HIS LORDSHIP TO ADDRESS)

FACTUAL PREMISE:

- There is no dispute that the Defendant's Device maps to the granted claim.
- If Section 107A(b) of the Patents Act, 1970 does not apply to the Defendant, the Defendant would be an infringer.
- Laws of Country B are in pari materia to Country A.

INTERIM STAGE:

- The Court is presently hearing the application for interim injunction and thus, is hearing the parties on whether a *prima facie* case is made out.

• **ISSUE 1:**

Whether Section 107A(b) stipulates the doctrine of international exhaustion?

• **IF ISSUE 1 IS ANSWERED IN THE AFFIRMATIVE, ISSUE 2:**

Whether the import into Country A of Defendant's Product, which comprises replaced packaging sheets, is protected under Section 107A(b)?

ISSUE 1 (PLAINTIFF'S ARGUMENTS)

- Section 107A(b) reads as follows:

“107A Certain acts not to be considered as infringement.—For the purposes of this Act,—

...

(b) importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product.

shall not be considered as a infringement of patent rights.”

- If the expression “authorised under the law” is limited to laws of Country A, then Plaintiff must succeed because neither Collie Corp. or Donkey Corp. is authorized under the laws of Country A to exploit the Patent.

ISSUE 1 (contd.)

- Given the territorial extent of patents, the term “law” can only mean Country A’s law, as held by this Court in *Sotefin SA*, (2022) 89 PTC 602, para 67:

“Pertinently, the reference to law, in the provision, undoubtedly, has to be to the Indian law. The construction given by Defendants 1 and 2 that “duly authorised under law”, is to be widely interpreted to include foreign law, would clearly defeat the rights of an Indian patentee, if importation of the product patented under foreign law is allowed to escape the rigors of the Act, by importing the it from any foreign country where it has been authorised by the law in that country where the product is produced and sold. Therefore, the act of importing goods which are not authorised by the patentee will be an infringement under the Act, if it otherwise meets the criteria required by a law for infringement of patent rights....”

- This judgment is directly on point. Although this was also an interim order and is not binding on this co-ordinate bench, it is prudent to main consistency even in interim orders as observed by the Supreme Court.
- Neither Collie Corp. nor Donkey Corp. have any such authorization under Indian law and thus, cannot claim the defence under Section 107A(b).

ISSUE 1 (contd.)

- Defendant's reliance on the judgment of this Court in *Kapil Wadhwa*, (2013) 53 PTC 112 (DB) is misplaced for four reasons:
 - 1) Both *Sotefin* and *Kapil Wadhwa* are interim orders and between the two, *Sotefin* is more relevant because it is directly on point.
 - 2) *Kapil Wadhwa* was a judgment under section 30(3) of the Trade Marks Act, 1999, which is worded differently:

“30. ... (3) Where the goods bearing a registered trade mark are **lawfully acquired** by a person, the sale of the goods in **the market** or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade mark...”

The Court interpreted the phrase “the market” to be the “international market” based on the contextual interpretation under that statute. This phrase is absent and the context is different.
 - 3) *Sotefin* is consistent with common law English patent law, from which our country's patents act is adapted. In *Minnesota Mining* [1974] R.P.C. 35, at 40-41, the English Court of Appeals granted an injunction against an importer in the UK even though the importer had imported product manufactured by a licensee in the exporting country. Given our statute is a “Consolidating Act” as per the preamble, the same logic applies.
 - 4) *Kapil Wadhwa* is under appeal before the Supreme Court where notice has been issued.

ISSUE 1 (contd.)

- Defendant's reliance on the legislative history of Section 107A(b) also cannot help:
 - 1) The Statement of Object and Reasons of the 2002/2005 amendment is silent on the topic.
 - 2) There is only an obscure reference to "parallel imports" in the "Notes on Clauses" attached to the Bill as introduced in the Parliament.
 - 3) The Supreme Court in *Aswini Kumar Bose*, AIR 1952 SC 369 has held that such statements only indicate the intention of the mover of the Bill and do not necessarily imply Parliamentary intent.
 - 4) In such a situation, the "Notes on Clauses", which is merely an external aid to statutory interpretation, cannot displace the meaning arrived from a contextual reading of the plain language.
- Thus, Section 107A(b) defence cannot apply.

ISSUE 2 (Plaintiff's Arguments)

Arguments are raised on Issue 2, assuming without conceding that Section 107A(b) postulates international exhaustion

1. Section 107A(b) reads as follows:

“107A Certain acts not to be considered as infringement.—For the purposes of this Act,—

...

*(b) importation of **patented products** by any person from a person who is duly authorised under the law to **produce and sell** or distribute **the product**.*

shall not be considered as a infringement of patent rights.”

2. Plaintiff has two arguments under this issue:

- (a) Defendant has not imported the goods from a person duly authorised to “produce and sell/distribute”. Thus, Section 107A(b) does not apply.
- (b) Section 107A(b) only provides a safe harbour for the import of the “patented article” and not an “infringing article”.

ISSUE 2 (Plaintiff's Arguments)

3. Argument 2(a) flows as follows:

- a) “and” is conjunctive in the ordinary sense and thus, the authorization to the exporting entity must be to “produce **and** sell”.
- b) The term “produce and” was inserted in 2005 expressly and thus, must be given effect to:

After 2002 Insertion	After 2005 Amendment
importation of patented products by any person from a person who is duly authorised by the patentee to sell or distribute the product	importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product

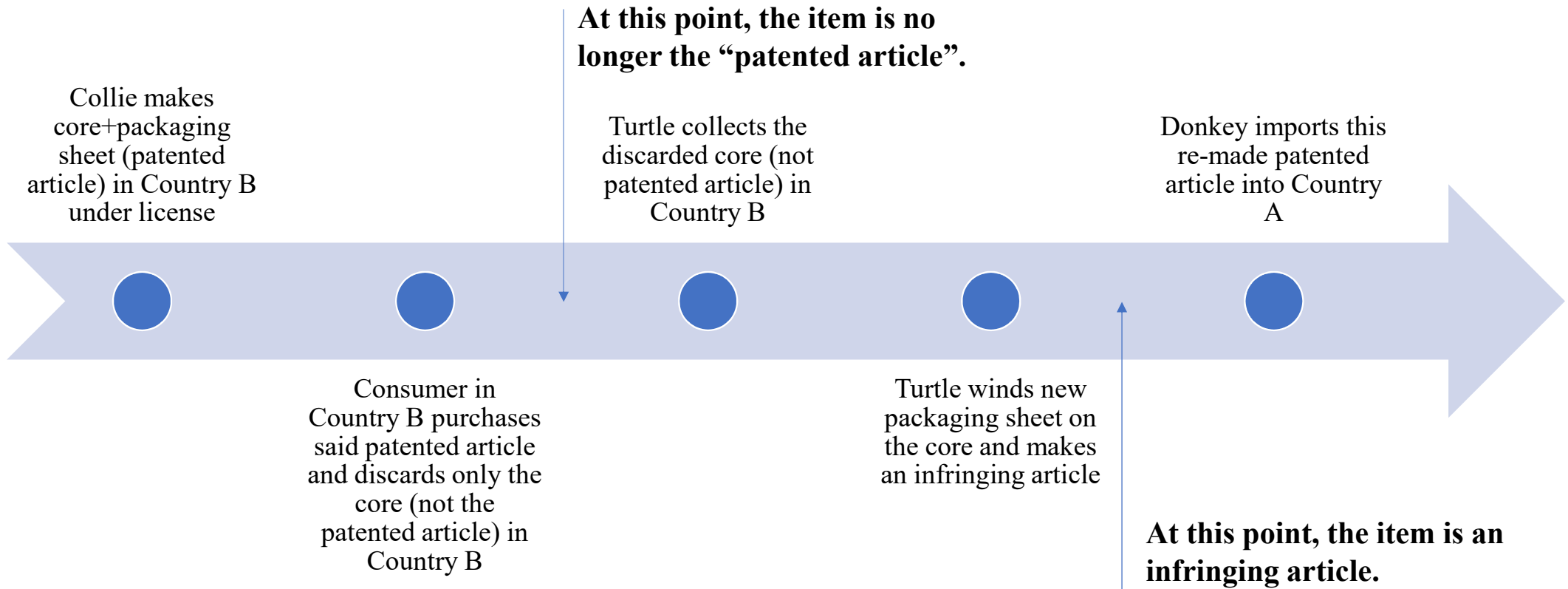
- c) Here, the exporting entity (Turtle Corp.) is not authorised to “*produce*” the patented article. Even the customer from whom Turtle Corp collected the cores, was not authorised to “*produce*”. Thus, no implied authorization flows from the customer in Country B

ISSUE 2 (contd.)

4. Argument 2(b) flows as follows:

- a) The plain words itself clarify that only the “patented product” is allowed to be imported. As *Sotefin* clarifies, this is meant to be same as “patented article” defined in Section 2(1)(o): it means “*an article...in respect of which a patent is in force*”.
- b) Patented article in the ordinary sense is the opposite of an infringing article.
- c) In this case, the “patented article” is the “roll paper”, which comprises (i) core, and (ii) packaging sheet, both working synergistically with each other.
- d) Turtle does not receive the “patented article” but only the core. It then ‘makes’ an infringing product by re-winding the packaging sheet on that core (Please see the chain below)

ISSUE 2 (contd.)



ISSUE 2 (contd.)

- e) The patent is for the combination of the core and the packaging sheet. Under well-established principles of claim construction, this cannot be dissected as a claim for its individual components.
- f) Holding otherwise would go beyond the concept of exhaustion, which was only intended to preserve a purchaser's title/property right in the article purchased. Here, Turtle Corp and Donkey Corp have stepped beyond this intent and are profit-making commercial entities who are denying the patentee the full benefits of the invention.
- g) Donkey Corp. cannot rely on any alleged right of repair when none exists in the statute, especially in the context of Section 107A(b). The patent statute is a complete code, and importing a doctrine not envisaged from the statute's plain words would be an overreach.

Issue 1- Defendant's arguments.

- India is a signatory to the TRIPS Agreement and has been committed to ratifying TRIPS in its form and spirit by implementing and amending its IP statutes. In order to continue fulfilling the obligations under the TRIPS Agreement, the Patents Act, 1970 was amended by way of the Amendment Act 38 of 2002. The Statement of Objects and Reasons of Amendment Act 38 of 2002 included “4 (g) **to provide provisions relating to parallel import of patented products;**”
- In light of Clause 4 (g) of the Statement of Objects and Reasons, the provision regarding exhaustion of patent rights, Section 107A was introduced in the Patents Act, 1970 by way of the Amendment Act 38 of 2002. The relevant Section was introduced as follows:

“107A. For the purpose of this Act, -

- (a) any act of making, constructing, using or selling a patented invention solely for uses reasonably relating to the development and submission of information required under any law for the time being in force, in India, or in a country other than India, that regulates the manufacture, construction, use or sale of any product;*
- (b) **importation of patented products by any person from a person who is duly authorised by the patentee to sell or distribute the product,***

shall not be considered as an infringement of patent rights.”

- Thereafter, by way of Amendment Act 15 of 2005, the Patents Act was further amended, and the amendments carried out in Section 107A are as follows:
- *58. In section 107A of the principal Act,- (b) in clause (b), for the words “who is **duly authorised by the patentee** to sell or distribute the product’, the words “**who is duly authorised under the law** to produce and sell or distribute the product” shall be substituted.*
- Further, in the Parliamentary Debate dated 22.03.2005 on *inter alia* the Patents (Amendment) Bill, 2005, the following was stated on the amendment proposed to Section 107A(b)
- *“The second point, Madam, which has now been incorporated in the present Bill and as also in the Ordinance, is an amendment to Section 107A(b), providing for parallel import. Here, this amendment says: “On import of patented commodity from anywhere in the world, the Government reserves the right.” Despite the fact that a particular medicine may be patented here by any other company, we have the right to import that patented commodity from anywhere in the world, where it is cheaper, even though it is patented here. **Earlier however, this required that the foreign exporter was duly authorised by the patentee.** That was the condition earlier. I may remind my hon. friends on the other side that it has been taken off. Now, the law would be, as it has been included here in the Bill before us now, that ‘no longer do we only need to stick to that condition that the foreign exporter was duly authorised by the patentee to sell and distribute the products.’ **The position now would be that ‘the foreign exporter be authorised under the law, thus making the parallel imports easier.’”***

Comparison between Section 107A before and after- amendment in the year 2005

Section 107A as introduced by Amendment Act, 2002

107 A. Certain acts not to be considered as infringement. -For the purposes of this Act,-

...

(b) importation of patented products by any person from a person who is duly authorised by the patentee to sell or distribute the product

shall not be considered as a infringement of patent rights.

Section 107A as amended by Amendment Act, 2005

107 A. Certain acts not to be considered as infringement. -For the purposes of this Act,-

...

(b) importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product

shall not be considered as a infringement of patent rights.

- Thus, from a reading of the Section 107 A (b) it is apparent that importation of a patented product is allowed, so long as it is lawfully acquired.
- That the word “importation” in the provision necessarily implies international exhaustion.
- Further, the authorization of the patentee for such importation is no longer required.
- Plaintiff’s argument of essentially seeking to equate “authorised under the law” to mean “authorization by the patentee” would render the amendment and the purpose behind it completely otiose and therefore ought not to be allowed.

Issue 2-

The following facts are not disputed:

(1) That Collie Corp is allowed to manufacture and sell the Plaintiff's Roll Paper for Plaintiff's packaging devices in Country B. Thus, Plaintiff cannot claim that he has not given consent to Collie Corp under Section 48 of the Patents Act, 1970 has been fulfilled. Section 48 is reproduced as under:

48. Rights of patentees.--Subject to the other provisions contained in this Act and the conditions specified in section 47, a patent granted under this Act shall confer upon the patentee-

(a) where the subject matter of the patent is a product, the exclusive right to prevent third parties, who **do not have his consent**, from the act of making, using, offering for sale, selling or importing for those purposes that product in India;

(b) where the subject matter of the patent is a process, the exclusive right to prevent third parties, who do not have his consent, from the act of using that process, and from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India.

(2) That Donkey Corp. (the Defendant), has been importing and selling genuine Core Tubes in Country A i.e. India- which have been procured from users who had purchased the same from Pony Corp's (the Plaintiff) authorized seller i.e. Collie Corp in Country B.

(3) That the patent claim i.e. C1-C3 is restricted to the aspect of a Core Tube, having magnets, which are detectable by the rotational angle sensors on the Plaintiff's packaging device. These elements i.e. the Core Tube and the magnets have not been modified in any manner by the Defendant. Therefore, Plaintiff's claim that Defendants product is not the patented article anymore is without basis.

(4) That the Defendant is not in any manner misrepresenting to the general public that the impugned products are the original Core Tubes sold by the Plaintiff. In fact its products bear the clear endorsement that these are refurbished Core Tubes.

Case Law relied upon by the Defendants

1. *Kapil Wadhwa and Ors. vs. Samsung Electronics Co. Ltd. and Ors.*, 2012:DHC:6136-DB.

- **Facts:** Samsung had various registered trademarks in India. It filed a suit for trademark infringement against the Defendants/ Appellants on account of *inter alia* the fact that they were purchasing, from the foreign market, printers manufactured and sold by Samsung under its trademark “SAMSUNG” and after importing the same into India, they were selling the product in the Indian market.
- Since the Trademarks Act, 1999 did not specifically provide for a provision of international exhaustion of trademark rights, the Division Bench examined Section 30 (3) of the Act to determine if “market” referenced in the provision would include only domestic market or international, as well. The Court, accordingly, held that:

“70. We accordingly conclude that ‘the market’ contemplated by Section 30(3) of the Trade Marks Act 1999 is the international market i.e. that the legislation in India adopts the Principle of International Exhaustion of Rights.”

- The following observations made in the context of patents, copyrights and trademarks, is also very instructive:

60. Undisputedly, preceding the TRIPS Agreement, when the international community debated, and what we colloquially speak of as the Uruguay Discussions, the **Indian position was to permit parallel imports**. Communications from India at the Uruguay Round of the General Agreement on Tariffs and Trade dated July 10, 1989 on ‘Standards and Principles Concerning the Availability, Scope & Use of Trade Related Intellectual Property Rights’ clearly brings out that **India favoured the Doctrine of Exhaustion of Rights linked to parallel imports**. It is not in dispute that Article 6 of the TRIPS Agreement has left it to the discretion of the member States to either adopt or not to adopt any Principle of Exhaustion of Rights linked to parallel imports.

61. In this context it needs to be highlighted that when the Copyright Amendment Bill 2010 was introduced, to amend the Copyright Act 1957, in the report presented by the Rajya Sabha Standing Committee, in paragraph 7.12 it was indicated as under:-

7.12 Committee was also given to understand by the representatives of the publishing industry that Scheme of the Copyright Law was entirely different from the Trade Marks Act, 1999 and the Patent Act, 1970. The application of the standards and principles of these two laws through the proposed amendment of Section 2(m) would completely dismantle the business model currently employed, rendering several industries unviable. On a specific query in this regard the Department informed that the concept of International Exhaustion provided in Section 107A of the Patent Act, 1971 and in Section 30(3) of the Trade Marks Act, 1999 and in Section 2(m) of the copyright law were similar. This provision was in tune with the national policy on exhaustion of rights.

70. We accordingly conclude that 'the market' contemplated by Section 30(3) of the Trade Marks Act 1999 is the international market i.e. that the legislation in India adopts the Principle of International Exhaustion of Rights.

72. It is not the case of the respondents that the appellants are changing the condition of the goods or impairing the goods which are put in the foreign market by respondent No. 1 or its subsidiary companies abroad. What is pleaded is that the physical features of the printers sold abroad are different from the features of the printers sold in India. But this is irrelevant as long as the goods placed in the International market are not impaired or condition changed. It is pleaded that the respondents have no control pertaining to the sale, distribution and after sales services of its goods which are imported by the appellants and sold in India. **Now, the Principle of International Exhaustion of Rights itself takes away the right of the respondents to control the further sale and further distribution of the goods.** With respect to after sales services, since the respondents do not warrant anything regarding their goods sold abroad, but imported into India and further sold, they not being responsible for the warranty of those goods, nothing turns thereon, as regards said plea. There may be some merit that the ordinary consumer, who is provided with warranties and after sales by the appellants, on not receiving satisfactory after sales service, may form a bad impression of the product of the respondents and thus to said extent one may recognize a possible damage to the reputation of the respondents pertaining to Samsung/SAMSUNG printers and Samsung/SAMSUNG products sold in India after importation. But, this can be taken care of by passing suitable directions requiring the appellants to prominently display in their shop that the Samsung/SAMSUNG printers sold by them are imported by the appellants and that after sales services and warranties are not guaranteed nor are they provided under the authority and control of the respondents and that the appellants do so at their own end and with their own efforts. This would obviate any consumer dissatisfaction adversely affecting the reputation of the respondents, and thus if this is done, the respondents can claim no legitimate reasons to oppose further dealing in Samsung/SAMSUNG products in India.”

2. *Impression Products, Inc. V. Lexmark International, Inc.*: 531 USSC 2019 (US Supreme Court)

•**Facts:** Lexmark designs, manufactures and sells toner cartridges to consumers in the United States and around the globe and it owns a number of patents that cover such products. When toner cartridges run out of toner they can be refilled and used again. Remanufacturers, like Impression, began to acquire empty Lexmark cartridges from purchasers in the United States and abroad, refill them with toner, and then resell them at a lower price than the new ones Lexmark sells. In order to avoid this, Lexmark gave its purchasers two options: One is to buy a toner cartridge at full price, with no additional conditions. The other is to buy a cartridge at roughly 20 % off through Lexmark's "Return Program." A customer who buys through the Return Program still owns the cartridge but, in exchange for the lower price, signs a contract agreeing to use it only once and to refrain from transferring the empty cartridge to anyone but Lexmark. To enforce this single-use/no-resale restriction, Lexmark installs a microchip on each Return Program cartridge that prevents reuse once the toner in the cartridge runs out. When remanufacturer developed a method to counteract the effect of the microchip to continue their activities, Lexmark sued remanufacturers for infringement of patent.

•Impression's primary argument was that Lexmark exhausted its patent rights upon first sale of the product. The US Supreme Court upheld the same by ruling the following:

"Lexmark cannot bring a patent infringement suit against Impression Products to enforce the single-use/no-resale provision accompanying its Return Program cartridges. Once sold, the Return Program cartridges passed outside of the patent monopoly, and whatever rights Lexmark retained are a matter of the contracts with its purchasers, not the patent law."

"In sum, patent exhaustion is uniform and automatic. Once a patentee decides to sell—whether on its own or through a licensee—that sale exhausts its patent rights, regardless of any post-sale restrictions the patentee purports to impose, either directly or through a license."

- “The question about international exhaustion of intellectual property rights has arisen in the context of copyright law. Under the first sale doctrine, when a copyright owner sells a lawfully made copy of its work, it loses the power to restrict the purchaser’s right “to sell or otherwise dispose of . . . that copy.” 17 U. S. C. §109(a). In *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U. S. 519, this Court held that the first sale doctrine applies to copies of works made and sold abroad. Central to that decision was the fact that the **first sale doctrine has its roots in the common law principle against restraints on alienation. Because that principle makes no geographical distinctions and the text of the Copyright Act did not provide such a distinction, a straightforward application of the first sale doctrine required concluding that it applies overseas.**
- Applying patent exhaustion to foreign sales is just as straightforward. **Patent exhaustion, too, has its roots in the antipathy toward restraints on alienation**, and nothing in the Patent Act shows that Congress intended to confine that principle to domestic sales. Differentiating between the patent exhaustion and copyright first sale doctrines would also make little theoretical or practical sense: The two share a “strong similarity . . . and identity of purpose,” *Bauer & Cie v. O’Donnell*, 229 U. S. 1, 13, and many everyday products are subject to both patent and copyright protections.”
- “Exhaustion is a distinct limit on the patent grant, which is triggered by the patentee’s decision to give a patented item up for whatever fee it decides is appropriate. The patentee may not be able to command the same amount for its products abroad as it does in the United States. But the **Patent Act does not guarantee a particular price**. Instead, the Patent Act just ensures that the patentee receives one reward—of whatever it deems to be satisfactory compensation—for every item that passes outside the scope of its patent monopoly.”
- “Instead, **exhaustion occurs because allowing patent rights to stick to an already-sold item as it travels through the market would violate the principle against restraints on alienation**. As a result, restrictions and location are irrelevant for patent exhaustion; what matters is the patentee’s decision to make a sale.”

Difference between “Repair” and “Make”

- The following 2 decisions provide good guidance on what can be considered as “repair” of the patented article (*thereby not infringing*) and what would amount to “making” of the patented article (*thereby infringing*):
 - i. Calidad Pty Ltd v Seiko Epson Corporation [2020] HCA 41
 - ii. Schutz (UK) Ltd v. Werit (UK) Ltd (Rev 1) [2013]UKSC 16

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

A bench of 7 judges in the High Court of Australia considered the following two pertinent questions in the case before it:

- (a) *“whether a patentee's rights with respect to the sale and use of a particular product should be regarded as exhausted when that product is sold or whether they continue.”*
- (b) *“Accepting that a patentee retains the exclusive right to make a product embodying the essential features of the invention, the question is whether modifications made to a product to enable its re-use amount to a making of a new product and infringe on that account.”*

Brief facts:

- Seiko, the first Respondent, manufactures and sells computer printers and printer ink cartridges under the brand name "Epson" ("the original Epson cartridges"). The original Epson cartridges embody the inventions claimed in two patents. The original Epson cartridges are manufactured and sold in a form which **permits only a single use**. When the ink in the cartridge runs out it is usually necessary to replace the cartridge. Empty original Epson cartridges are obtained by a third party, Ninestar Image (Malaysia) SDN BHD ("Ninestar"), from various sources. Ninestar makes modifications to the cartridges which enable them to be refilled and re-used (potentially on multiple occasions). The appellants (together "Calidad") acquire the modified cartridges from Ninestar and import them into Australia for the purpose of sale to the public.
- In proceedings in the Federal Court of Australia the respondents (together "Seiko") alleged that by doing so Calidad infringed the first respondent's rights as patentee. In those proceedings Seiko did not contend that any contractual conditions restricting the use to which the original Epson cartridges could be put were imposed at the time of the sale to the original purchaser.
- **The modifications done by Ninestar were as follows:** *“In order that the cartridges may be used again they must be refilled with ink. A **needle is used** to create a small hole in the side of the cartridge, replacement ink is injected through that "injection port" and the port and the outlet hole through which the ink was originally disposed are resealed using thin plastic and heat. The **information on the memory chip is modified** to indicate that the ink is not exhausted, either by rewriting the information on the memory chip or by replacing the chip with a generic memory chip. Some of the categories of cartridges were subject to **further modifications such as the removal of the "interface pattern"**, which comprises a series of protruding "ribs" on the exterior surface of the cartridge, so that the cartridge could be made compatible with other printers. **A small cut was also made to the gas membrane of some cartridges** in order to improve the gas exchange within the cartridge. And in some cartridges the integrated circuit assembly was removed and placed in another cartridge.”*