Inspire

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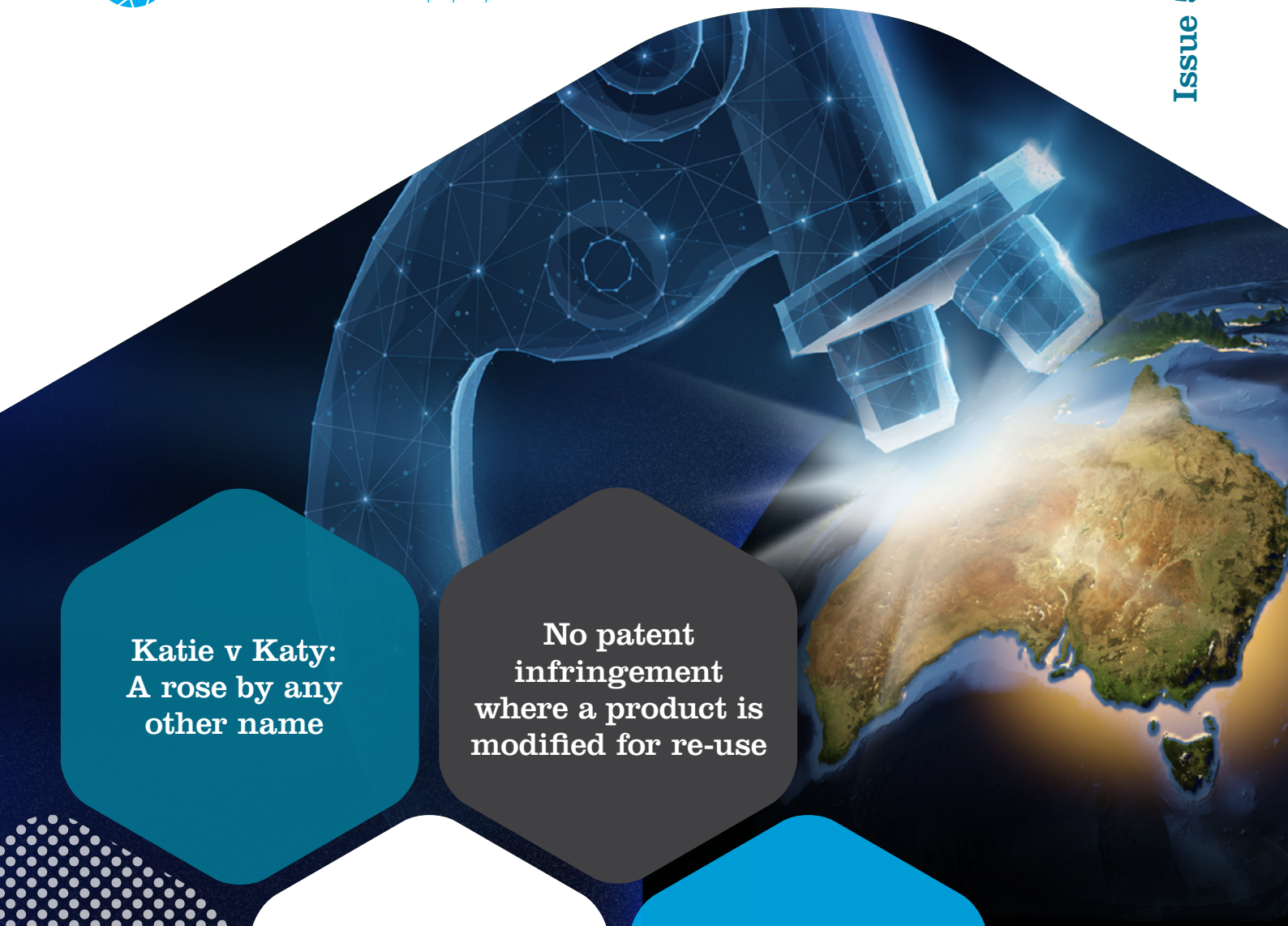
phillips ormonde fitzpatrick
intellectual property



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Welcome

In our final edition of Inspire for 2020, Magda Bramante explains how a case about recycled printer cartridges led the High Court to overturn 100 years of patent law precedent and abandon the theory of an implied license in favour of the doctrine of exhaustion of rights.

Liz Eadie of CSIRO provides us with some insights into how the organisation has been dealing with the challenges of 2020 and its vision for the future of Australian science and innovation.

Russell Waters looks at the issues which can arise when a person adopts their name as a trade mark as well as the difficulties in proving that reputation in a trade mark extends to goods or services outside a business's core activities.

Finally, Melissa Wingard highlights some pitfalls that can arise when technology makes use of biometric data and Mark Williams explores the surprising patenting prowess of rock guitarist Eddie Van Halen.

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2020: A year of transformation

2020 has been a difficult year for many, but green shoots can be seen. Reports of vaccines being available early next year are encouraging. In Australia, business confidence is returning as we shift our country's focus to efforts that support returning to work.

The global economy has been severely impacted by COVID-19. Governments around the world are now reflecting upon global supply chains, and the need to strengthen local manufacturing. The Australian Federal Government on 1 October 2020 announced a renewed focus and A$1.5 billion investment in manufacturing, in particular in the target areas of resources technology and critical minerals, food and beverages, medical products, recycling and clean energy, defence and space.

In many technology-driven companies, COVID-19 has simply accelerated existing industry trends. Whilst there has been growth in business activity in the IT, telecommunications and biotechnology sectors, many companies in the transportation and energy sectors have been hard hit.

Like many organisations, COVID-19 has changed the way we at Phillips Ormonde Fitzpatrick think about work. The first time COVID-19 became a focus for us was in early February this year. By mid-March, we had set-up a COVID-19 Response Team, and two weeks later had 100% of our people working from home. Most of us have been working remotely for eight months now with no disruption to our business activity and no drop-off in client service. Our staff have been simply amazing. Frequent and open communication, involving our staff in our decision making, and taking steps to preserve our culture and connectedness have been key to our strategy.

At the time of writing, Australia has effectively suppressed community transmission of COVID-19. The way we live and work in Australia is now rapidly moving to a new COVID normal. We are now developing a hybrid model that lets our principals and staff split their time between the home and office. This has upsides in terms of productivity, work-life balance, and mental health considerations for our people, while still providing the in-office social interaction and collaboration with workmates that is so important.

Our thoughts and best wishes go out to our colleagues and friends around the world where sadly it appears likely that COVID-19 will cause significant harm and disruption for much of 2021. We remain focused on helping to support your business goals during these difficult times, and on ensuring that we continue to have a talented team and efficient systems to deliver great outcomes for you.

We look forward to working with everyone next year and we wish you a safe festive season and a much happier 2021.

Our offices will close at 3pm (AEDT) on Thursday 24 December 2020. We will reopen with a limited number of staff on Monday 4 January prior to a full reopening on 11 January 2020.

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Katie v Katy

A rose by any other name

Trade mark owners can invest considerable effort in promoting and establishing the reputation of their brand, and so are justifiably angered if someone else comes along and starts using the same mark.

Normally, registering your trade mark means that you would have remedies against an infringing third party – but what happens when your brand is you, and your trade mark is your name?

This is the situation that has arisen for Australian fashion designer Katie Taylor, who registered her maiden name, 'Katie Perry' as an Australian trade mark in relation to clothes in 2008. Those of you familiar with the pop music scene may already know where this is going – US singer Katy Perry has started selling goods including pizza-themed pyjamas and cat-ear headbands, which are either clothes or arguably similar goods to clothes.

Katy-with-a-Y also registered her stage name 'Katy Perry' in Australia in relation to CDs, videos, downloadable content and entertainment services in 2004. Significantly, she did not register the name in relation to clothes, although there are a number of marks including the name Katy Perry in relation to perfumes. Two of these are MEOW! BY KATY PERRY and PURR BY KATY PERRY, which would tie in with the cat-ear headbands.

Katie-with-an-IE is now suing Katy-with-a-Y and an associated company Killer Queen LLC for infringement of her clothing trade mark registration. Katy-with-a-Y's lawyers have cross claimed that 'Katie Perry' is invalidly registered, because 'Katy Perry' had acquired a reputation in Australia before 'Katie Perry' was applied for. They have also argued that use of 'Katy Perry' is 'use in good faith of a person's name', and argued that this also applies to Killer Queen LLC.

The Trade Marks Act does provide a defence against infringement, stating that a person does not infringe a registered trade mark when:

(a) the person uses in good faith:

(i) the person's name or the name of the person's place of business; or

(ii) the name of a predecessor in business of the person or the name of the predecessor's place of business.

Katy Perry is the stage name of Katheryn Elizabeth Hudson, based on an abbreviation of her first name and her mother's maiden name. The defence does not normally extend to just a surname or to a business name, unless that is the name by which the person, or company, is known in the trade. The question here may be to what extent is Katy Perry known in the clothing trade. It is difficult to see how Killer Queen LLC hopes to rely upon this defence, unless they claim to be the successor in title to Katy Perry. The level of reputation of Katy Perry in Australia in 2008, and the likelihood that confusion would arise from use of 'Katie Perry' in relation to clothing will also be relevant to determining whether 'Katie Perry' can be invalidated.

This is, of course, not the first time that such issues have arisen. A few years ago, Kylie Jenner withdrew Australian applications for KYLIE COSMETICS in relation to cosmetics, and KYLIE in relation to entertainment services after a trade mark dispute with Kylie Minogue regarding rights in the name KYLIE.

Unless your name is Moon Unit Zappa, X Æ A-12, or something similarly unusual, protecting rights in a name is always going to be problematic because of the likelihood that someone else of that name will want to use it as a trade mark in relation to their own goods. The problem is compounded where the other party's goods are not related to your goods. This is the reason that the Registrar refuses to accept applications for surnames alone if they are considered 'common' in Australia. The risk is too high that a common surname will be required by another trader for similar goods.

As Australia is a 'first to use' country, you can protect the reputation of your name in relation to goods or services for which you are first to use the mark in Australia. To avoid later conflict with another person of the same name, it is recommended that you register your name for all the goods and services you are interested in. A 2004 registration of 'Katy Perry' for clothing would have blocked registration of 'Katie Perry' for the same goods in 2008. Because of the defence under the Act, earlier registration will still not prevent use of a name by another, provided the name is their own and use is in good faith, but actions may still be available under the Australian Consumer Law if the use is misleading and deceptive.

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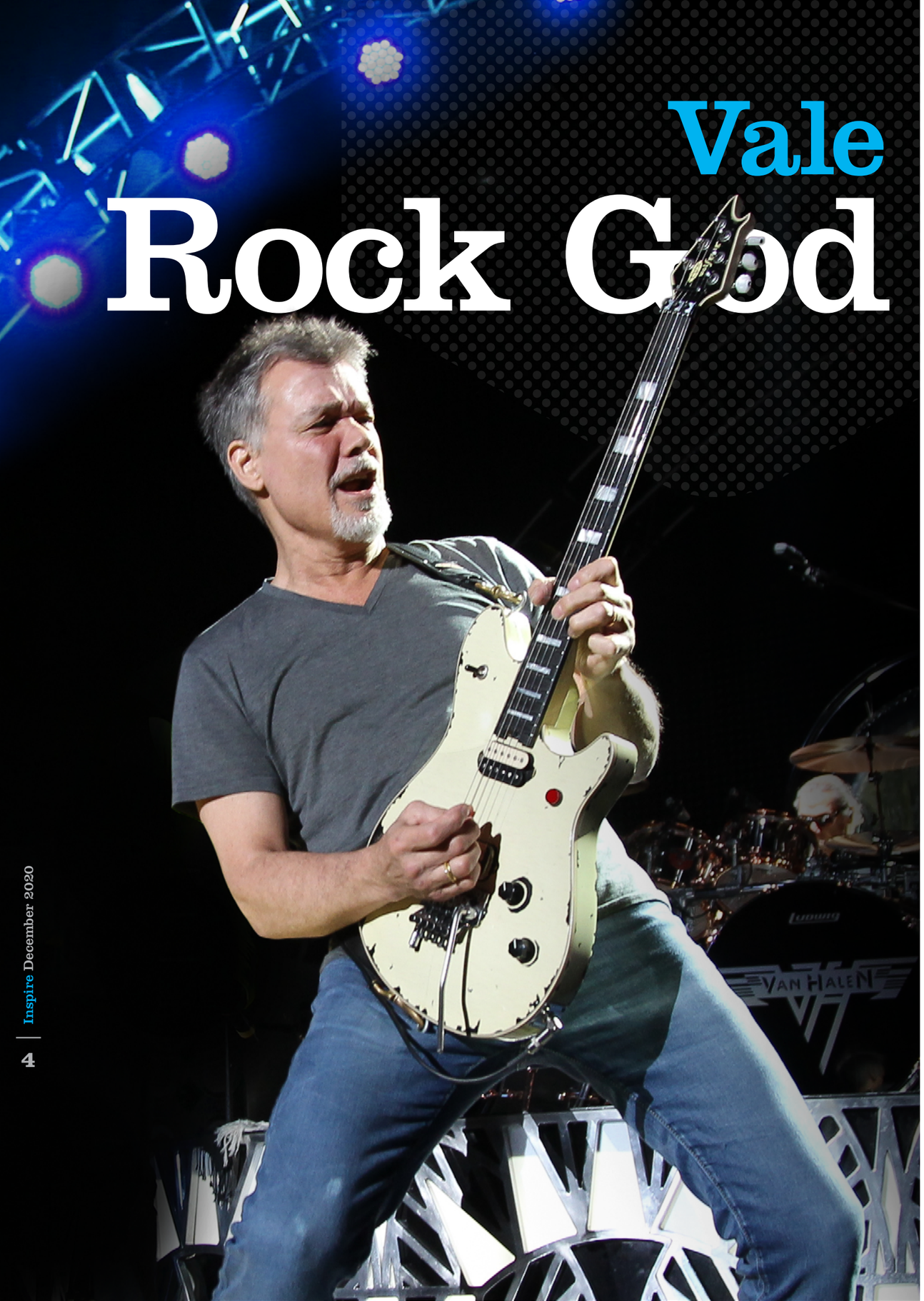
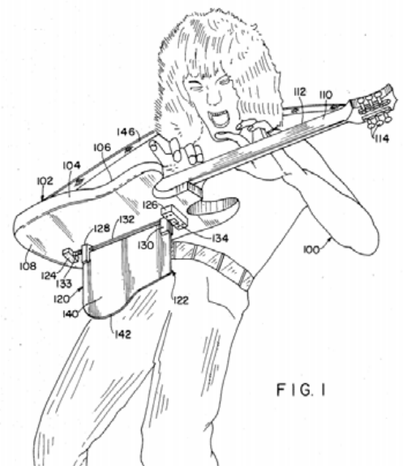


Vale Rock God

Eddie Van Halen & Inventor

In October 2020, the world mourned the passing of perhaps the greatest guitar player of all time in Eddie Van Halen. As well as being a shred machine in the band Van Halen (check out the song Eruption), Eddie was also an innovator of some note with regard to the electric guitar.

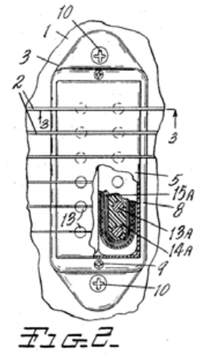
In 1987, Eddie was granted US Patent US4656917 which allowed a player to play an electric guitar perpendicular to the body while standing up. As everyone knows, the rules of rock and roll state that you cannot rock sitting down, and so this invention opened the rock guitar player up to many different techniques while playing, including a tapping technique popularised by Eddie, as can be seen in the unintentionally hilarious patent drawings.



But this was not Eddie's first foray into guitar innovation. Eddie was also the inventor on a humbucking pickup (US10115383) and a drop tuning mechanism (US7183475), and was known for building his own guitars and customising them by way of sanding down necks for faster playing, upgrading pickups, mixing up different string gauges, and making improvements to tremolo systems.

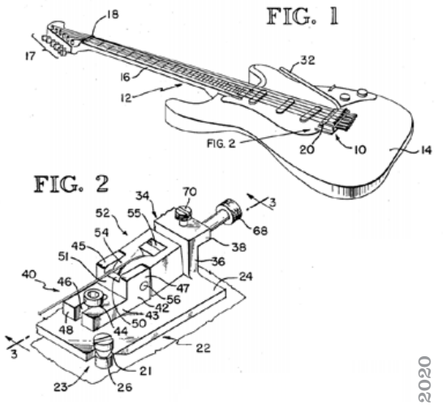
The Frankenstrat

Perhaps Eddie's most famous axe was a guitar he built himself in the early 1970s which featured a Fender Stratocaster style body and hardware. He replaced the single coil Stratocaster type pickups with what is commonly known as a Gibson PAF pickup. The acronym PAF stands for Patent Applied For, and identifies an early and sought after model of a noise cancelling – or 60 cycle humbucking – guitar pickup which was invented by Seth Lover of Gibson in 1955 (US2896491). Today, some of these early PAF pickups can cost thousands of dollars. Eddie also reportedly potted the pickup in wax to avoid unwanted squeals from the pickups at high volume.



On a subsequent version of the Frankenstrat, and another guitar he used, known as the Bumblebee for its back and yellow striped finish, Eddie replaced the patented Fender Stratocaster bridge/tremolo system (US27441146) with a Floyd Rose system, which is subject of a number of patents from inventor Floyd D. Rose.

If rock and roll folklore is to be believed, Eddie also had a hand in developing the fine tuners that appear on the Floyd Rose (US4549461A). In an early incarnation of the Floyd Rose, Eddie also famously screwed in a coin to assist with the correct operation to the bridge of the guitar.



Eddie's legacy lives on in a number of signature guitars, the D-Tuna drop D tuning system, low friction potentiometers, pickups and strings that bear his name – and a new generation of young players are still discovering him and likely playing way too many notes in quick succession.

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The Monster Strikes Back

There appears to be a strange connection between energy drinks and trade mark cases…

Frucor Beverages Limited attempted to register the colour green for their 'V' energy drink. Red Bull GmbH have opposed numerous applications for marks incorporating the words RED or BULL, the device of a bull, or even the red, blue and silver of the Red Bull can, and Monster Energy Company (MEC) are similarly protective of their MONSTER trade mark. The latest entry into this field of energy drink cases is MEC's opposition to the mark MONSTER STRIKE, filed in the name of Mixi Inc. (Mixi)[1]

Mixi publishes downloadable video games, and applied to register MONSTER STRIKE in relation to goods and services including electronic games and gaming. Although MEC did not have registrations of its own mark in relation to similar goods or services, it opposed that application on the basis that its reputation in its family of MONSTER marks was such that the use of MONSTER STRIKE by Mixi would be contrary to law – because it would be misleading or deceptive in contravention of the Australian Consumer Law – or that use by Mixi on video games and gaming would be likely to deceive or confuse in light of MEC's reputation in its MONSTER marks.

MEC produced evidence of its reputation and sales in Australia, which commenced in 2009. The word MONSTER was used in a variety of MEC's marks, including MONSTER ENERGY, MONSTER RIPPER, MONSTER ASSAULT and MONSTER KHAOS, although the latter two marks were not used in Australia before the filing date of Mixi's MONSTER STRIKE trade mark. The mark is also used with an 'M device' in which the letter M is represented by three parallel claw marks.

The evidence showed that over 78 million cans of MONSTER-branded drinks were sold in Australia between 2009 and 2013, primarily through grocery stores, convenience stores and fuel stations.

MEC argued that although it did not trade in video games or gaming, it had heavily promoted its marks to its target market (said to be young adults (primarily males) aged between 18 and 34) by associating the mark with a variety of athlete, gamer and musician endorsements and by sponsoring sporting competitions, including eSports, and music festivals. eSports are competitive video gaming events which are streamed worldwide, with competitors winning millions in cash prizes.

MEC promoted its MONSTER brand in association with these events by sponsoring eSports teams and tournaments (including MONSTER ENERGY-branded drink give-aways at gaming events held in Sydney in 2013), sponsoring games (including on-can promotions of sponsored games and by operating a number of gaming-related websites and social media pages), and through a Monster Energy Gaming Facebook page. The sponsored games also allowed MEC to use their mark 'in-game', with the mark appearing on billboards, track boarding, clothing and vehicles used and seen by player's avatars as they would be in real life. Samples of game discs showing the marks as used in-game were filed in evidence, but Justice Stewart commented that he had not played these himself, as he did not have the necessary hardware; he relied instead on the testimony of a witness who had played the games.

In the face of this evidence, Mixi conceded that at the priority date for their application, MEC was a large and well-known provider of energy drinks in Australia and that the M MONSTER ENERGY device had a reputation in Australia in relation to energy drinks. However, they submitted that this reputation did not extend beyond energy drinks, and in particular did not extend to the goods and services covered by their MONSTER STRIKE application.

The Court found that whilst there was some limited evidence that MONSTER was used by itself, for example in the phrase "MONSTER® packs a powerful punch but has a smooth flavour you can really pound down" which was printed on cans, this use was dwarfed by the M MONSTER ENERGY device mark. The prominence of the device mark meant that the evidence did not demonstrate any particular reputation in the word MONSTER alone.

The Court also found that although the M MONSTER ENERGY device was associated with a range of gaming and eSports-related products as a sponsor of such products, this was alongside many other well-known brand sponsors such as Vodafone, Samsung and Pirelli. Those seeing the M MONSTER ENERGY device in this context would have been well aware that these traders were sponsors and promoters, and not the providers or publishers of the games being sponsored.

> **"…the evidence did not establish that MEC's reputation in Australia extended to the publishing or sale of video games.**

Although MEC's marks appeared in many games, the Court found that they did so in the same way that they did in reality. There was no evidence that MEC or any other sponsor of video games published such games themselves using their trade marks, and accordingly the evidence did not establish that MEC's reputation in Australia extended to the publishing or sale of video games.

Mixi submitted evidence that there were numerous pending and registered marks including the word MONSTER that covered video games, and the Court noted that monsters were common features in video games. Reference was made to PAC MAN, but curiously not to POKÉMON, which features numerous monsters and is derived from 'Pocket Monster'. Evidence of numerous games using the word MONSTER in their title was also submitted, but was rejected because it did not show that these games existed as at the priority date.

In light of his findings, Justice Stewart held that whilst the reputation of the M MONSTER ENERGY device was established, there was no particular reputation in MONSTER per se or its other extensions. The M MONSTER ENERGY device in which reputation had been established was found to be visually and aurally distinct from MONSTER STRIKE, and the reputation did not extend to the relevant goods or services. Coupled with the existence of several other 'MONSTER' registrations for gaming related goods and services, the fact that the relevant consumers were considered to be generally brand-savvy and not gullible or easily confused, and the absence of any evidence of actual confusion, this meant that use of MONSTER STRIKE was not likely to cause deception or confusion, or to meet the higher bar of being misleading and deceptive, and accordingly the opposition failed.

Whilst oppositions can succeed where a mark has acquired a prior reputation in relation to goods or services other than those covered by the opposed application, it is not enough to establish reputation alone, even if that reputation is significant. The likelihood of confusion must also be shown and where the respective goods or services are unrelated, this can be very difficult. Mere sponsorship of relevant goods or services is not likely to create confusion as to the source of the goods; a connection between the manufacture, supply, trade channels and purposes of the goods and services is more likely to lead to a conclusion that confusion may occur.

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[1] *Monster Energy Company v Mixi INC* [2020] FCA 1398

Solving Australia's greatest challenges...

A Q+A with Liz Eadie of CSIRO, Australia's national science research agency

Liz Eadie, an Executive IP Manager at CSIRO, speaks to POF about their key areas of focus throughout 2020, the new initiatives they are working on to bolster Australia's COVID-19 recovery, how they've been impacted by the pandemic, their approach to commercialisation and more...

Q: What is CSIRO's mission statement?

At CSIRO we solve the greatest challenges through innovative science and technology. We are Australia's national science agency and innovation catalyst, collaborating to boost Australia's innovation performance.

We are one of the largest and most multidisciplinary mission-driven research organisations in the world.

Q. What new initiatives are CSIRO working on?

In August this year, we announced a new missions program to bolster Australia's COVID-19 recovery and build long-term resilience. The program of large-scale, major scientific and collaborative research initiatives will be aimed at solving some of Australia's greatest challenges, focused on outcomes that lead to positive impact, new jobs and economic growth. These challenges cannot be met by CSIRO alone, so the missions program will bring together government, universities, industry and the community.

CSIRO will direct $100 million annually to the co-creation of missions, working with the brightest minds across the research sector and industry, to help Australia. Read more about CSIRO's program of missions here.

Q. The challenges Australia has faced throughout 2020, including the pandemic and bushfires, have had a significant impact on the way people live and work. How has CSIRO responded to these challenges?

CSIRO was founded 100 years ago on a vision of science redefining our future. We are at our best when responding to big challenges. This year we have been at the forefront responding to a widespread drought, then a devastating bushfire season, followed by a global pandemic.

During last summer's extreme bushfire events, CSIRO brought more than 70 years of expertise in bushfire research to help with bushfire modelling, prediction and preparation, and monitoring recovery.

Since the emergence of the COVID-19 pandemic, we have been involved in key research in the global response to the outbreak. Our 'One Health model', launched in 2016, allowed us to respond to a new disease threat in multiple ways.

Our researchers have been studying the virus – how long it takes to develop and replicate, how it impacts the respiratory system, how the host responds and how it can be transmitted. We're also looking to understand its origins, how it may be changing and how it behaves. We're looking at questions such as what the virus is and how it spreads, and how long it can survive.

We're working on the development, testing and manufacture of a vaccine for the novel coronavirus responsible for causing COVID-19. We are also working with the research sector and industry regarding the preclinical evaluation of therapeutics, to see if they are effective against COVID-19.

We have been involved in testing the performance of advanced materials produced by local manufacturers to boost the supply of medical equipment, including face masks, which were needed in Australia's fight against COVID-19.

Our researchers, in partnership with the University of Queensland, have worked on refining a wastewater surveillance system to monitor COVID-19 prevalence through tracing fragments of the novel coronavirus gene in raw sewerage.

From advanced analytics, artificial intelligence, social media data analysis, simulation and scenario planning, we're helping government and industry partners inform decision-making.

Read more about our coronavirus and infectious disease research here.

> **"CSIRO was founded 100 years ago on a vision of science redefining our future. We are at our best when responding to big challenges.**

Q. The COVID-19 pandemic has brought science to the forefront of global discussions, do you think we will see a marked increase in the level of investment in science and technology going forward?

Today more than ever, science and technology are vital to drive Australia's recovery and build future resilience.

We welcomed measures announced under the Federal Budget for 2020-21. Over the next four years, CSIRO will receive an additional funding commitment of $459 million to address the impact COVID-19 will have on our commercial activities. This will allow us to continue to deliver critical science for the nation, and help businesses grow and create jobs through innovation.

In September our CSIRO Futures team released their report 'COVID-19: Recovery and resilience'. This report is part of a CSIRO Futures series of reports looking at how organisations can create economic value from innovation.

'COVID-19: Recovery and resilience' identifies opportunities for Australian businesses to leverage science and technology, drive economic recovery and resilience, and realise positive economic impacts starting now. The report focusses on six sectors that realise significant economic value from science and technology are the focus of this report - agriculture and food, energy, health, mineral resources, digital, and manufacturing sectors.

The second report in the series 'Value of science and technology' explores opportunities for Australia to overcome innovation challenges and realise greater value from innovation investments. The third and final report in the series 'Thriving through innovation: Lessons from the top' reveals the innovation characteristics that top-performing ASX-listed companies share – and they're principles that any business in any sector can embrace to drive performance.

Q. What are the key commercialisation successes based on CSIRO generated IP?

Managing and protecting CSIRO's IP is important for the path to impact for a significant proportion of our research, and for the translation of our research into a commercial product. For example, the IP for v2food played a role in the product's success in a competitive market. The IP strategy was designed to protect the product from being copied. v2food's first product, a burger patty, was launched as the Rebel Whopper in more than 440 Hungry Jacks stores around Australia in October 2019.

One technology success that I am proud to have been involved with is Chrysos Corporation's PhotonAssay which spun out of CSIRO and recently received the KCA Award for Best Research Commercialisation. PhotonAssay accurately X-rays ore to see how much gold is contained. This increases gold recovery by 1-3%, worth $2 billion a year.

As an applied research organisation with a focus on industry and commercially applicable technology, intellectual property is a strategic focus for CSIRO. At the end of June 2020, we had 675 active patent families, 320 trademark families and 82 plant breeder's right families.

Q. What are biggest wins CSIRO has had from IP?

Quality patents and other IP rights continue to yield significant returns. Our biggest win is of course WLAN. In the last five years alone, IP has directly underwritten $45 million of revenue from WLAN, $22 million in new equity positions, plus more than $158 million in cash royalties and fees from other technologies.

Q. What is your approach to commercialisation?

In addition to the traditional model of licensing our technology to third party companies, we consider alternative commercialisation pathways to achieve the best impact for a technology.

For example, we can take an ownership stake in companies that use our technology or research. We spin-out new, high-technology SMEs, where we recognise the value of a technology and bring together commercialisation resources, management teams and investors to create and support entirely new companies that create new jobs and value for industry.

We also make our research and development capabilities or IP available to early-stage companies with limited resources. In these situations, we can assign our IP to the new company in exchange for an ownership stake or take shares in a company as payment for our IP and services. These arrangements can help a start-up company preserve their cash resources, which increases the likelihood that the company will successfully reach its goals and objectives.

Biometric Data and Privacy

As the Covid-19 pandemic has swept across the world, organisations have increasingly looked to new, contactless technology utilising Biometric data. This has raised questions of privacy.

Biometric data is a powerful tool for identification which enables much of our modern contactless technology. This technology is underpinning the careful balancing act that is sustainably managing the ongoing health risks posed by COVID-19, and the reopening of economies. However, the question is how to manage this increased use of biometric data with compliance to privacy laws when contracting third party providers, particularly cloud data providers.

What is biometric data?

The most obvious thing that springs to mind when someone mentions biometric data is facial recognition, finger print scanners, or even retina scanners (if you are a Mission Impossible fan from back in the days before Tom Cruise was known for jumping on couches).

According to the Biometrics Institute, biometric recognition is the "automated recognition of individuals based on their biological and behavioral characteristics" and a biometric characteristic or "biometric" is the "biological and behavioral characteristic of an individual from which distinguishing, repeatable biometric features can be extracted for the purpose of biometric recognition"[1]

In short, biometric data is you and your intrinsic properties. It is inherently identifiable and unable to be anonymised, making it possible for artificial intelligence (AI) to recognise you from things that you never even knew were unique. In addition to facial recognition and finger prints, it includes:

- the way you walk;
- the way you type;
- the shape of your ear;
- vein recognition;
- your DNA; and
- the way that you smell.

> **"Biometric data is sensitive information. It's sensitive, in part, because it is our inherently identifiable information, and because it largely requires us to present ourselves.**

It is worth keeping in mind that it is not possible to safely and securely de-identify biometric data. With the available computing power, AI and complex algorithms, merely stripping personal information from the data will not be sufficient to de-identify any biometric data. Often, the use of big data for data analytics is on the basis that the data has been de-identified. Organisations should not rely on this method for biometric data.

Why is biometric data important to protect?

Biometric data is sensitive information. It's sensitive, in part, because it is our inherently identifiable information, and because it largely requires us to present ourselves. It is important to understand within contractual relationships who is responsible for what elements of the collection, use, storage, disclosure and destruction of biometric data in compliance with the applicable and relevant privacy standards and laws. Finding out the allocation of responsibility after the data has been hacked, is not the recommended course of action!

When dealing with biometric data, greater security standards must be implemented. Unlike passwords and email addresses, once biometric data is disclosed there is no going back. You only have a limited number of features (ten fingers, one face, two eyes!) none on which can be changed as easily as a password. Any enhanced security standards must flow through to your contracts with third party suppliers.

Cloud hosting & Privacy & Biometric Data – What should the contract say?

Cloud hosting provides greater processing power and the storage capacity necessary when using biometric data. So, what do you need to think about for those all-important information security and privacy clauses?

At the outset, the contract must be certain on who is responsible for the collection, use, storage and disclosure of biometric data. Along with:

- Is the biometric data stored in Australia? How, when and where can the cloud provider transfer the biometric data? Offshore disclosure is fraught with danger - it requires actual consent from the owner of the biometric data, and consideration must be given to the applicable privacy and data protection laws.
- Confirmation the party complies with all applicable privacy and data protection laws. Associated indemnities should be sought for any loss or damage arising for breach including for any penalties imposed by any Information Commissioner.
- The information security standards to be applied e.g. ISO27001, ACSC's Essential Eight, Information Technology Library (ITIL). Be aware of what these standards require, not all standards are created equal. Comply does not equal certify. Know what you are asking for.
- The controls and procedures around access to the biometric data, including circumstances in which the cloud provider may need to use the biometric data.
- What happens in the event of a breach, whether that be an innocent disclosure, or the cloud provider being hacked.

Any time you are dealing with data, be it personal information, biometric or not, you should know and understand the type and nature of the data being collected, what laws apply to such data, and ensure that your contracts with any third parties adequately represent and address the risk and liability of such.

Managing the contracts that deal with technology can be challenging and requires knowledge of both the law and technology. Should you have any particular concerns about your technology contracts, please contact us to see how we can help you navigate this complex world.

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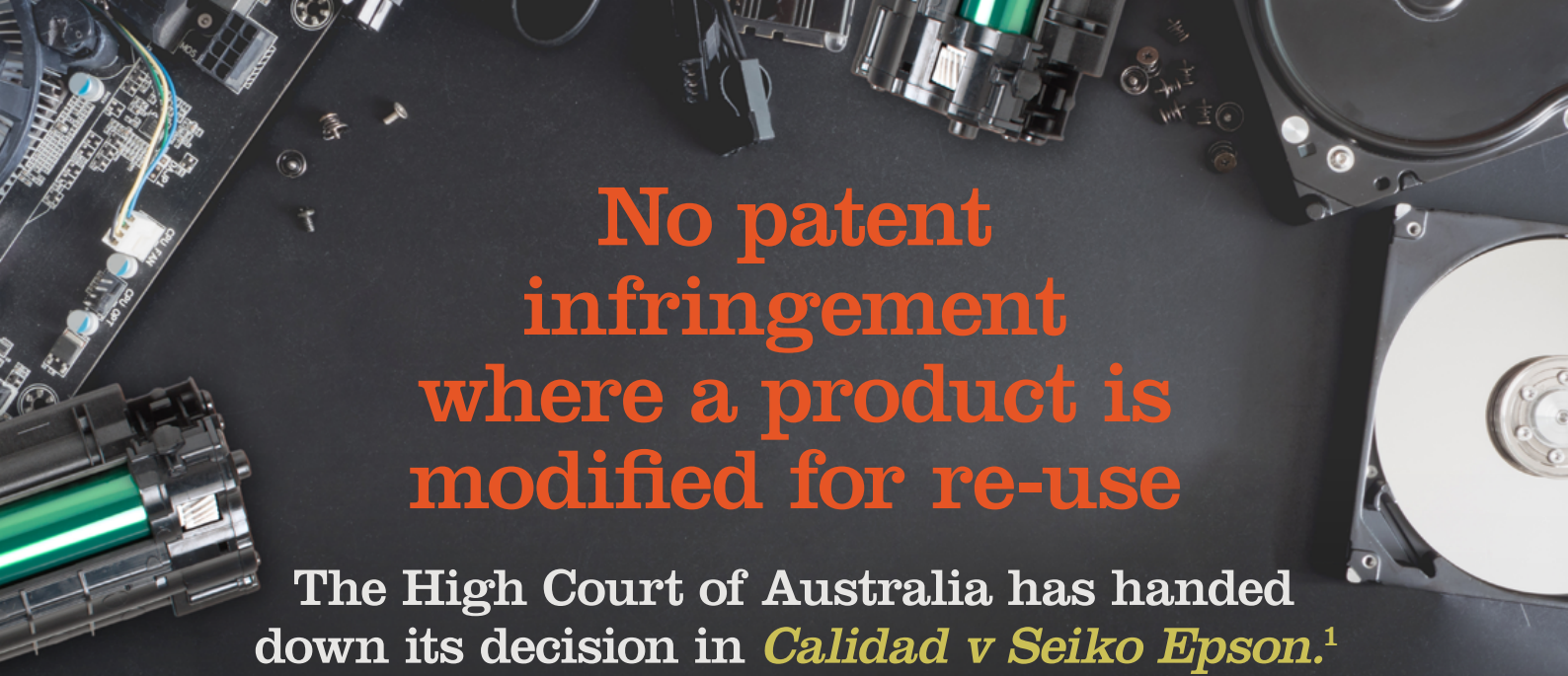
[1] *Biometrics Institute "What is Biometrics?" https://www.biometricsinstitute.org/what-is-biometrics/*



No patent infringement where a product is modified for re-use

The High Court of Australia has handed down its decision in *Calidad v Seiko Epson.*[1]

The case involved whether modifications made to certain patented products to enable their re-use amounted to the making of a new product and infringed patent rights. The majority of the High Court found that the patentee was unable to stop purchasers of its patented products from modifying the products and re-selling them.

The patentee, Seiko Epson Corporation, owns two patents relating to Epson branded printer cartridges. The Epson cartridges were designed for single use. Ninestar Image (Malaysia) SDN BHD, a third party to the proceedings, purchased discarded used Epson printer cartridges from third party suppliers who acquired them from recycling facilities and other sources. Ninestar reconditioned the used cartridges so that they were suitable for resale as generic, recycled replacement cartridges. The work involved in reconditioning the cartridges included refilling the cartridges with ink, and reconfiguring or rewriting the information on the memory chip of the cartridge, or replacing the memory chip with another. The appellants in this case (Calidad) acquired the modified cartridges from Ninestar and imported them into Australia for sale.

The High Court considered whether the modifications made to the Epson printer cartridges to enable their re-use amounted to the making of a new product and infringed Seiko Epson Corporation's patent rights.

The application of the 'implied licence' doctrine has been the approach taken in these circumstances in Australia for over 100 years. This doctrine provides that where patented goods are obtained without restriction on their sale or use, the purchaser of the goods has ordinary rights of ownership because the law implies a full licence to use those goods. Seiko Epson Corporation alleged that Calidad infringed the patents because the modifications made to the original Epson cartridges were such as to extinguish any implied licence.

Seiko Epson Corporation was successful before the Full Federal Court, which found that the modifications made to the original Epson cartridges were not authorised by any implied licence. The Full Court was of the view that the modifications to the original Epson cartridges constituted a making of a new embodiment of the invention claimed in the patents, and thus the sale of those modified cartridges was a patent infringement.

Calidad appealed to the High Court, where that decision was overturned. The majority of the High Court was critical of the implied licence doctrine and instead endorsed the 'exhaustion of rights' principle, which is the applicable law in the United States and Europe. Under the exhaustion principle, the patentee's rights are exhausted after the first sale of the product.

The majority of the High Court also found that the modifications to the original Epson cartridges did not amount to an impermissible making of a new product, and that the refilled and restored cartridges were merely modified versions of the products sold by Seiko Epson Corporation. Such modifications were found to be within the scope of the rights of the owner of the cartridges to prolong their life and make them more useful, and were thus not an infringement of the patents.

As a consequence of this decision, Patentees will no longer be able to enforce post sale limitations on the use of products relying on retained patent rights but may still be able to impose such limitations via contractual restrictions.

[1] *Calidad Pty Ltd & Ors v Seiko Epson Corporation & Anor* [2020] HCA 41

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