

# The Limited Monopoly™

## Remanufacturing a Patented Product: Does “Make” Include “Remake?”

by John Hammond PE and Robert Gunderman PE

### The Patent Statutes with Teeth.

Federal statutes 35 U.S.C. §154 and 35 U.S.C. §271 provide much of the teeth in our patent laws. They define the property right of a patent grant, and patent infringement, respectively. §154 states, “Every patent shall contain... a grant to the patentee... of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States...” §271 states, “Whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”

### The Four R's

For a patented product that is an apparatus or article, the term “making” in the statute is interpreted as including “manufacturing.” But what about Remanufacturing? With the growing emphasis on “Reduce-Reuse-Recycle,” the opportunities for remanufacturing a product, rather than scrapping it or turning it in for dismantlement and bulk recycling, continue to grow. Additionally, there are many products for which remanufacturing is cost-effective and highly profitable, in addition to being environmentally responsible.

### A Range of Possibilities

A product may become unsuitable for continued use in many ways. In the simplest instance, the product may only need basic repairs and maintenance to be placed back in service. For example, an appliance shop that does repairs and service on a patented vacuum cleaner is not “making” the vacuum cleaner or infringing any patents on it.

However, other circumstances are not so simple. Remanufacturing in many industries, such as medical, automotive, and electronic equipment is big business. The processes involved are often complex and involve substantial overhauls of the respective products, thus blurring the line between repair and manufacturing.

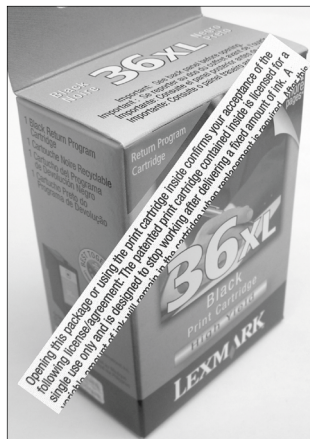
One area that has been hotly contested in litigation is in office equipment that includes consumables, such as toner and ink cartridges. It is well known that most printer OEMs have a “razor and blades” business model: sell the printer cheap, and make money on the supplies. In response to the opportunity, many supplies remanufacturing businesses have sprung up, which offer refilled ink and toner cartridges priced well below the OEM offerings. The OEMs have responded with patent infringement lawsuits, as well as attempts in some instances<sup>1</sup> to limit their patented supplies cartridges to “single use,” using features such as chips and embedded software to attempt to enforce single use with the end consumer. The remanufacturers have countered by reverse engineering the chips and software, sparking yet more litigation.

*“At what point does the refurbishment of a patented product go beyond basic repair, and become subject to assertion of a patent?”*

### The Question

So, at what point does the refurbishment of a patented product go beyond basic repair and maintenance, and become so extensive as to be within the term “making” recited in the statutes?

One applicable principle is the doctrine of patent exhaustion<sup>2</sup>, which holds that the first unrestricted sale of a patented product exhausts the patent owner's right to further control the particular item. Thus it would seem that the buyer of the product would have the right to repair and refurbish the item, or transfer it to a third party to do so.



A 1961 Supreme Court ruling<sup>3</sup> to this effect held that no element of a claimed combination that in itself is not separately patented is entitled to patent monopoly, regardless of how essential the element is to the device; and that the purchase of the patented device confers a license for use that includes the right to preserve its fitness for use to the extent that it may be affected by wear or breakage. In summary, the Court found that “maintenance of the ‘use of the whole’ of the patented combination through replacement of a spent, unpatented element does not constitute reconstruction” and is not an infringement.

However, it has been found that if a remanufacturer remakes an entire claimed invention, it is considered a reconstruction and is an infringement. For a given remanufacturing operation, whether an “entire” invention is being remade depends upon the scope of the claims, and is thus subject to interpretation of them. To circumvent that uncertainty, patentees sometimes offer their products with conditional sales, such as marking a product “single use only.”

In a 1992 case<sup>4</sup> involving a medical device sold as such, the Court of Appeals for the Federal Circuit held that a patent owner could sell a patented product with a restrictive notice

which limited the disposition of the product by the purchaser. Under this ruling, a patentee may sell its patented product with a notice that proscribes repair of the product and/or parts replacement; or modification or enhancement of the product.

In a more recent Supreme Court ruling<sup>5</sup> in *Quanta Computer v. LG Electronics*, the doctrine of patent exhaustion was reaffirmed. Although this case did not involve the remanufacturing of a patented product, it has already been applied in a ruling<sup>6</sup> in federal District Court involving toner cartridge remanufacturer Static Control Components Inc., and the cartridge OEM, Lexmark International, Inc. In the sale of its toner cartridges, Lexmark had relied on “shrink wrap” licenses, and restrictive notices accompanying the cartridges as a means to prohibit refilling them. The Court applied the decision in *Quanta* in finding in favor of SCC, and Lexmark was therefore unsuccessful in asserting its cartridge patents against SCC.

### A Moving Target

Thus it appears that case law regarding the remanufacturing of patented products will continue to evolve as the practice becomes even more prevalent. If you are in the remanufacturing business, you should be aware of the patent landscape for the products you are refurbishing, and seek qualified legal advice. Also, keep in mind that if you invent a new apparatus and/or method for remanufacturing a product, those may be valuable patentable inventions as well.

1. See, for example, [http://en.wikipedia.org/wiki/Lexmark\\_Int'l\\_v.\\_Static\\_Control\\_Components](http://en.wikipedia.org/wiki/Lexmark_Int'l_v._Static_Control_Components)
2. *Bloomer v. McQuewan* 55 U.S. (14 How.) 539, 549 (1853; and numerous more recent cases.
3. *Aro Mfg. Co. v. Convertible Top Replacement*, 365 U.S. 336, 5 L.Ed.2d 592, 81 S.Ct. 599, 128 USPQ 354 (1961).
4. *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992).
5. *Quanta Computer, Inc. v. LG Elecs., Inc.*, 128 S. Ct. 2109 (2008).
6. *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, E.D. Ky. Mar. 31, 2009.

Authors John M. Hammond P.E. (Patent Innovations, LLC [www.patent-innovations.com](http://www.patent-innovations.com)) and Robert D. Gunderman P.E. (Patent Technologies, LLC [www.patenttechnologies.com](http://www.patenttechnologies.com)) are both registered patent agents and licensed professional engineers. They offer several courses that qualify for PDH credits. More information can be found at [www.patenteducation.com](http://www.patenteducation.com). Copyright 2009 John Hammond and Robert Gunderman, Jr.



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