

BETWEEN:

**CALIDAD PTY LTD**  
ACN 002 758 312 First Appellant

**CALIDAD HOLDINGS PTY LTD**  
ACN 002 105 562 Second Appellant

**CALIDAD DISTRIBUTORS PTY LTD**  
ACN 060 504 234 Third Appellant

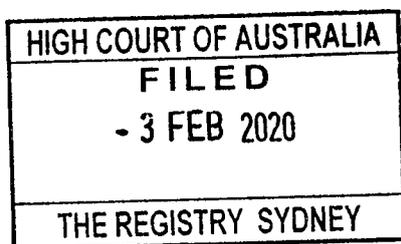
**BUSHTA TRUST REG**  
Fourth Appellant

- and -

**SEIKO EPSON CORPORATION**  
First Respondent

**EPSON AUSTRALIA PTY LTD**  
ACN 002 625 783 Second Respondent

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### RESPONDENTS' SUBMISSIONS

#### Part I: Certification

- 20 1. I certify that this submission is in a form suitable for publication on the internet.

#### Part II: Concise Statement of Issues

2. The issue of general importance raised by this appeal is whether this Court should overrule *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15 (*Menck 1911*) and hold that a US-style doctrine of exhaustion of patent rights, as re-affirmed by the US Supreme Court (USSC) in *Impression Products, Inc. v Lexmark International, Inc.* 137 S. Ct. 1523 (2017), applies in Australia under the *Patents Act 1990* (Cth) (the *Act*).
3. The Respondents' (**Seiko's**) position is that *Menck 1911*, and the implied licence doctrine it accepted as well established, has been accepted for many years in both

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England and Australia and continues to apply under the *Act*. The language of the statute is antithetical to an exhaustion of rights theory and there is no good policy reason to consider adopting such a theory. The analysis of the majority in *National Phonograph Co of Australia Ltd v Menck* (1908) 7 CLR 481 (**Menck 1908**) is not sound, and was correctly overruled in *Menck 1911*.

4. Furthermore, the issue of whether or not the doctrine of exhaustion applies under the *Act* makes no difference to the resolution of the present case.<sup>1</sup>

5. This is because: (1) as the Full Court unanimously found, each of the nine categories of modifications of Seiko’s cartridges involved making a new patented product; and  
10 (2) as Calidad accepts,<sup>2</sup> neither the exhaustion nor the implied licence doctrine confer upon a purchaser a right to make, or otherwise exploit, a new patented product. As Jagot J observed in the Full Court’s reasons (FCJ) at [164] (AB 227):

*“Nor could the doctrine of exhaustion of patent rights result in the loss of the right to prevent the making of new embodiments of the invention, whether or not the new embodiment involved starting from scratch or re-using and modifying parts of the patented product as sold.”*

6. The US exhaustion doctrine does not permit the making (also called reconstruction) of the patented article: see *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (**Aro I**) at 343, where the USSC majority approved the  
20 following principle: “The [patent] monopolist cannot prevent those to whom he sells from ... reconditioning articles worn by use, unless they in fact make a new article.”<sup>3</sup> There can be no pre-emptive exhaustion of patent rights in relation to a new product. This remains the law in the US post-*Lexmark*.<sup>4</sup>

7. AS 33 refers to *Lexmark*. In *Lexmark*, the patentee *did not argue* that the alleged infringer had engaged in reconstruction or made a new patented product. As the Federal Circuit Court stated, citing *Aro I*, “*Lexmark* has not argued to us that the chip

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<sup>1</sup> The Appellants (**Calidad**) acknowledge this in their submissions (**AS**), stating at AS 24 that “whether the correct analysis is one of exhaustion or implied licence, ... the primary judge ... and the Full Court erred”.

<sup>2</sup> See, e.g., AS 32, 38-41, 63.

<sup>3</sup> Quoting Judge Learned Hand in *United States v Aluminum Co. of America*, 148 F.2d 416 (C. A. 2d Cir.) at 425. Similarly, the dissent stated at 369: “The underlying rationale of the rule is of course that the owner’s license to use the device carries with it an implied license to keep it fit for the use which it was intended, but not to duplicate the invention itself.”

<sup>4</sup> This has been confirmed by subsequent US authority: *Varex Imaging Corp. v Richardson Elecs., Ltd.*, No. WL 4034662 (N.D. Ill. Aug. 27, 2019) at \*2-\*6; *Automotive Body Parts Association v Ford Global Technologies LLC.*, 930 F.3d 1314 (2019) at 1323-4.

replacement and ink replenishment result in new articles, which would be outside the scope of the exhaustion doctrine.”<sup>5</sup> The USSC did not comment on this statement.

8. In any event, *Menck 1911* and the implied licence doctrine continue to apply under the *Act*. That is confirmed, inter alia, by the *Act* and its extrinsic materials. There is no basis in the *Act*, or otherwise, for this Court to overrule *Menck 1911*. Thus, if the question warranting the grant and maintenance of special leave is whether this Court should consider an exhaustion theory, it is readily answered in the negative.
9. The second issue raised by this appeal is whether each of the nine different forms of work done to the cartridges imported and sold by Calidad were beyond the scope of the implied licence and/or constituted the making of a new patented product. Calidad invites this Court to revisit the Full Court’s findings and make its own evaluative judgments for each of the nine forms of work undertaken. Despite Calidad’s attempts to suggest otherwise in AS 3(c), 24, 40, 50-56 and 59-65, this issue does not raise any matter of general principle: see paragraphs 59 to 79 below.
10. Whether conduct is beyond the scope of an implied licence or a new product is made involves “matters of judgment on which reasonable minds may well differ”, and is a question of fact and degree.<sup>6</sup> AS 14-15 and 40 emphasises *small holes, small pieces* of information and *slightly more involved* modifications. This Court is not concerned with questions of this kind,<sup>7</sup> nor whether it would arrive at a different conclusion in the absence of any errors of law or fact because it would have weighed matters differently.<sup>8</sup> The issue does not permit the laying down of any bright-line test, as recognised repeatedly by Courts in the UK and the US.<sup>9</sup>
11. In any event, as each member of the Full Court held, the correct conclusion is that Calidad’s importation and sale of the cartridges the subject of each of the nine forms

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<sup>5</sup> *Lexmark International, Inc. v Impression Prods., Inc.* 816 F.3d 721 (Fed. Cir. 2016) at 728, fn 2.

<sup>6</sup> FCJ: Jagot J - [166], [167], [175] (AB 228, 231, 232); Yates J - [284] (AB 258); *Solar Thompson Engineering Co Ltd v Barton* [1977] RPC 537 at 554-5 and *Schütz (UK) Ltd v Werit (UK) Ltd* [2013] RPC 16 at [57], quoted by Jagot J at FCJ [155] and [163] respectively (AB 224, 225 and 227).

<sup>7</sup> See, e.g., *UBS AG v Tyne* (2018) 360 ALR 184 at [112] per Nettle and Edelman JJ, citing *Walton v Gardiner* (1993) 177 CLR 378 at 390-391 per Mason CJ, Deane and Dawson JJ.

<sup>8</sup> “When no error of law or mistake of fact is present, to arrive at a different conclusion which does not of itself justify reversal can be due to little else but a difference of view as to weight: it follows that disagreement only on matters of weight by no means necessarily justifies a reversal...”: *Gronow v Gronow* (1979) 144 CLR 513 at 519 per Stephen J.

<sup>9</sup> See, e.g., *Aro I* at 345; *Sandvik Aktiebolag v EJ Company*, 121 F.3d 669 at 673 (Fed. Cir. 1997) at 674, *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094, 1106 (Fed. Cir. 2001) and *Goodyear Shoe Machinery Co. v. Jackson*, 112 F. 146, 150 (1<sup>st</sup> Cir. 1901). In relation to UK Courts, see. e.g., fn 6, above.

of modification constituted patent infringement because they were new products. The cartridges were not broken or in need of repair; they had functioned in the manner intended upon sale and purchase and, on that basis, had been “discarded” by the initial purchaser. Rather than use its own raw materials, Calidad repurposed the discarded cartridges, yet had them function in a way that possessed each of the integers of the patent claim. Calidad obtained the benefit of Seiko’s invention.

12. It is not in dispute that the cartridges later sold by Calidad as “remanufactured” Calidad products were not the cartridges sold by Seiko. Moreover, each form of modification involved integers of the patent claim. Calidad punctured a hole in the cartridge, filled it with ink and sealed the hole. This involved making a new “printing material container”, the first integer of the claim, “as unless and until the new seals were applied, the purported container could not contain printing ink”. Further, physical modifications (including reprogramming) were made to the “memory driven by a voltage”, the second integer: see paragraph 25 below. As a result, there is no basis for this Court to interfere with the Full Court’s conclusions.

**Part III: Section 78B Notices**

13. A notice under s 78B of the *Judiciary Act 1903* (Cth) is not required.

**Part IV: Material Facts**

14. Calidad’s summary of the factual background in AS is to be supplemented by the following key factual findings in the FCJ and the primary judge’s reasons (PJ).
15. Seiko sells or authorises the sale, ultimately to consumers, of Epson ink cartridges for use in Epson computer printers. The cartridges’ memory chips record whether or not the cartridge is “used” (that is, that it no longer has any ink); if so, when inserted into a compatible printer, the printer will not work because that information is conveyed from the memory chip to the printer.<sup>10</sup>
16. The Epson cartridges embody the invention in claim 1 of each of Seiko’s Australian Patent Nos 2009233643 (**643 Patent**) and 2013219239. Claim 1 of the 643 Patent is set out at, e.g., FCJ [26] (AB 179, 180). It is a combination claim divided into 11 integers, comprising “a printing material container adapted to be attached to a

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<sup>10</sup> FCJ: Greenwood J - [53] (AB 187, 188); Jagot J - [116] and [166] (AB 202, 228); Yates J - [278] (AB 257); PJ [68] (AB 32).

printing apparatus” (integer 1), a “memory driven by a memory driving voltage” (integer 2), an electronic device (integer 3), a plurality of terminals (integer 4) and the layout of those terminals (integers 5-11). Neither the Full Court nor the primary judge made findings as to the “inventive concept” of the claimed invention.

17. The Full Court made findings as to the construction of some of the integers. Jagot J found: (1) as to integer 1, “on a practical approach to the construction of the claim, a container containing two unsealed holes is not a printing material container as it is incapable of containing ink”;<sup>11</sup> (2) contrary to AS 63, integer 2 involved more than “the mere physical existence of the memory chip” and that the “fact that the chip has information on it which is able to be changed (driven by) the memory driving voltage is an essential part of the claimed invention”.<sup>12</sup> Contrary to AS 11 and 40 (concerning the data on the chip) and 62, Greenwood J adopted Jagot J’s analysis.<sup>13</sup>
18. The cartridges were supplied by Seiko and bought by the initial purchaser as “single use only” (as opposed to re-usable) cartridges; their “useful life” was only until the ink was exhausted, at which point their intended utility was “spent”. The cartridge had “reached the end of its intended life as a printer cartridge”; it had “worked precisely as it was designed to work”.<sup>14</sup>
19. At that point, it was “discarded” by the initial purchaser (contrary to the suggestion in AS 7).<sup>15</sup> The initial purchaser did not seek to repair the used Epson cartridge.<sup>16</sup> Rather, the purchaser knew that the cartridges could not be re-used in the form in which they were purchased, would not have contemplated re-purposing the used cartridges and would not have had the expertise to do so.<sup>17</sup>
20. Rather than make its own cartridges compatible with Epson printers from scratch, Ninestar, a non-party to the proceedings, obtains the discarded Epson cartridges (that is, Seiko’s materials), *modifies* them in various ways and sells them as Calidad cartridges, promoting them as “remanufactured Epson cartridges”.<sup>18</sup> They “are not

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<sup>11</sup> FCJ [180] (AB 223), see also [166] (AB 228).

<sup>12</sup> See FCJ [172] (AB 230). Yates J disagreed as to integer 2: FCJ [216]-[218] (AB 243, 244).

<sup>13</sup> FCJ [75], [85]-[87] (AB 192, 194, 195).

<sup>14</sup> FCJ: Greenwood J - [54], [85] (AB 188, 194); Jagot J - [176], [180] (AB 232, 233); Yates J - [281], [282], [290] (AB 257-259).

<sup>15</sup> FCJ: Greenwood J - [20] (AB 177, 178); Jagot J - [88], [169] (AB 196, 229); Yates J - [185], [280] (AB 236, 257); PJ [3], [64], [113] (AB 15, 31, 32, 46).

<sup>16</sup> FCJ [276], [280] per Yates J (AB 256, 257); PJ [75] (AB 35).

<sup>17</sup> FCJ [168], [174], [175] per Jagot J (AB 229, 231-232).

<sup>18</sup> FCJ [21] per Greenwood J (AB 178); PJ [71] (AB 33).

the kind of steps which could have been within the contemplation of a purchaser of an original Epson cartridge”.<sup>19</sup>

21. FCJ [117] (AB 202-3) sets out nine different combinations of modification, categories 1-7, A and B, “reflecting particular work performed so as to create a category of Calidad product”. (Contrary to AS 3(b), 32, 37-39 and 61-63, the Courts below used “modification” as a neutral term without legal significance.<sup>20</sup>) The Full Court and primary judge made factual findings based on each of the nine categories of modifications. Calidad, in effect, asks this Court to engage in a “deep dive into the facts” for each of those nine categories: c.f. *Varex* at \*5.
- 10 22. Of relevance to integer 1, for each category, Ninestar: **(1)** creates an outlet hole and an inlet hole in each used Epson cartridge (also referred to as an “injection port”). The outlet hole is prepared by removing the original seal covering an existing hole, which seal was broken when the original Epson cartridge was first used. The inlet hole is created by piercing the cartridge with a needle. It was not present in the original Epson cartridge; **(2)** injects replacement ink via the inlet hole, while drawing air out of the outlet hole using a vacuum; and **(3)** seals the inlet hole and outlet hole by placing pieces of thin clear plastic over each hole and applying force and heat.<sup>21</sup>
- 20 23. Of relevance to integer 2, Ninestar uses equipment: **(1)** in category 1 (and some in category A), to “rewrite” the used Epson cartridges’ memory chips; **(2)** in categories 2 and 3 (and some in category A), to “reprogram” the used Epson cartridges’ memory chips, which involves making “microscopic physical changes” to them.<sup>22</sup> For the other categories, Ninestar makes further physical changes – it replaces the memory chip and/or cuts the original Epson cartridges’ interface pattern.<sup>23</sup>
24. Calidad did not alter any of the cartridges in a manner that would make the final product non-infringing – for example, by altering the terminal layout.

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<sup>19</sup> FCJ: Greenwood J - [23] (AB 178-179); Jagot J - [175] (AB 231).

<sup>20</sup> FCJ: Greenwood J - [85] (AB 194); Jagot J - [91] (AB 196); Yates J - [276], [294] (AB 256, 261). See *Jazz Photo Corp v International Trade Commission* 264 F.3d 1094 (2001) at 1098 fn 1: “We use ‘refurbish’ as a convenient neutral term without legal significance, intended to connote neither ‘repair’ nor ‘reconstruction’ of the used cameras.”

<sup>21</sup> FCJ: Jagot J - [119] (AB 203-9); Yates J - [224], [226] (AB 245); PJ [56], [224], [228], [229] (AB 28, 29, 72, 73).

<sup>22</sup> FCJ: Jagot J - [119], [173] (AB 203-209, 230-1), adopted by Greenwood J at [87] (AB 195); Yates J - [228], [231], [234] (AB 246-247); PJ [231]-[233], [241], [249], [253], [262], [263] (AB 74-8, 80).

<sup>23</sup> FCJ: Jagot J [119] (AB 203-209, 230-1), adopted by Greenwood J at [87] (AB 195); Yates J - [239], [240], [242]-[244] (AB 248-249); PJ [271], [272], [279], [284], [288] (AB 81-84).

25. Each member of the Full Court found that each form of modification went beyond the scope of the implied licence *and* involved making a new article within the scope of the claim.<sup>24</sup> Jagot J found, as to: (1) integer 1, “at the moment the new hole was created, there was no longer an essential integer of the claimed invention, a “printing material container”, as unless and until the new seals were applied, the purported container could not contain printing ink”; and (2) integer 2, “the memory driven by the memory driving voltage is changed in a fundamental way”.<sup>25</sup>
26. Adopting the content of the modifications described by Jagot J, Greenwood J found that there had been a “sequence of modifications so as to bring into existence a new article of manufacture” the subject of claim 1.<sup>26</sup> Yates J found that the Calidad products were “in substance, different articles to those which Seiko had put into the market” and that “the modifications amounted to remanufacture of the discarded original Epson cartridges”.<sup>27</sup> Each of Jagot J and Yates J also expressly found that the modifications did not constitute the repair of the original article.<sup>28</sup>

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## **Part V: Argument**

### **The first issue**

#### Does the doctrine of exhaustion of patent rights apply in Australia under the *Act*?

27. As noted in paragraphs 4 and 5 above, this issue makes no difference to the outcome of this case. In any event, Seiko addresses it below.
- 20 28. As a preliminary matter, it is helpful to delineate the difference between the implied licence and exhaustion doctrines. Under the implied licence doctrine, a patentee can make a “sale sub modo”, accompanied by “restrictive conditions which would not apply in the case of ordinary chattels”. That is, “the owner’s rights in a patented chattel will be limited if there is brought home to him the knowledge of conditions imposed, by the patentee or those representing the patentee, upon him at the time of sale”: *Menck 1911* at 28. In contrast, as recently re-affirmed by the USSC, even if any such restrictive conditions are enforceable under contract law, under the

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<sup>24</sup> The primary judge did not consider that question, as he misdirected himself by asking whether the implied licence had been extinguished. FCJ: Greenwood J - [68] (AB 191); Yates J - [206] (AB 241).

<sup>25</sup> FCJ [166], [173] (AB 228, 230-1). See also [174]-[176] and [179] (AB 231-233).

<sup>26</sup> FCJ [75], [85], [87] (AB 192, 194-5).

<sup>27</sup> FCJ [293], [294] (AB 260-1).

<sup>28</sup> FCJ: Jagot J - e.g., [166], [168], [169], [172] (AB 228-230); Yates - [276], [281] (AB 256-8).

exhaustion doctrine they do not entitle the patentee to “retain patent rights in an item that it has elected to sell”: *Lexmark* at 1531. It follows that “an implied licence may be excluded by express contrary agreement or made subject to conditions while the exhaustion doctrine leaves no patent rights to be enforced”.<sup>29</sup>

29. There is no warrant for applying the exhaustion doctrine under the *Act*. *First*, statutory construction begins with a consideration of the statutory text;<sup>30</sup> no provision in the *Act* supports the existence of an exhaustion doctrine.
30. The infringement provisions in ss 13 and 120 and the definition of “exploit” in the Dictionary do not say anything about exhaustion. The definition of “exploit” includes “use” of an invention as well as “make” and “sell”. The patentee’s exclusive right to “exploit” and “authorise” others to exploit the invention during the patent term thus includes an exclusive right to use, or authorise others to use, a product embodying the invention, without carving out from that exclusive right the use of a product which was made or sold by or with the authority of the patentee.
31. Further, the concept of licences to use an invention is well established in the Act as reflected in numerous provisions.<sup>31</sup> Nor is there a statutory exhaustion ‘defence’ (cf the other defences in ss 118 to 119C of the *Act*).
32. To the contrary, ss 144(4) and (5) of the *Act* establish an *exception* to the implied licence doctrine, indicating that Parliament intended that the implied licence doctrine would continue to apply under the *Act*. As Yates J recognised at FCJ [188] (AB 236-7), the patentee’s ability to impose restrictive conditions under the implied licence doctrine is “subject to the application of s 144 of the [*Act*] dealing with void conditions in contracts and licences”. Amongst other things, s 144(1) states:<sup>32</sup>

*“a condition in a contract relating to the sale ... of ... a patented invention is void if the effect of the condition would be: (a) to prohibit or restrict the buyer ... from using a product or process (whether patented or not) supplied or owned by a person other than the seller ...; or (b) to require the buyer ... to acquire a product not protected by the patent from the seller.”*

<sup>29</sup> *United Wire Ltd v Screen Repair Services (Scotland) Ltd* [2001] RPC 24 at [69] per Lord Hoffmann, Lords Bingham, Cooke and Hutton agreeing.

<sup>30</sup> *Alcan (NT) Alumina Pty Ltd v Commissioner of Territory Revenue (NT)* (2009) 239 CLR 27 at [47].

<sup>31</sup> See ss 16(1)(c), 17(1)(b) and Chapter 12 of the *Act*.

<sup>32</sup> In *Transfield Pty Ltd v Arlo International Ltd* (1980) 144 CLR 83 at 99, Mason J said that the predecessor to s 144(1) – s 112 of the *Patents Act 1952* (Cth) – “was enacted to deal with a limited abuse”, the imposition of conditions “to obtain advantages which were closely linked to the patent itself but outside the protection of the patent”. See also 93 per Stephen J said at 93.

33. Importantly, s 144(4) provides that it is a defence to infringement “that the patented invention is, or was when the proceedings were started, the subject of a contract containing a provision, inserted by the patentee, that is void under this section”.
34. Insofar as s 144(4) provides a buyer with a defence to infringement when s 144(1) applies, that would be superfluous under an exhaustion doctrine because that doctrine precludes a patentee from obtaining a finding of patent infringement against a buyer, e.g., for breach of a restrictive condition: see generally *Lexmark*. It is a basal principle of statutory construction that no clause “shall prove superfluous... if by another construction... [it can] be made useful and pertinent”: *Project Blue Sky Inc v Australian Broadcasting Authority* (1998) 194 CLR 355 at [71].<sup>33</sup>
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35. In contrast, under the implied licence doctrine, absent s 144(4), a buyer’s breach of a condition falling within s 144(1) constitutes patent infringement. This is because, where a buyer has knowledge of and breaches a restrictive condition – even if it is “unreasonable” or “absurd” – this is an infringement: *Menck 1911* at 26.
36. Section 144(5) provides a further indication that Parliament intended for *Menck 1911* to apply under the *Act*. It provides that if a new contract is offered, s 144(4) “ceases to apply, but the patentee is not entitled to damages or an account of profits for an infringement of the patent committed before the offer of the new contract”. The implication of s 144(5) is that, consistently with *Menck 1911*, a patentee is entitled to damages or an account of profits for patent infringement resulting from breach of a restrictive condition other than one which is subject to s 144(1).
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37. *Secondly*, the extrinsic materials indicate that the legislative intention in passing the *Act* was for *Menck 1911* to continue to apply under the *Act*: cf *Lacey v Attorney-General (Qld)* (2011) 242 CLR 573 at [44]. This is apparent from the 1984 report of the Industrial Property Advisory Committee, “Patents, Innovation and Competition in Australia” (**IPAC Report**) and the “Government Response to the Report of the Industrial Property Advisory Committee, ‘Patents, Innovation and Competition in Australia’”, *Official Journal of Patents, Trade Marks and Designs*, 18 December

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<sup>33</sup> See also e.g., *Leon Fink Holdings Pty Ltd v Australian Film Commission* (1979) 141 CLR 672 at 679 per Mason J (Barwick CJ and Aickin J agreeing at 674 and 680); *Beckwith v The Queen* (1976) 135 CLR 569 at 574 per Gibbs J.

1986, vol 56, No 47, pp 1466-7 (**Government Response**). Both have regularly been relied upon in this Court as an aid to construction of the *Act*.<sup>34</sup>

38. The IPAC Report considered exhaustion in the context of importation of patented articles or articles made by a patented process. It defined exhaustion at p 34 as an importer avoiding infringement of a patent “if the person by whom the imported article was first put into circulation somewhere else in the world, is the person who is the patentee in the country of importation”. It then referred in terms to the restrictive condition aspect of the implied licence doctrine, stating (emphasis added):

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***“[Exhaustion] is already part of the existing Australian law, subject to a qualification that importation of the patented article put into circulation outside Australia by the Australian patentee will be an infringement if, at the time of first putting the article into circulation, that patentee attached an express stipulation against bringing it into Australia.”***

39. After noting that in other jurisdictions, including in the European Economic Community, “the qualification that the patentee may effectively stipulate against importation is not admitted”, the IPAC Report included as recommendation [10] on p 35 “that no change be made to the existing Australian law concerning infringement by importation and exhaustion of rights”. The Government Response records that recommendation [10] was: “Accepted for the time being.”

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40. The Explanatory Memorandum to the *Patents Bill 1990* (Cth) (**EM**) notes at [2] that the Bill implemented the Government Response. The EM confirmed the legislative intention apparent from the above material, stating (emphasis added):

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***“Clause 13 is not intended, in particular, to modify the operation of the law on infringement so far as it relates to subsequent dealings with a patented product after its first sale. This applies particularly where a patented product is resold or where it is imported after being purchased abroad. It is intended that the question whether such a resale or importation constitutes an infringement in a particular case will continue to be determined as it is now, having regard to any actual or implied licences in the first sale and their effect in Australia, and to what is often known as the doctrine of “exhaustion of rights” so far as it applies under Australian law.”***

41. The statement, omitted from AS 29, that “whether such a resale ... constitutes an infringement ... will continue to be determined as it is now ... having regard to any

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<sup>34</sup> See e.g., *AstraZeneca AB v Apotex Pty Ltd* (2015) 257 CLR 356 at [16], [118]; *Alphapharm Pty Ltd v H Lundbeck A/S* (2014) 254 CLR 247 at [49]-[50], [87]-[88], *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd* (2013) 304 ALR 1 at [16], [137], [191]-[192], *Northern Territory v Collins* (2008) 235 CLR 619 at [44]-[45], [49], [106], [109], [110].

actual or implied licences” is a reference to *Menck 1911*. The statement, included in AS 29, concerning the doctrine of exhaustion “so far as it applies under Australian law”, is referable to the statement in the IPAC Report that exhaustion “is already part of the existing Australian law”, subject to where “the patentee attached an express stipulation”: see paragraph 38 above. Again, that is the effect of *Menck 1911*.

42. *Thirdly*, the context in which a statute is interpreted includes “the existing state of the law”: *CIC Insurance Ltd v Bankstown Football Club Ltd* (1997) 187 CLR 384 at 408.<sup>35</sup> Calidad accepts this, but contends the state of the law “included the common law concerning personal property rights in chattels”. However, at the time of the *Act*,  
10 *Menck 1911* and the implied licence doctrine represented the law, including as to the relationship between the common law and patent rights conferred by statute.

43. Moreover, just over a decade before the *Act* was passed, the implied licence doctrine was re-affirmed in *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV* (1977) 138 CLR 534.<sup>36</sup> While *Time-Life* concerned copyright, contrary to AS 26, the Court’s statements about the implied licence doctrine were an important part of its resolution of the case, as the appellant had sought to extend the implied licence doctrine from patent law into copyright law. Further, contrary to AS 35-36, Gibbs J did *not* suggest he felt constrained by precedent, concluding at 541-2:  
20 “The words of Buckley J in *Badische* [setting out the implied licence doctrine] ... must be regarded as a correct statement of the patent law”.

44. As Dowsett J said in *Austshade Pty Ltd v Boss Shade Pty Ltd* (2016) 118 IPR 93 at [121], *Menck 1911* has “survived for over a century, without any judicial or statutory intervention”. That Parliament has not legislated to override *Menck 1911*, either in the *Act* or its predecessors,<sup>37</sup> is itself an indication that Parliament intended it to continue to apply under the *Act*.<sup>38</sup> Any change is a matter for Parliament.<sup>39</sup>

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<sup>35</sup> See e.g., *Alphapharm* at [42]. Moreover, the Court considers whether the “challenged rule is established by longstanding authority”: *Brodie v Singleton Shire Council* (2001) 206 CLR 512 at [213] per Kirby J.

<sup>36</sup> The discussion in *Time-Life* was referred to by Gummow J in *Concrete Pty Ltd v Parramatta Design & Developments Pty Ltd* (2006) 229 CLR 577 at [60] (see the authorities cited in footnote 71).

<sup>37</sup> As Greenwood J said at FCJ [12] (AB 176), “Much legislative activity has flowed under the Parliamentary bridge” since *Menck 1911*.

<sup>38</sup> *R v Knuller* [1973] AC 435 at 465-6, 489 (“Where Parliament fears to tread it is not for the courts to rush in”); *O'Brien v Robinson* [1973] AC 912 at 930; *British Railways Board v Herrington* [1972] AC 877 at 904.

<sup>39</sup> C.f. e.g., *Momcilovic v The Queen* (2011) 245 CLR 1 at [396]; *Ebner v Official Trustee in Bankruptcy* (2000) 205 CLR 337 at [142]; *Esso Australia Resources Ltd v Commissioner of Taxation (Cth)* (1999) 201 CLR 49 at [105].

45. *Fourthly*, given the juridical and legislative history set out above, there would need to a compelling reason for this Court to depart from *Menck 1911*. Yet, contrary to AS 36, Calidad has failed to advance one.
46. The implied licence doctrine involves a logical balance struck between the rights of patentees and those of purchasers of patented articles. As Stephen J said in *Time-Life* at 549-550, “A sale of goods manufactured under patent is thus a transaction of a unique kind because of the special nature of the monopoly accorded to a patentee.”<sup>40</sup> The ability to impose conditions is “merely the respect paid and the effect given to those conditions of transfer of the patented article which the law, laid down by statute, gave the original patentee a power to impose”: *Menck 1911* at 24.
47. There is nothing to suggest the doctrine is having unjust or perverse consequences in its application. Seiko is not aware of any reported Australian cases in which an infringement has been found because of the breach of a restrictive condition, let alone one where the outcome may be described as unjust or perverse. In *Austshade* at [113]-[121], the implied licence doctrine was applied in concluding that the fourth respondent had *not* engaged in patent infringement.<sup>41</sup> The doctrine has also been accepted by many Australian and UK patent texts.<sup>42</sup>
48. Contrary to AS 34-35, the USSC’s illustration in *Lexmark* regarding a shop that restores and sells used cars – “The business works because the shop can rest assured that, so long as those bringing in the cars own them, the shop is free to repair and resell those vehicles” – does not assist Calidad. This is not a concern under *Menck 1911* because, to be bound by a restrictive condition, the initial purchaser (or a subsequent purchaser) must have “actual knowledge” of it: *Menck 1911* at 24.<sup>43</sup>

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<sup>40</sup> Barwick CJ and Jacobs J concurring at 536 and 555-6 respectively.

<sup>41</sup> The doctrine was also applied in a competition case, *ACCC v Pfizer Australia Pty Ltd* (2018) 356 ALR 582 at [593]-[594] where the Full Federal Court made a factual finding as to the presence of a patent sub-licence.

<sup>42</sup> Bodkin, *Patent Law in Australia*, 3<sup>rd</sup> ed, 2019, 42,560; Chartered Institute of Patent Agents, *C.I.P.A. Guide to the Patents Act*, 8<sup>th</sup> ed, 2016, 60.22; Stewart, Griffith, Bannister and Liberman, *Intellectual Property Law in Australia*, 5th ed, 2014, 13.24 and 14.6; Terrell, *Terrell on the Law of Patents*, 14th ed, 2016, 14-224 and 225; **Blanco White**, *Patents for Inventions and the Protection of Industrial Design*, 4th ed, 1974, 3-219.

<sup>43</sup> Similarly, the USSC’s statement that “even if [the patentee] refrained from imposing such restrictions, the very threat of patent liability would force the shop to invest in efforts to protect itself from hidden lawsuits” is not a concern that applies in relation to *Menck 1911*. Unless the shop had actual knowledge of an (unlikely) restrictive condition relating to a valid patent which had the effect that the shop could not repair and resell the vehicles, the shop could do so without any concern of engaging in patent infringement.

If the exhaustion doctrine applies, what is its scope?

49. If, contrary to the above, the Court considers that the exhaustion doctrine applies under the *Act*, it would not extend to the making of another patented article. Contrary to AS 28 and 37, a patentee could only ever give up its rights *in the article sold*; the sale of a patented article cannot constitute a pre-emptive election to give up rights in respect of a *different article*, the nature of which is not known to the patentee. See also FCJ [164] (AB 60) per Jagot J, quoted at paragraph 5 above.

50. That is supported by overseas authority. The European doctrine of exhaustion of patent rights was discussed, and contrasted with the doctrine of implied licence, in *United Wire* at [69]-[70]. After the extract in paragraph 28 above, Lord Hoffmann observed: “The sale of a patented article cannot confer an implied licence to make another or exhaust the right of the patentee to prevent others from being made.” Similarly, in *Blanco White* at 3-219, the authors stated, “The implied license extends to repair of the article bought – to the “prolonging of its life” – but not to renewal under pretence of repair; for repair is one of the normal activities of an owner, but sale of one patented article gives the purchaser no license to make himself others.”

51. The law in the US is to the same effect: see paragraphs 6 to 7 above. The USSC re-affirmed *Aro I* in *Bowman v Monsanto Co.*, 569 U.S. 278 (2013) at 287, stating that the patentee “retains an undiminished right to prohibit others from making the thing his patent protects”. This principle was not challenged in *Lexmark*. Further, the USSC in *Lexmark* was also careful to ensure that its comments concerning the scope of exhaustion did not extend to the ‘making’ of new products. See the extract in paragraph 48 above; Seiko notes the use of the word “repair”, as opposed to “modify” or “improve upon”: c.f. AS 31, 32, 39.

52. As to the scope of any exhaustion doctrine, Calidad submits at AS 38 that it “would not permit the purchaser of a patented product to make or supply a **completely new** embodiment of the invention” (emphasis added). The nature of the distinction Calidad seeks to draw by the emphasised words is unclear. It appears directed to its invitation to this Court to revisit the Full Court’s findings and make its own evaluative judgments for the nine forms of work undertaken: see paragraphs 9-10.

53. Calidad also submits at AS 37 and 63 (last sentence) that the exhaustion doctrine permits a purchaser to modify or improve the patented article without restriction.

There is no basis for this in US exhaustion doctrine. Contrary to AS 39, US cases tend to distinguish only between “reconstruction” and “repair”,<sup>44</sup> neither *Varex* nor *Aro I* refers to “improvements” and *Aro I* does not refer to “modifications”.<sup>45</sup>

54. Contrary to Calidad’s position, whether an improvement or modification falls within the scope of any exhaustion doctrine is a question of fact, that is, whether the conduct results in the making of a patented article.
55. Calidad’s reliance at AS 31-32 on Griffiths CJ’s statement in *Menck 1908* at 510 – that a purchaser of a patented article “may continue to use it until it is worn out, or he may repair it or **improve upon** it as he pleases” (emphasis added) – is misplaced. None of the four other members of the High Court made a statement to that same effect. Further, the statement was based upon four US cases, each of which make clear that the purchaser does *not* acquire the right to make (or use) a new patented article.<sup>46</sup> Neither Griffiths CJ nor the other members of the High Court referred to a freestanding right to “modify” the product.
56. In any event, the purchaser’s ability to “improve upon” an article may be seen as falling within the scope of the purchaser’s use-based rights. An article that is improved upon is still, in terms, the *same article*. But where a *new article* is made, that can no longer be characterised as a mere improvement upon the *old article*.<sup>47</sup>

### The second issue

- 20 57. The true nature of Calidad’s complaint with regard to the second issue concerns the Full Court’s factual findings that each of the nine categories of modification resulted in a new product. In a nutshell, Calidad’s position is that, in determining whether a new product was made, the Full Court ought to have focused upon integers 5-11 (the terminal layout, which Calidad contends is the ‘substance’ of the invention) to the exclusion of – or by giving less weight to – integers 1 and 2 (“the printing material

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<sup>44</sup> See, e.g., *Aro I* at 342, *Sandvik* at 673, *Wilbur-Ellis Co. v. Kuther*, 377 US 422 at 423-4 (1963), *Ideal Wrapping Mach. Co. v George Close co.*, 23 F.2d 848 at 850 (1928) and *Fuji Photo Film Co Ltd v Jazz Photo Corp*, 249 F.Supp.2d 434 at 439 (2003).

<sup>45</sup> In the UK, it has been held (in the context of the implied licence doctrine) that the purchaser’s ability to modify a product is no wider than his or her ability to repair it and that the purchaser is not the recipient of an unrestricted licence to modify the product: *Dellareed Ltd v Delkin Developments* [1988] FSR 329 at 346.

<sup>46</sup> *Chaffee v Boston Belting Co.* 63 U.S. 217 (1859) at 222; *Bloomer v Millinger* 68 U.S. 340 (1863) at 351; *Adams v Burke* 84 U.S. 453 (1873) at 456; *Bloomer v McQuewan* 55 U.S. 539 (1852) at 550.

<sup>47</sup> This is consistent with subsequent US cases, which have held that improve upon “does not mean change to another purpose, but change so as to better perform the purpose originally intended”: *Ideal Wrapping Mach. Co. v George Close Co.*, 23 F.2d 848 (1928) at 851; *Kuther v Leuschner* 200 F.Supp. 841 (1961) at 843.

container” and “memory driven by a memory driving voltage”) in the claimed combination (see paragraph 16).

58. As a threshold matter, it cannot seriously be in dispute that integers 1 and 2 are essential integers of the claimed combination. While it might have been possible for Seiko only to claim the terminal layout and not the printing material container or the memory, this is not the claimed combination. The inclusion of each of the 11 integers in the claimed combination means that the claim would not be infringed by, for example: (1) a printing material container and memory that did not have that terminal layout; (2) a terminal layout and memory that was used on a device other than a printing material container; or (3) a printing material container and terminal layout used to protect something other than a memory. Calidad cannot excise some integers from the claimed combination to avoid a finding of infringement.

Nature of the product and the sale

59. AS 59-61 and 64 asserts that the Full Court erred by focusing upon the product sold by Seiko and, relatedly, the purpose for which Seiko projected that product into the marketplace, rather than confining itself to the features of the invention as claimed.
60. The short answer to these points is that, on the facts of this case, they do not make any difference because features of the claimed combination *were* altered for each of the nine forms of modification. Those features having been altered, neither Calidad nor Ninestar modified the Calidad cartridges so as not to possess at least one essential integer of the claimed combination and thereby not infringe the patents.
61. By its grounds of appeal, Calidad (with respect, properly) has not challenged the conclusions and findings set out at paragraphs 17, 22, 23 and 25 above concerning integers 1 and 2. That is, Calidad does not challenge that the modifications involved the creation of a new “printing material container” and changed the “memory driven by the memory driving voltage” in a “fundamental way”.<sup>48</sup> The findings as to integer 1 alone are sufficient to dispose of this aspect of the appeal.
62. In any event, the Full Court was correct to have regard to the patented article *as sold* and the purpose of the original transaction involving the purchase of the Epson

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<sup>48</sup> Further, Calidad has disavowed that it is challenging the Full Court’s factual findings. In its oral application for special leave, in response to questions from Kiefel CJ, Calidad indicated it was only challenging their characterisation: *Calidad Pty Ltd v Seiko Epson Corporation* [2019] HCATrans 225.

cartridges. On an implied licence analysis, the licence is conferred in respect of the patented article as sold; there is no implied licence in respect of the patentee's rights generally: *Time-Life*.<sup>49</sup> The principle takes into account the purchaser's "commercial expectations" in order to give "business efficacy" to *that transaction: Time-Life*.<sup>50</sup>

63. Thus, Jagot J was correct to hold at FCJ [181] (AB 233-4) that the scope of the implied licence "must be determined objectively by reference to the nature of the product and the circumstances of the sale insofar as they are known". Her Honour, and the other members of the Full Court, made other statements to similar effect.<sup>51</sup>

64. Similarly, on an exhaustion approach, rights can only be exhausted in respect of the product as sold. In *Bowman* at 283-4, the USSC quoted *Quanta Computer, Inc v LG Electronics, Inc.*, 553 U.S. 617 (2008) at 625 (emphasis added): "the initial authorized sale of a **patented item** terminates all patent rights to **that item**." The USSC then re-affirmed that exhaustion "restricts a patentee's rights only as to the "particular article" sold". US Courts *have*: (1) considered it determinative of reconstruction that the initial consumer had "voluntarily destroyed" the product because it had "performed its function" and "could not be used again" in the form it was in;<sup>52</sup> and (2) taken into account the absence of intention on the part of the patentee for a part to be replaceable.<sup>53</sup>

65. Therefore, the Full Court was correct to hold that the focus of the inquiry to determine whether the conduct went beyond the scope of the implied licence – being the "patented product in the form in which it was sold as an embodiment of the

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<sup>49</sup> At 549 and 552 ("those goods" and "the goods"); at 540, quoting *Blanco White* at 3-219 ("that article"); at 541 and 549, quoting *Société Anonyme des Manufactures de Glaces v Tilghman's Patent Sand Blast Co.* (1883) 25 Ch. D. 1 at p 9 ("that which he so buys"); at 541-542, quoting *Badische Anilin und Soda Fabrik v Ister* [1906] 1 Ch. 605 at 610 per Buckley J ("that which he has bought").

<sup>50</sup> At 542 and 556; see also FCJ [288] (AB 259) per Yates J - "the implication arises from necessity".

<sup>51</sup> FCJ: Greenwood J - [68]-[69] (AB 191) ("The question that must be answered as required by Menck PC is what exactly is the scope and content of any licence in the buyer (and subsequent buyers) arising out of the sale by the patentee... The conduct complained of either falls within the scope of a licence or it does not"); Jagot J - FCJ [153], [156], [173] ("the licence arises on sale of the particular embodiment of the invention sold. The scope of the implied licence and the capacity to repair are necessarily informed by the nature of that particular embodiment of the invention"), [177], [179] (AB 223-4, 230-3); Yates J - [206] ("The correct framework is whether the activities of modifying and refilling the cartridges, and importing and supplying those cartridges in Australia, were within the scope of the implied licence"), [286], [288] ("the licence is one with respect to the article which, as an embodiment of the invention, the patentee has put into the market"), [289], [292] (AB 241, 258-60).

<sup>52</sup> *Cotton-Tie Co. v. Simmons*, 106 U.S. 89. (1882).

<sup>53</sup> See e.g., *Sandvik* at 673-4.

invention which is relevant” – is the same as for the inquiry to determine whether a new embodiment has been made.<sup>54</sup>

66. To focus upon the product supplied, as opposed to confining the inquiry by reference to the scope of any patent claim, is also consistent with the approach adopted in this Court to the meaning of “product” in s 117 of the *Act* (and probably also s 119).<sup>55</sup>

67. Consistent with this approach, the UK Supreme Court (UKSC) has indicated that the purchaser’s expectations in relation to the life of the patented article *are* relevant: e.g., *Schütz* at [65], and see FCJ [174] (AB 231) per Jagot J. Indeed, the UKSC went a step further and held that the nature of a patented article after its intended use is relevant to whether there has been a “making”. For example, as held at [74]:

*“If an article has no value when it has been used and before it is worked on, and has substantial value after it has been worked on, that could fairly be said to be a factor in favour of the work resulting in the ‘making’ of a new article, or, to put the point another way, in favour of the work involved amounting to more than repair.”*

68. Moreover, both the form of the patented article sold and the circumstances in which it is sold are also relevant to a consideration of repair, which itself forms part of “the assessment of the scope of the implied licence which arises on unrestricted sale of a patented article”: FCJ [154] (AB 224) per Jagot J. The “cardinal question must be whether what has been done can fairly be termed a repair, having regard to the nature of the patented article”: *Solar Thompson* at 555, quoted at FCJ [155] (AB 224-5) per Jagot J. As Lord Halsbury said in *Sirdar Rubber Co Ltd v Wallington Weston & Co* (1907) 24 RPC 539 at 543, quoted in *Solar Thompson* at 554, “The principle is quite clear though its application is sometimes difficult; you may prolong the life of a licensed article but you must not make a new one under the cover of repair.”

69. In the present context, had a purchaser dropped an Epson cartridge such that ink was spilling from it, the purchaser could apply duct tape to the cartridge to prevent spillage without infringing the patent. This is because this would involve repair of a “damaged” and/or “broken” cartridge, so as to ensure that the purchaser obtained the

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<sup>54</sup> FCJ: Jagot J - [179] (AB 233); Yates J- [293] (AB 260).

<sup>55</sup> *Collins* at [34] per Hayne J; *Sanofi-Aventis Australia Pty Ltd v Apotex Pty Ltd (No 3)* (2011) 196 FCR 1 at [267]; *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd* (2012) 204 FCR 494 at [56] per Keane CJ.

benefit of the “life” of the patented article – that is, use of the cartridge until the ink depleted. That would fall far short of “re-purposing” the patented article.<sup>56</sup>

Inventive concept

70. While Calidad carefully avoids invoking the “inventive concept” of the invention on the question of infringement, as a matter of substance – including by contending that the Full Court ought to have focused upon integers 3-11 to the exclusion of integers 1-2 – that is precisely what Calidad is doing. This approach should be rejected.
71. *First*, it has long been established under Australian law that infringement is determined by whether the impugned article possesses each of the essential integers of the claim: e.g., *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236 at 246 per Gibbs J. The inventive concept of the claim is not relevant to the determination of infringement. The taking of the “substance of an invention” will not constitute infringement “unless the alleged infringer has taken all of the essential features or integers of the patentee's claim”: *Olin* at 246.
72. Contrary to AS 50-52, *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 did not change the law on *infringement*. That was a case concerning manner of manufacture (there is no dispute in this case that the claims are to a manner of manufacture). The statements in *Myriad* regarding the need to give substance and effect to the true nature of the claim are applicable in that context. They are not compatible with *Olin*.
73. *Secondly*, claim 1 of the 643 Patent is a combination claim. That is, “it combines a number of elements”, each of which may be ‘old’, “which interact with each other to produce a new result or product”: *Minnesota Mining and Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253 at 266.<sup>57</sup> The determination of the inventive concept of a combination claim, therefore, is unlikely to assist Calidad here given that the inventive concept lies in the combination of the integers.<sup>58</sup> Further, in a combination or other claim, there may be more than one inventive concept.<sup>59</sup> As noted at paragraph 16 above, neither the Full Court nor the primary judge made findings as to the “inventive concept” of the claimed invention.

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<sup>56</sup> C.f. FCJ: Jagot J - [166], [172] (AB 228, 230); Yates J - [276], [281] (AB 256-258).

<sup>57</sup> Per Aickin J (Barwick CJ, Stephen, Mason and Wilson JJ agreeing at 259, 260 and 298 respectively).

<sup>58</sup> *University of Western Australia v Gray (No 20)* (2008) 246 ALR 603 at [1431] per French J, quoting *Henry Bros (Magherafelt) Ltd v Ministry of Defence and the Northern Ireland Office* [1997] RPC 693 at 706.

<sup>59</sup> *Polwood Pty Ltd v Foxworth Pty Ltd* (2008) 165 FCR 527 at [60].

74. *Thirdly*, the application of material weight to the inventive concept in the context of the present case is contrary to the US position. In *Aro I* at 344, the USSC majority rejected the patentee’s submission that it should consider the “heart of the invention” in determining whether there had been reconstruction.<sup>60</sup> Calidad also misstates the effect of other US authorities.<sup>61</sup>
75. In *Schütz* at [67], the UKSC held that one of the six factors to take into account was, “in the context of addressing the question whether a person “makes” the patented article **by replacing a worn out part**, to consider whether that part includes the inventive concept, or has a function which is closely connected with that concept” (emphasis added).<sup>62</sup> Consideration of the inventive concept was thus confined to the replacement of a “worn out part”. There was no worn out part in the present case.<sup>63</sup>
76. In *Schütz* at [55] and [68], the UKSC cautioned against “the attractively simple use of the inventive concept in this sort of case”, which had been “ruled out” by *United Wire*. Insofar as the inventive concept is considered in the UK *at all*, this can be seen as a function of the UK approach of finding infringement in circumstances of “variants”, that is, where one or more of the features of the claim is not present, provided that the variations are immaterial: *Actavis UK Ltd v Eli Lilly & Co* [2017] UKSC 48; [2017] R.P.C. 21 at [54]. In that regard, the first question asked is “does the variant achieve substantially the same result in substantially the same way as the invention, i.e., the inventive concept revealed by the patent?” *Actavis* at [66(i)], see also [60]. That does not represent the law of infringement in Australia.<sup>64</sup>

#### Other alleged errors

77. Calidad’s other criticisms of the FCJ go nowhere. At AS 62, Calidad submits that Greenwood J did not allow for any “middle ground involving modifications to an

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<sup>60</sup> See also *Dawson Chemical Co v Rohm and Haas Co* 448 U.S. 176 (1980) at 217 (USSC). The ratio of *Aro I* is that the “use of the whole” of the patented combination through the replacement of a spent, unpatented element does not constitute reconstruction. That principle does not apply in a situation where, as is the case for the used Epson cartridges, a part is not “spent” or “replaceable”: *Husky Injection Molding Systems Ltd. v. R & D Tool & Engineering Co.* 291 F.3d 780 (Fed. Cir. 2002) at 787. In that context, “there is no bright-line test for determining whether reconstruction or repair has occurred”: *Sandvik* at 674.

<sup>61</sup> Contrary to AS 57, *Varex* and *Sandvik* refer to replacement of ‘novel’, as opposed to ‘patentable’, features, and impermissible reconstruction was held to have occurred in both cases.

<sup>62</sup> See [61], [66], [67], [70], [71] and [74].

<sup>63</sup> FCJ [168], [176]-[177] (AB 229, 232) per Jagot J.

<sup>64</sup> *Olin* at 246; *Sachtler GMBH and Co KG v RE Miller Pty Ltd* (2005) 221 ALR 373 at [43]-[67], quoted with approval in *Australian Mud Co Pty Ltd v Coretell Pty Ltd* (2011) 93 IPR 188 at [64], and see [69].

existing product”. His Honour’s reasoning was directed to “the content of modifications as described by Jagot J” (FCJ [87], AB 195)), who had emphasised that everything turns on the facts of a particular case: FCJ [180] (AB 233). It is not the role of the Court to provide Calidad with judicial advice as to the nature of modifications, if any, that would fall short of making a new patented article.

78. At AS 63, Calidad invites this Court to reach a different evaluative judgment from that reached by Jagot J. Contrary to the last sentence, her Honour did not fail to recognise that modification may be outside scope of making; rather, the content of the modifications meant that a new embodiment of the invention had been made:  
10 e.g., FCJ [91], [166] (last sentence) (AB 196, 228).

79. At AS 64, Calidad complains that Yates J propounded a test involving features beyond the claimed invention. Whether that be so, this makes no difference in the present case given that changes were made to features of the claimed invention.

**General form of injunction**

80. AS 22, 25 and 66 seek to impugn the Full Court’s decision in *Calidad Pty Ltd v Seiko Epson Corporation (No 2)* [2019] FCAFC 168 (FCJ2) at [20]-[50] (AB 275-84) to grant an injunction in general form. Those paragraphs should be disregarded; this Court’s grant of special leave on 15 November 2019 did not extend to that issue.

81. In any event, FCJ2 is correct. It is consistent with Australian and UK authority,  
20 particularly in the present context of a patent case, where the Court has necessarily construed the scope of the granted monopoly. Contrary to AS 22, the Full Court in *Christian v Société des Produits Nestlé SA (No 2)* (2015) 327 ALR 630 (a trade mark case) did not state a general proposition. Further, FCJ2 [25] (AB 276-7) involved disagreement with Calidad’s submissions below, not the earlier Full Court.

**Part VI: Estimate of Time For Oral Argument**

82. The Respondent estimates that three hours will be required for its oral argument.

Dated: 3 February 2020



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