

Spares, Repairs and Intellectual Property Rights

Editors: Christopher Heath and Anselm Kamperman Sanders



jinstitute of European Studies of MacAi 演門歐洲研究學會 instituto de Estudos Europeus de MacAi



Wolters Kluwer

Law & Business

KLUWER LAW INTERNATIONAL

Spares, Repairs and Intellectual Property Rights

IEEM International Intellectual Property Programmes

Christopher Heath and Anselm Kamperman Sanders (eds.)





AUSTIN BOSTON CHICAGO NEW YORK THE NETHERLANDS

Published by:
Kluwer Law International
PO Box 316
2400 AH Alphen aan den Rijn
The Netherlands
Website: www.kluwerlaw.com

Sold and distributed in North, Central and South America by: Aspen Publishers, Inc. 7201 McKinney Circle Frederick, MD 21704 United States of America Email: customer.service@aspenpublishers.com

Sold and distributed in all other countries by: Turpin Distribution Services Ltd. Stratton Business Park Pegasus Drive, Biggleswade Bedfordshire SG18 8TQ United Kingdom Email: kluwerlaw@turpin-distribution.com

Printed on acid-free paper.

ISBN 978-90-411-3136-2

© 2009 Kluwer Law International BV, The Netherlands

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

Permission to use this content must be obtained from the copyright owner. Please apply to: Permissions Department, Wolters Kluwer Legal, 76 Ninth Avenue, 7th Floor, New York, NY 10011-5201, USA. Email: permissions@kluwerlaw.com

Printed in Great Britain

Abstract

Intellectual Property rights have obtained an unprecedented significance in devising business strategies of enterprises. Scope and exercise of such rights often conflicts with the interests of consumers and society at large. While on the one hand refill, recycle, and replacement of spare parts have become an ecological and economic necessity, this may run counter to attempts of manufacturers to monopolize the spare parts market or prohibit a recycle outright by the use of intellectual property rights. This book sheds light on the different interests involved, the different intellectual property rights that are used, and the competition issues to be considered in this respect.

Preface

The editors hereby present papers of the Seventh Intellectual Property Conference organized by the Macau Institute of European Studies (IEEM) on intellectual property (IP) law and the economic challenges for Asia.

The objective of the conferences is to provide up-to-date information on developments in global intellectual property law and policy and their impact on regional economic and cultural development. The conference on Spares, Repairs, and Intellectual Property Rights, whose papers are presented in this volume in updated form, took a holistic approach on the attempts of manufacturers to prevent the refill/recycle or exchange of spare parts as part of a business strategy that allows a competitive advantage at the market stage of selling the main product – and a subsequent recuperation of costs – by monopolising the market for spares, repairs and refills. While the first two chapters analyse the issue against the conflicting interests of manufacturers, consumers, spare parts makers, and the general public, the following Chapters three to seven answer the question to what extent such a business strategy can be more or less successful with respect to the different rights involved, and in different jurisdictions. The last chapter deals with the competition issues of the business strategy. The book thereby tries to answer two related questions: to what extent is it desirable to use intellectual property rights and contract in order to shift competition from the stage of the main product to the spare parts market; and to what extent can and does such a strategy work in markets such as Europe, the US, and, to some extent, China and Japan.

The success of the past IEEM intellectual property law seminars has turned the venue into an annual event that since the year 2005 has been coupled with the IP Law School and the IP Law Master Classes. The IP Law School is a unique initiative in Asia offering a taught programme in international intellectual property law and its relevance for Asian, European, and global economic development and

xx Preface

innovation policy. The master classes are much more topical and are taught jointly by the regular IP Law School team and expert speakers at the IP Seminar. The IP Law School and Master Classes form a seamless companion programme to the Annual Intellectual Property Seminar. The eighth conference in 2007, whose proceedings are forthcoming, analysed the issues of intellectual property and the pharmaceutical industry, while the ninth conference in 2008 looked at the tension between territorial IP rights and international trade. The tenth conference in 2009 highlights a number of landmark IP cases from various jurisdictions, and traces how these cases have shaped the international IP system today and how they may still affect future discussion and policy.

The editors would specifically like to thank Mr Gonçalo Cabral, who has been instrumental in organising both the IEEM annual seminars and the intellectual property summer school, and José Luís de Sales Marques, President of the IEEM, for his continuing support for both venues. Moreover, the seminars would not have happened without the tireless commitment of Bentham Fong, Beatrice Lam, and the other staff members of IEEM in Macao. Last but not least, the editors would like to thank Christine Robben of Kluwer Law International for having agreed to publish the proceedings of this and future conferences in a series on international intellectual property law.

Christopher Heath and Anselm Kamperman Sanders

About the Authors and Editors

Veronica Barresi is Research Fellow in Intellectual Property at University College London. She worked in the *cabinet* of the Italian judge at the European Court of Justice from 1997 to 2000 and as an associate at international law firm White & Case in its Rome and London offices between 2002 and 2007. She obtained an LLM degree from University College London in 2001.

She can be reached by email at v.barresi@ucl.ac.uk.

Estelle Derclaye, Lic. Droit, LL.M., D.E.S., Ph.D., PGCAP is associate professor and reader at the University of Nottingham, teaching and researching in intellectual property law. Prior to joining the University of Nottingham, Estelle was an associate specialising in intellectual property law in an international law firm in Brussels and was previously a lecturer at the Universities of Leicester and London (Queen Mary). She also spent time as a scholar at the Max-Planck Institute for Intellectual Property and Competition Law (Munich). In November 2005, she successfully defended her doctoral thesis on the legal protection of databases at the University of London (Queen Mary). A list of publications is available at: http://www.nottingham.ac.uk/law/lookup/lookup_az.php

She can be reached at estelle.derclaye@nottingham.ac.uk

Alison Firth is professor of law at the University of Surrey. From 2005-2009 she held a chair in commercial law at Newcastle University, England. She originally studied physics at Oxford University and later read for the English Bar, where she practised in intellectual property chambers. From 1987 to 2004 she taught at Queen Mary, University of London, specialising in intellectual property. In January 2005 she was January term visiting professor at the University of Western Ontario, Canada.

She can be reached by email at alison.firth@surrey.ac.uk

Christopher Heath (1964) studied at the Universities of Konstanz, Edinburgh and the LSE. He lived and worked in Japan for three years, and between 1992 and 2005 headed the Asian Department of the Max Planck Institute for Patent, Copyright and Competition Law in Munich. Christopher Heath, who wrote his PhD thesis on Japanese unfair competition prevention law, is a Member of the Boards of Appeal at the European Patent Office in Munich, co-editor of IIC and editor of the Max Planck Institute's Asian Intellectual Property Series published by Kluwer Law International.

He can be reached by e-mail at cheath@epo.org

Anselm Kamperman Sanders (1968), PhD (Lond.), is Professor in European and International Intellectual Property Law at Maastricht University, The Netherlands. He was Marie Curie Research Fellow at Oueen Mary and Westfield College. University of London and has held a research grant from the VSB fund and a Chevening Scholarship. Further research, teaching and advisory affiliations comprise the International Institute of Infonomics, the ETH in Zürich, Switzerland and the Institute of European Studies of Macau SAR, China. In 2003 he was adjunct professor at the Queensland University of Technology, Brisbane, Australia. He has acted as Rapporteur to an EC Commission DG Research working group on Strategic Use and Adaptation of Intellectual Property Rights Systems in Information and Communications Technologies-based Research. Anselm has worked in developing countries on WTO accession assistance projects for the EC/GTZ. His editorial and advisory board memberships comprise the Maastricht Journal of European and Comparative Law, Intellectuele Eigendom en Reclamerecht, International Journal of Intellectual Property Management, and the Intellectual Property Quarterly.

He can be reached by e-mail at A.KampermanSanders@pr.unimaas.nl

Valentine Korah is a barrister who advises on competition, an emeritus professor of competition law, University College London, still teaching parts of LL.M. courses part time. She was visiting professor, responsible for dominant course on EC competition law at the College of Europe, Bruges 1985-2004, and is currently honorary professor of the College. She was a visiting professor at Fordham Law School spring semesters from 1991-2004. Valentine Korah is a member of the joint Bars and Law Societies of the UK, Working Party on Competition Law Reform, a member of the Foreign Advisory Board of the Antitrust Bulletin, on the editorial board of the World Competition Law and Economics and of Competition Law Insight. She is author to numerous articles, case notes and books, the best-known being EC Competition Law and Practice, 9th. ed., Hart Publishing, Oxford, September 2007.

She can be reached by e-mail at valentine.korah@ucl.ac.uk

David Llewelyn is External Director of the IP Academy Singapore; Professor of Intellectual Property Law at King's College London; and a partner of international law firm White & Case in its London office. He is joint author of Cornish & Llewelyn Intellectual Property: Patents, Copyright, Trade Marks & Allied Rights

(6th ed., 2007) and one of the authors of Kerly's Law of Trade Marks and Trade Names (14th ed., 2005).

He can be reached at david.llewelyn@kcl.ac.uk

Mineko Mohri is a Japanese attorney-at-law and also admitted in the New York State. Mineko earned her LL.M. degree from Stanford Law School (California), and is currently pursuing her PhD degree at Ludwig Maximilians University of Munich granted a scholarship from the Max Planck Institute for Patent, Copyright and Competition Law. She worked at Yuasa and Hara (Tokyo), Fross, Zelnick, Lehman and Zissu (New York), and Duane Morris (New York). She was a visiting scholar at the Max-Planck Institute (Munich) in 2004 and 2005.

She can be reached by e-mail at minekomo@stanfordalumni.org

Michael Pendleton (1953) taught at the Faculties of Law at Sydney University, University of Hong Kong Kong and Murdoch University. He presently teaches at the School of Law of Chinese University of Kong Kong. He practised law with Blake Dawson Waldron and Deacons Australia, Bird & Bird, UK and with Deacons, Hong Kong. He currently practises law with Baker & Mckenzie Hong Kong. According to Stephen Stewart QC LLD, writing in the International and Comparative Law Quarterly in 1985, Michael Pendleton's 1984 book on IP in Hong Kong was only the second book on IP as a whole subject after WR Cornish's seminal IP text in 1980. He wrote several books and many articles with the late Prof Zheng Chengsi. He was Chairman of the Law Reform Commission of Western Australia (1993) and member of two Copyright Law Review Committees.

He can be reached at mpendleton@cuhk.edu.hk

Andy Sun M.C.L., the George Washington University Law School, J.D., University of Maryland School of Law. The author is an Associate Professor at the Graduate Institute of Intellectual Property and the Graduate Institute of Interdisciplinary Laws, National Chengchi University, Taipei, Taiwan. He is also the Executive Director of the Asia Pacific Legal Institute, a non-profit organization chartered in Washington, D.C. and dedicated to the legal cooperation and exchange between the U.S. and East Asia.

E-mail: asun@apli.org and asun@ncu.edu.tw

Abstract

Intellectual Property rights have obtained an unprecedented significance in devising business strategies of enterprises. Scope and exercise of such rights often conflicts with the interests of consumers and society at large. While on the one hand refill, recycle, and replacement of spare parts have become an ecological and economic necessity, this may run counter to attempts of manufacturers to monopolize the spare parts market or prohibit a recycle outright by the use of intellectual property rights. This book sheds light on the different interests involved, the different intellectual property rights that are used, and the competition issues to be considered in this respect.

Summary of Contents

Table of Contents	XI
Preface	xix
About the Authors and Editors	xxi
Part 1 General Overview: Balancing Interests of IP Owners and the General Public	1
Chapter 1 Right Holders' Control over Repair and Reconditioning David Llewelyn and Veronica Barresi	3
Chapter 2 Repair and Recycle between IP Rights, End User License Agreements and Encryption Estelle Derclaye	21
Part 2 Issues under Patent Law	57
Chapter 3 Repair and Recycle as Direct Patent Infringement? Mineko Mohri	59
Chapter 4 Repair and Refill as Indirect Patent Infringement Christopher Heath	85

Part 3 Issues under Copyright Law	103
Chapter 5 Blocking Repair or Fair Use of Software? The U.S. Perspectives on Anticircumvention Andy Y. Sun	105
Part 4 Issues under Trade Mark and Design Law	125
Chapter 6 Trademarks and Reconditioned Goods in Greater China and at Common Law Michael D. Pendleton	127
Chapter 7 Repairs, Interconnections, and Consumer Welfare in the Field of Design Alison Firth	147
Part 5 Issues under Competition Law	181
Chapter 8 Antitrust Considerations: Refusal to License Intellectual Property in the U.S. and EC Valentine Korah	183
Subject Index	207
Case Index	209

Table of Contents

Prefa	ace	xix
Abou	at the Authors and Editors	xxi
Part 1 General Overview: Balancing Interests of IP Owners and the General Public		1
	oter 1 t Holders' Control over Repair and Reconditioning d Llewelyn and Veronica Barresi	3
II.	Introduction The EU Regime: Registered and Unregistered Design A. The Design Directive B. The Community Design Regulation	3 4 5 8
III.	C. The Proposal for Amending the Design Directive The UK Regime A. The UK Registered Design Act B. Unregistered Designs	8 10 10
IV.	Spare Parts and Trademarks Patents	15 18
Agree	ir and Recycle between IP Rights, End User License ements and Encryption e Derclaye	21
I. 1	Introduction	21

II.	Preliminary Questions	22
	A. Notions of 'Repair' and 'Recycle' and Their Legal Effects	22
	B. Intellectual Property Laws' Limits in Relation with	
	Repair and Recycle	24
	1. Copyright Law	24
	a. Europe	24
	b. The United States	25
	2. Patent Law	28
	a. Europe	28
	b. The United States	29
	3. Design Law	31
	a. Europe	31
	b. The United States	32
	4. Trademark Law	32
	a. Europe	32
	b. The United States	35
III.	Blocking Repair through End User License	
	Agreements and Technological Protection Measures	36
	A. Copyright Law	37
	1. Europe	37
	2. The United States	39
	B. Patent Law	42
	1. Europe	42
	2. The United States	42
	C. Design Law	42
	1. Europe	42
	2. The United States	42
	D. Trademark Law	43
	1. Europe	43
	2. The United States	43
	E. Use of EULAs or TPMs to Prevent Repair	
	When a Product Is Protected by Several IPRs	
	at the Same Time	43
IV.	Is It Lawful to Block Recycle through EULAs and TPMs?	45
	A. Europe	45
	B. The United States	46
	1. Patent and Design Law	46
	2. Trademark and Copyright Law	49
V.	Should Limitations to Repair and Recycle Be Allowed?	49
	A. Blocking Repair	49
	B. Blocking Recycle	50
	C. Additional Safeguards	51
	1. Europe	51
	2. The United States	52
VI.	Conclusion	56

Tab	le of Contents	xiii
Par Issu	t 2 es under Patent Law	57
Rep	npter 3 air and Recycle as Direct Patent Infringement? eko Mohri	59
I. II.	Introduction: Patent Exhaustion on Repair and Recycling Repair and Recycling in Different Jurisdictions: The US, Japan,	59
	the UK and Germany	61
	A. The US	61
	1. The Origins of Patent Exhaustion in the	
	US Supreme Court	61
	2. Replacement of Unpatented Parts of Combination	
	Products 3. Multiple Factors and Extrinsic Conditions	62
	3. Multiple Factors and Extrinsic Conditions4. Not 'Repair', but 'Akin to Repair'	63
	5. Overview: Permissible Repair in the US	64
	B. Japan	66 66
	Japanese Cases and Patent Exhaustion	66
	2. Canon as Decided by the Supreme Court	68
	3. <i>Canon</i> before the IP High Court	69
	4. Other Early Cases	71
	5. Overview: Permissible Repair in Japan	72
	C. Germany	73
	1. 'Intended Use' and the Exhaustion Doctrine	73
	2. No Protection in Case of Replacement of	
	Consumable Spare Parts	74
	3. Alteration of the 'Identity' of Products:	
	The Flügelradzähler Case	75
	4. Overview: Permissible Repair in Germany D. The UK: Denial of Implied License Theory in the	76
	D. The UK: Denial of Implied License Theory in the <i>United Wire</i> Case	7.
III.	International Comparison: Single-Use Camera Case as	76
	the Touchstone	77
IV.	A Possible Solution: Single-Use Restrictions?	77 80
V.	Synthesis and Thoughts on the Road Ahead	82
CI.		~ _
Rep	pter 4 air and Refill as Indirect Patent Infringement stopher Heath	85
	•	
Ι.	Introduction	85
	A. Direct and Indirect Infringement	85
	B. Senseo's Coffee Machine as an Example	86

xiv Table of Contents

II.	The Concept of 'Indirect' or 'Contributory' Infringement in	
	Different Jurisdictions	88
	A. Europe: Germany, the Netherlands and the UK	88
	1. The CPC	88
	2. The Netherlands	88
	3. Germany	90
	4. The UK	94
	B. Asia: Japan and Korea	95
	1. Japan	95
	2. Korea	96 96
	C. The US	96
	1. Inducement	98
	2. Contributory Infringement	99
III.	Analysis	99
	A. Essential Element versus State of the Art	100
	B. State of the Art and Staple Products	100
	C. Objective Limits (Exhaustion) and	100
	Implied Permission D. Separation of Direct and Indirect Infringement	101
	D. Separation of Direct and Indirect Infringement E. Conclusion	101
	E. Conclusion	101
Par		103
ISSU	ues under Copyright Law	10.
Cha	apter 5	
	ocking Repair or Fair Use of Software? The U.S. Perspective	es 105
	Anticircumvention dy Y. Sun	10.
		105
I.	Introduction The Legislatine Structure	107
II.	The Legislative Structure A. Types of Prohibitions	107
	B. Liabilities	108
	C. Exemptions	108
III.		113
111.	A. Universal City Studios, Inc. v. Corley	113
	B. The Chamberlain Group, Inc. v. Skylink	
	Technologies, Inc.	114
	C. Lexmark International, Inc. v. Static Control	
	Components, Inc.	116
	D. Storage Technology Corp. (a/k/a StorageTek) v.	143-04
	Custom Hardware Engineering &	
	Consulting, Inc.	118
IV.		120
V.		122

Table of Conte	nts
----------------	-----

χV

Part 4 Issues under Trade Mark and Design Law		125
Trac Chi	pter 6 demarks and Reconditioned Goods in Greater na and at Common Law hael D. Pendleton	127
I.	Introduction	127
II.	Hong Kong	128
	A. Trade Marks Ordinance (Cap 43) LHK	128
	1. Refilling, Repackaging, and Repair	128
	2. Establishing Infringement under Section 18 of the	
	Trade Mark Ordinance	130
	3. Section 19(3): Honest Practices in Industrial and	
	Commercial Practices	132
	4. Infringement by Use	132
	5. Comparative Advertising	135
	6. Exceptions to Infringement	137
	B. Ownership of the Badge of Recognition: Manufacturer,	
	Dealer, or Distributor	138
III.	Mainland China	142
	A. Trademark Law and Implementing Regulations	142
	 Infringement of Registered Trademarks 	142
	2. Administrative Actions	143
	3. Criminal Liability for Trademark Counterfeiting	143
	B. Unfair Competition Act	144
Rep Fiel	npter 7 pairs, Interconnections, and Consumer Welfare in the ld of Design on Firth	147
I.	Introduction	147
II.	Lack of Treaty Constraints and Variety of Design Laws	151
11.	A. Paris, Berne, TRIPs	151
	B. Defences	152
	C. Hague	153
	D. Locarno	153
	E. Scope for Experiment	154
III.	Cumulation	155
IV.		157
V.	In, Out, or Halfway House: Design Law Strategies	
٠.	and Their Impact on the Protection or	
	Non-protection of Spare Parts	158
	1	