

IN THE HIGH COURT OF AUSTRALIA  
SYDNEY REGISTRY

No. 329 of 2019

BETWEEN:

**CALIDAD PTY LTD ACN 002 758 312 & ORS**

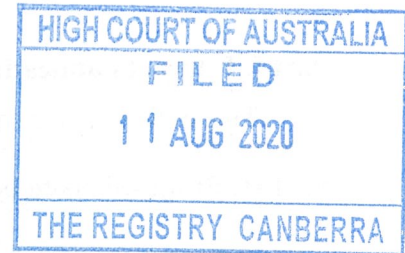
10 Appellants

and

**SEIKO EPSON CORPORATION & ANOR**  
Respondents

**RESPONDENTS' OUTLINE OF ORAL ARGUMENT**

20



## **Part I: Internet publication**

1. This outline is in a form suitable for publication on the Internet.

## **Part II: Propositions to be advanced in oral argument**

### First issue: implied licence

2. A licence is implied as a matter of necessity reflecting the exclusive rights granted by the *Patents Act 1990* (Cth) (the **Act**) for the term of a patent as against all without statutory exception: RS [29]-[31]. See “exploit” in Schedule 1, ss 13, 14 and 42(2)(b) of the Act (JBA A/4 p 49, 18, 47-48); *Grain Pool v Commonwealth* (2000) 202 CLR 479 at [83]; *IPEC v Time-Life* (1977) 138 CLR 534 at 548-553, 541-542 (JBA C/9);  
10 *National Phonograph v Menck* (1911) 12 CLR 15 at 22, 23, 24, 28 (JBA C/10).
3. Implied licence is a long-established part of Australian law: RS [42], [43].
4. The legislative purpose reflects the implied licence concept: RS [37]-[42]. See *Explanatory Memorandum 1990* (Cth) at [2], [24] (JBA E/30 p 699, 702); *Patents Act 1952* (Cth) post *Menck 1911*; *D’Arcy v Myriad* (2015) 258 CLR 334 at [25] (JBA C/8 p 134).
5. The Act is based on UK legislation interpreted there as requiring implied licence. See *D’Arcy v Myriad* (2015) 258 CLR 334 at [12], [14] (JBA C/8 p 127-128); *Menck 1911*; *United Wire v Screen Repair* [2001] RPC 439 at [68] (JBA D/26 at p 660); *Schütz v Werit* [2013] RPC 16 at [66] (JBA D/23 p 599). *National Phonograph*  
20 *v Menck* (1908) 7 CLR 481 (JBA C/10) was in error in suggesting otherwise.
6. Sections 135(1)(b) (repealed since the FCJ) and 144(1) of the Act were first introduced in Australia in 1909 as amendments to the *Patents Act 1903* (Cth) – s 87(6)(b) and s 87B(1) – so as to emulate UK equivalents. These sections reflect the implied licence concept. See RS [32]-[36]; JBA D/33 p 863.20, 864.20; JBA D/34 p 873.10-30; *Transfield v Arlo* (1980) 144 CLR 83 at 95; FCJ [188] (CBA p 236).
7. Departure from implied licence is a matter for Parliament. See RS [44]-[45]; *Menck 1911* at 24 (C/11 at p 312.20); *D’Arcy v Myriad* at [7], [23], [25], [26], [94] (JBA C/8 p 125, 133, 134, 258), citing *Breen v Williams* (1996) 186 CLR 71 at 114-5.

Second issue: US exhaustion theory

8. All patent rights are NOT “exhausted” under US theory, because a purchaser may not “reconstruct” or make a new product: RS [51], [53], [55]. See e.g., *Aro v Convertible Top Replacement* 365 US 336 (1961) at 342, 346 (JBA D/13 p 361.10, 365.20); *Bowman v Monsanto* 569 US 278 (2013) at 4, 5, 8 (JBA D/16 p 455.45-456.35, 459.25); note *Impression Products v Lexmark* 137 S. Ct. 1523 (2017) (JBA D/20), was not a “reconstruction” case: see *Lexmark v Impression Products* 816 F 3d 721 (Fed Cir 2016) at 728 footnote 2 (p 537.30, 569.35).
9. US exhaustion theory is sourced in the peculiar circumstances of the *Bloomer* cases.  
10 See *Quanta Computers v LG Electronics* 553 US 617 (2008) at 625.
10. US exhaustion theory is inconsistent with ss 135(1)(b) and 144(1) of the Act. See *US v Univis Lens Co.*, 316 U.S. 241 (1942) at 250, 252.
11. The basis of US exhaustion theory is incoherent, eg an implicit transfer of patent rights or an implicit licence or a presumptive conflict with common law rights of alienation or policy based. See e.g., *US v Univis*, 316 U.S. 241 (1942) at 252; *Aro v Convertible Top Replacement* 365 US 336 (1961) at 345, 369 (JB D/13 p 364.50-365.15, 388.30); *Impression Products* (USSC) at 1531 (JBA D/20 p 525.55); *Impression Products* (Fed Cir) at 754 (JBA D/21 at p 551.15).
12. Neither the doctrine of implied licence nor exhaustion produces a different outcome  
20 on this appeal: RS [4]-[7], [49]-[56]. For each category the FFC found a new product had been made: RS [25]-[26]. See FCJ [164]-[165] (CAB p 227).

The third issue: the work done on the cartridges

13. The primary judge’s approach of material alteration of the embodiment was rejected explicitly or implicitly by the FFC (e.g., FCJ [68], [153], [206]) and the Appellants do not seek to resurrect it on this appeal. Only the FFC has applied the correct test, a question of fact as to whether there was a new making beyond the scope of the implied licence which this Court does not need to revisit. See RS [9]-[12], [15]-[26], [54], [77], [78].
14. Key factual matters are: (a) all cartridges were designed as single use containers (FCJ  
30 [54], [85], [176], [177], [179], [180], [280], [281], [282], [290]); (b) the end users of the cartridges treated them as scrap and discarded them (FCJ [20], [88], [185], [282];

PJ [3], [64]); (c) none of the cartridges needed repair (FCJ [54], [85], [169], [176], [180], [281], [282]); (d) all cartridges had a one use outlet hole, its seal punctured on use, and refilling required the addition of an additional hole depriving it of the quality of a “container” which then had to be resealed in the remaking process (FCJ [75], [87], [119], [166], [180], [294]); (e) post April 2016 containers had the as supplied memory materially altered (FCJ [119], [172], [173], [294]); (f) pre April 2016 cartridges additionally had either or both revised interface features or new memory chips or circuit boards (FCJ [119], [167], [168], [170]). See RS [12], [17], [19].

- 10 15. The Appellants’ approach of focusing upon the ‘substance of the invention’ to the exclusion of integers 1 and 2 of the claim is not sound. See RS [22]-[24], [57], [58]. ‘Inventive concept’ has no role in infringement. See RS [70], FCJ [163] (CAB p 227.30). Each integer is essential to define the invention as claimed, for a useful product and for infringement. Otherwise patentees’ rights expand: cf. *Radiation Ltd v Galliers & Klaerr Pty Ltd* (1938) 60 CLR 36 at 51-52 (Dixon J). The Appellants’ approach is inconsistent with the approach taken overseas. See RS [74]-[76].
16. The patented article as sold, the purpose of the transaction and objectively determined expectations, are relevant. The patentee may select one particular embodiment within the claim to make. The implied licence to use extends only to that particular embodiment: See RS [59]-[69]; FCJ [84], [85], [156], [163]-[165], 20 [179], [288]; *Time-Life* at 541-542 (JBA C/9 at p 212-213); *Schütz v Werit* at [66] (JBA D/23 p 597).
17. Similar principles apply under US law relating to reconstruction: RS [64]. See e.g., *Cotton-Tie Co v Simmons*, 106 U.S 89, 93-94 (1881) at 91, 93-94 (JBA D/18); *Sandvik v EJ Company* 121 F. 3d 669 (Fed Cir 1997) at 673-4 (JBA D/22).

The fourth issue: general form injunction

18. The Full Court in FCJ2 was correct and consistent with authority and principle: RS [80]-[81].

Dated: 11 August 2020

30

**A J L Bannon**

**C L Cochrane**

**D B Larish**