

**Keywords:** patent exhaustion; first sale; repair; reconstruction; importation of infringing products; section 337 of the Tariff Act of 1930 as amended; refurbish; license; affirmative defense

**General:** The Federal Circuit holds that refurbishing single-use cameras that had been first sold in the U.S. is permissible repair under the doctrine of patent exhaustion.

*Jazz Photo Corp. v. I.T.C.*  
59 U.S.P.Q.2d 1907 (Fed. Cir. 2001)

## I. Facts

Fuji Photo Film Co. owned fifteen patents directed to “single-use” cameras called “lens-fitted film packages” (LFFPs). Fuji brought an action in the International Trade Commission under 19 U.S.C. § 1337 against Jazz Photo Corporation and 26 others for importing discarded LFFP cameras covered by these patents that had been refurbished in overseas facilities. One of the fifteen patents claimed two methods for loading LFFP cameras with film and a film cartridge.

Some of the cameras were refurbished by (1) removing the cardboard cover, (2) cutting open the plastic casing, (3) inserting new film and a container to receive the film, (4) replacing the winding wheel for certain cameras, (5) replacing the battery for flash cameras, (6) resetting the counter, (7) resealing the outer case, and (8) adding a new cardboard cover. Before being used, discarded, collected and refurbished, at least some of these cameras had had their first sale in the United States.

The evidence indicated that Fuji intended the cameras sold for single-use only. The boxes containing the cameras when first sold warned purchasers of the single-use nature of the cameras, instructing the purchasers not to remove the film, to return the camera to the photoprocessor, not to open the cameras because of the risk of electric shock, and that the cameras would not be returned to the purchasers after processing. In addition, at least one of Fuji’s asserted patents indicated that Fuji intended the cameras for only a single use, stating that “forming an opening in the film package makes it impossible to reuse the film package,” and “it will be impossible... to reclaim a film package for reuse.”

The Commission determined that 26 of the refurbishers had infringed all or most of the claims of Fuji’s fifteen patents by importing the refurbished cameras. Furthermore, the Commission determined that although Fuji intended the cameras for only a single use, Fuji had made unrestricted sales of its cameras that exhausted its patent rights in the cameras that were sold. Accordingly, the original purchasers and subsequent owners alike were free to “repair,” but not to “reconstruct” the cameras.

Since Fuji had carried its burden of proving the refurbishers infringed the Fuji patents, the Commission stated, the burden shifted to the refurbishers to prove the affirmative defense of repair. In the end, the Commission ruled that the refurbishment of the cameras constituted reconstruction, not repair. Jazz Photo and two others appealed to the Federal Circuit.

## II. Issues

- A. Did the first sale of the cameras in the U.S. exhaust Fuji’s patent rights despite Fuji’s intent that the cameras be single use?
- B. Did the refurbishers’ acts constitute impermissible reconstruction?
- C. Is repair an affirmative defense to infringement of a method patent?

**III. Discussion**

- A. Yes. Fuji’s U.S. sales were made without an enforceable contract, and the authorized unrestricted sale of a patented article “exhausts” the right to control its further sale of and use by enforcement of the patent. Citing *United States v. Masonite Corp.*, the Federal Circuit restated that the doctrine of patent exhaustion is predicated on giving patentees their “reward for the use of the article,” but no more.<sup>1</sup>

The commission had placed weight on Fuji’s intent that the cameras be single-use only, but the Federal Circuit noted that their intent was irrelevant unless it had been embodied in a contract. The Federal Circuit cited *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, in which the Federal Circuit noted “a seller’s intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product so long as a reconstruction of the patented combination is avoided.”<sup>2</sup>

The Federal Circuit also rejected the suggestion that words on the box that originally contained the camera constituted a license to use the camera only once. Instead, the Federal Circuit determined that the statements on the box were only instructions or warnings, rather than mutual promises enabling a “meeting of the minds.” Since there was no license for a one-time use of the cameras, the original U.S. sales exhausted Fuji’s patent rights in the cameras.

- B. No. The refurbishers’ acts constituted permissible repair, to the extent that the refurbished cameras were first sold in the U.S. and refurbishing only involved (1) removing the cardboard cover, (2) cutting open the plastic casing, (3) inserting new film and a container to receive the film, (4) replacing the winding wheel for certain cameras, (5) replacing the battery for flash cameras, (6) resetting the counter, (7) resealing the outer case, and (8) adding a new cardboard cover.

The court noted that after a patented item has been placed in commerce by a patentee, the purchaser of the patented item has the rights of any owner of personal property. These rights include the right to use it, repair it, modify it, discard it, or resell it, subject to the conditions of the sale. The right to construct an essentially new article on the template of the original is not among those rights, as that right remains with the patentee.

The affirmative defense of repair would not apply to any of the refurbished cameras not first sold in the U.S., as the patent rights in those cameras were not exhausted. To exhaust U.S. patent rights, the authorized first sale must have occurred under a U.S. patent. As such, the court determined that imported cameras were not immunized from infringement under the doctrine of exhaustion in the manner of those first sold in the U.S.

To determine whether refurbishing the cameras constituted permissible repair or prohibited reconstruction, the court looked to a number of precedential cases. The holdings and key facts of these cases are shown in the table below:

Case	Facts	Patented Item	Holding
<i>Wilson</i> <sup>3</sup>	Purchaser replaced short-lived cutting knives of longer-lived planing machine	Planing machine	Permissible repair

<sup>1</sup> 316 U.S. 265, 278 (1942).

<sup>2</sup> 123 F.3d 1445, 43 U.S.P.Q.2d 1650 (Fed. Cir. 1997).

<sup>3</sup> *Wilson v. Simpson*, 50 U.S. (9 How.) 109 (1850).

<i>Aro Manufacturing</i> <sup>4</sup>	Purchaser replaced worn fabric of convertible top	Fabric convertible top and associated metal support structure	Permissible repair
<i>Wilbur-Ellis</i> <sup>5</sup>	Used machine buyer refurbished fish canning machines, including modification and resizing of six separate parts	Fish canning machine	Permissible repair
<i>General Electric</i> <sup>6</sup>	U.S. Navy disassembled gun mounts and repaired or replaced parts using parts from other gun mounts	Gun mount	Permissible repair
<i>Dana Corp.</i> <sup>7</sup>	Commercial-scale “rebuilding” of truck clutches by disassembling discarded clutches and replacing worn parts with new parts	Truck clutches	Permissible repair
<i>Sandvik Aktiebolag</i> <sup>8</sup>	Drill bit was “recreated” by constructing entirely new cutting tip  (The <i>Sandvik Aktiebolag</i> court determined that the drill bit, “viewed as a whole, has become spent”)	Drill bit	Prohibited reconstruction

The Commission had agreed with the administrative law judge who originally took up the case, ruling that the refurbishers were not merely repairing the cameras to extend their useful lives, but rather to create new single-use cameras. The Federal Circuit noted, however, that the precedent showed that fixing products that had lived their intended lives could constitute “repair.” Indeed, the Supreme Court stated in *Aro Manufacturing* that license to use a patented article, which occurs on first sale, “includes the right ‘to preserve its fitness for use.’”<sup>9</sup> In view of the precedent, the court determined that refurbishing the cameras was more akin to repair than reconstruction.

- C. Yes. When the patented method was used in the United States and the patent right has been exhausted, repair is an affirmative defense to infringement of a method patent. Here, both conditions were satisfied.

<sup>4</sup> *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961).

<sup>5</sup> *Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422, 141 U.S.P.Q. 703 (1964).

<sup>6</sup> *General Electric Co. v. United States*, 572 F.2d 745, 198 U.S.P.Q. 65 (Ct. Cl. 1978).

<sup>7</sup> *Dana Corp. v. American Precision Co.*, 827 F.2d 755, 3 U.S.P.Q.2d 1852 (Fed. Cir. 1987).

<sup>8</sup> *Sandvik Aktiebolag v. E.J. Co.*, 121 F.3d 669, 43 U.S.P.Q.2d 1620 (Fed. Cir. 1997).

<sup>9</sup> 365 U.S. at 345.