

Infringement by Repair and the
Troublesome Definition of “Making” the
Invention: A critique of *Schütz v Werit*.



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A patent gives to the proprietor the exclusive right, amongst other things, to prevent third parties from “making” the patented article. This provision does not normally give rise to any difficulties of statutory interpretation where the alleged infringer is making a whole new article. But what happens when the alleged infringer starts with an article made and placed on the market by the patentee? If the alleged infringer has purchased the article from the patentee, then the question can sometimes be by-passed on the basis of implied licence, whether or not it would be an infringement absent such a licence. But where there is no implied licence, the question is the stark one: what does “making” mean in the Patents Act? Does the statutory monopoly of “making” prevent third parties from refurbishing the patented article? Plainly, if all the parts are replaced, the third party has made a new article, and is therefore an infringer. By contrast, if only some minor part is replaced, he has not, at least in common parlance, made a new article. Does “making” include such minor replacement? In *Schütz v Werit*, the trial judge thought that it did not, and proposed a criterion based upon whether the part replaced formed any part of the inventive concept of the patent¹. The Court of Appeal rejected this test². It also rejected the test developed by the German courts. The talk will examine the arguments for and against the result propounded by the Court of Appeal.

In *Schütz v Werit*, Schütz was the exclusive licensee under two patents for intermediate bulk containers or IBCs. An IBC is a large plastic bottle capable of holding up to 1000 litres of material surrounded by a protective metal cage. A typical one looks like this:

¹ [2010] EWHC 660 (Pat) Floyd J;

² [2011] EWCA Civ 303 (CA Ward, Jacob, Patten LJ)



The patent claim related to features of the metal cage which surrounded the inner bottle. The cage helps to protect the inner bottle from damage and allows stacking. The claim expressly stated that the bottle was exchangeable. Werit was in the IBC market as well. The alleged infringement consisted of sending its own plastic bottles to a third party, Delta, who fitted them into second hand re-furbished Schütz cages, replacing the Schütz bottle in the process. Delta obtained these IBCs from end users, who usually had no further use for them. Werit's activities were said to amount to contributory infringement.

Contributory infringement arises where a person supplies "means relating to an essential element of the invention" when those means are "suitable for putting and intended to put the invention into effect"³. Werit said that Delta were not putting the invention into effect, because the act of putting Werit's bottle into a second-hand Schütz cage did not amount to primary infringement. Delta, on Werit's argument, were not "making"⁴ the patented product. Absent primary infringement by Delta, there could be no secondary infringement by Werit.

³ Patents Act 1977 section 60(2)

⁴ Patents Act 1977 section 60(1)

There could scarcely be a more basic question in the law of patent infringement than what is meant by “making” the patented product. It is important to note that Werit were not relying on any form of implied licence in favour of Delta. Their case was based only on whether Delta were performing the prohibited act by making the patented product when they put a new bottle in an old cage. The trial judge thought they were not making the patented product; the Court of Appeal thought they were. The Supreme Court gave Werit permission to appeal earlier this year.

A similar question had come before the House of Lords some ten years earlier in *United Wire v Screen Services (Scotland) Limited*⁵. It had also divided judicial opinion.

United Wire owned two patents for heavy duty screen assemblies (effectively large sieves) for use in connection with the recycling of well drilling mud. The screen assemblies consisted of two main parts: the filter mesh itself and a frame to support it. The defendants were engaged in reconditioning worn out screen assemblies originally manufactured by the plaintiffs, reconditioning the frames and fitting brand new mesh. The worn out assemblies were supplied to them by customers of United Wire. These activities were alleged to infringe the two patents. The first patent related to features of the mesh, namely differential tension in the mesh itself, whereas the second, which remained in force, related to a frame which maintained differential tensions in the mesh. The principal claims of both patents had features directed at both frame and mesh. The defendants ran defences based on implied licence or exhaustion and "not manufacture". The trial judge (Robert Walker J as he was then) rejected the claim to “infringement by making” on the ground that there was an implied licence to repair the patentee's articles. He was "narrowly persuaded" that what the defendants were doing was repair.

The CA reversed Robert Walker J and the House of Lords dismissed the further appeal. Lord Hoffmann, who gave the leading speech in the House of Lords, first rejected the implied licence and exhaustion defences as being concerned essentially

⁵ [2001] RPC 24

with explaining why a person who purchases a patented article cannot be restrained from using it or dealing with it in any way. He said:

"Repair is one of the concepts (like modifying or adapting) which shares a boundary with "making" but does not trespass upon its territory. I therefore agree with the Court of Appeal that in an action for infringement by making, the notion of an implied licence to repair is superfluous and possibly even confusing. It distracts attention from the question raised by section 60 (1) (a), which is whether the defendant has made the patented product. As a matter of ordinary language, the notions of making and repair may well overlap. But for the purposes of the statute, they are mutually exclusive. The owner's right to repair is not an independent right conferred upon him by licence, express or implied. It is [a] residual right, forming part of the right to do whatever does not amount to making the product.⁶"

Having considered the two ways in which the test was formulated by Buckley LJ in *Solar Thompson Engineering Co. Ltd v Barton*⁷, Lord Hoffman said he preferred asking:

"whether, having regard to the nature of the patented article, the defendant could be said to have made it⁸."

Lord Hoffmann explained the correct approach to the facts in that case as follows:

"It is quite true that the defendants prolonged the useful life of the frame. It would otherwise presumably have been scrapped. But the screen was the combination of frame and meshes pre-tensioned by attachment with adhesive according to the invention. That product ceased to exist when the meshes were removed and the frame stripped down to the bare metal. What remained at that stage was merely an important component, a skeleton or chassis, from which a new screen could be made⁹."

Note that in this passage Lord Hoffmann characterises what has been done as making "a new screen". It is not always possible to characterise refurbishment of an article as making a new one, however. By characterising the screen as a combination

⁶ [2001] RPC at 459 para [71]

⁷ [1977] RPC 537

⁸ [2001] RPC at 459 para [72]

⁹ *Ibid* at [73]

of frame and meshes “according to the invention”, and drawing attention to the degree to which that combination had been deconstructed, it might be thought that he was leaving open the question which arose in *Schütz*, namely whether replacing parts which form no part of the invention would also amount to making. Thus, in *Schütz*, the trial judge was pressed with the analogy with *United Wire*, but Werit contended that it was not the law that replacement of *any* claimed feature of an article claimed as a combination would amount to making it. They relied on a series of German cases in which the distinction between making and permissible repair by replacement of parts had been looked at.

The first of these cases was *Impeller Flow Meter*¹⁰, a decision of the German Federal Supreme Court (the BGH). The defendant sold measuring capsules for installation into the claimants' flow meters, which would be mounted on or in the wall of a building belonging to the customer to whom they were sold. The court affirmed the basic principle in the following terms:

"(i) It is true that the use of a patented product as intended also includes the maintenance and re-establishment of usability if the function or performance of the specific product is impaired or lost in whole or in part by wear or damage or on other grounds. However, there can no longer be a question of a re-establishment of the lost or impaired usability of a product put into circulation with the patent holder's consent if the measures taken in fact amount to making the patented product again.

(ii) Accordingly, the distinction between a (permissible) repair and a (prohibited) remaking depends on whether the measures taken maintain the identity of the specific patented product already put into circulation, or are the equivalent of the creation of a new product according to the invention. As a rule, this can only be determined in the light of the particular nature of the subject matter of the invention and a balancing of the conflicting interests."

After a discussion of earlier case law, the Court said:

"Accordingly, the decisive factor for the distinction between use as intended and the making of the (new) protected object is always the total combination.

¹⁰ *Flügelradzähler (Impeller Flow Meter)* Case No X ZR 48/03

On the other hand, this does not mean that quantitative criteria alone would be relevant to the question of when the replacement of parts in a device constitutes newly manufacturing the device. Instead, it is necessary, while taking into consideration the uniqueness of the patented product, to weigh the protectable interests of the patent holder in the economic exploitation of the invention on the one hand and those of the buyer in the unfettered use of the specific inventive product brought onto the market on the other (citations omitted). When the interests are weighed, increasing importance can be given to whether it would be customary to expect the relevant parts to be replaced during the service life of the device (citation omitted). But what is also relevant is the extent to which the technical effects of the invention are reflected by the replaced parts. Therefore, the replacement of a part subject to wear and tear that is usually replaced during the expected service life of the machine—sometimes repeatedly—does not usually constitute a new manufacture. The situation can be different, however, if this part in fact embodies essential elements of the inventive concept (citation omitted). When the replacement of this part again implements the technical or economic advantage of the invention, it cannot be said that the patent holder already reaped the benefits to which it is entitled from the invention when it brought the entire device into the stream of commerce for the first time (see also the question as to "whether, having regard to the nature of the patented article, the defendant could be said to have made it," which was posed by Lord Hoffmann in the case of "*United Wire v. Screen Repair*").

Whether it is "customary to expect the ... parts to be replaced" would, to English lawyers, be thought to be relevant to the question of implied licence, but is regarded by the German court as having a bearing on whether there is manufacture at all. The the second consideration in the cited passage focuses more on the parts in which the invention is said to lie: namely whether the "*part in fact embodies essential elements of the inventive concept.*"

It is interesting that the BGH thought that there was room in Lord Hoffman's formulation to accommodate the approach which they were adopting. As will be seen, the Court of Appeal in *Schütz* thought that there was no such flexibility inherent in Lord Hoffmann's use of the phrase "the nature of the patented article". The BGH concluded, in that case, that the replacement of the measuring unit in the impeller flow meter constituted the making of a new impeller flow meter. The BGH was plainly influenced by the extent to which the measuring unit embodied the invention and interacted with other features of it.

The second German decision relied on was *Wheel Tread*¹¹. The patent was for a rail wheel. The Defendant made replacement treads which it supplied to the rail operator for installation onto its vehicles. Citing *Impeller* the BGH held at [17] that:

"When the interests are weighed, increasing importance can be given to whether it would be customary to expect the relevant parts to be replaced during the service life of the device. But what is also relevant is the extent to which the technical effects of the invention are reflected in the replaced parts"

The BGH went on to hold at [21] that the facts only established a functional interaction between the wheel tread and the other parts of the invention, which was not adequate to characterise the replacement of the tread as the manufacture of a new wheel. In this respect they distinguished their case from *Impeller*.

The third German case is *Pipette System*¹². The patent related to a combination of a hand pipette and a syringe. The defendants were supplying replacement syringes for use in the claimants' pipette holders. They were thereby held to be supplying an essential means. However the BGH held that the finding that the syringe was an essential means for carrying out the invention did not exhaust the question of infringement. To become an essential means it was normally enough that the feature was specified in the claim (see [18]). However they held at [26(c)] that:

"Once the protected pipette system has been brought onto the market, the Plaintiff's exclusivity right with respect to the unit brought onto the market consisting of hand pipette and syringe is exhausted even when the syringe is continually replaced – in accordance with the directions. Such replacement is in accordance with the designated use of the pipette system."

Later they said this at [27 (aa)]:

"The distinction between (permissible) designated use and (impermissible) new manufacture is determined by whether the actions taken preserve the identity of the specific patented product already brought onto the market or whether they are equivalent to creating a new product in accordance with the invention"

¹¹ *Laufkranz (Wheel Tread)* Case X ZR 45/05 dated 3rd May 2006

¹² *Pipettensystem (Pipette System)* Case X ZR 38/06 of 27th June 2007

The Court also said:

"It is not sufficient ... for the assumption of a new manufacture that the "system" becomes incomplete due to the withdrawal of the syringe and therefore non-functional, nor by contrast is such an assumption refuted ... by the fact that no new item is manufactured based on generally accepted standards if a new (disposable) syringe is inserted into a hand pipette device intended for long-term use".

This case again focuses, at least in part, on whether the part is intended to be replaced, but also involves wider considerations.

All these cases were concerned with a product which was still in the hands of the user and required a replacement in order to cause it to continue to function. The cases were not concerned with a situation like *United Wire* or *Schütz*, in which the defendant purchases a product at the end of its useful life, replaces parts, and sells it on the market in competition with the patentee without returning it to the original user. Those facts were no doubt destructive of any attempt to rely on implied licence in those English cases. As will be seen, the Court of Appeal thought this a reason for not following the German approach.

In the end the trial judge was not persuaded to follow the German approach in an unqualified way. He proposed a test based on whether, when the part replaced was removed, what was left retained the whole of the inventive concept. If so there was no making of the patented article. He considered he was free to do so despite *United Wire*, because the patents in that case were for the whole screen: the inventive concept in did not lie wholly in one part or the other. He held that the patents made it clear that the invention lay in the way the cage was constructed, and not in the bottle. Accordingly there was not infringement.

In the course of argument the following example was discussed. An invention resides in a new frame for tennis racquets. The patent claim calls for a strung racquet coupled to the inventive frame. Is re-stringing the racquet correctly regarded as "making" it, even though the invention is said to lie in the features of the frame alone? Does it make a difference if what the defendant does is acquire discarded racquets, re-string them and sell them in competition with the patentee? The judge

could see no reason why the owner of the discarded product should be making a new patented product when the original owner was not.

The Court of Appeal [2011] EWCA Civ 303 consisted of Ward LJ, Jacob LJ and Patten LJ. Jacob LJ gave the leading judgment. He reviewed the decisions in *United Wire* at all three instances culminating with that of Lord Hoffmann in the House of Lords where he pointed out the nature of the patentee's product in that case, in the passage I have cited above.

Jacob LJ said this applied exactly in the present case:

“Exactly the same applies here. Again adapting the language: that product [i.e. the IBC] ceased to exist when the bottle is removed. What remained at that stage was merely an important component from which a new IBC could be made.”

The Court of Appeal held that there was no room in the judgments of the Court of Appeal and the House of Lords in *United Wire* for the whole inventive concept test. They said that, if that was the test which the House of Lords intended to propound, they could have said so in clearer terms. They were able to say this because, unlike the judge, they thought that the facts of *United Wire* did raise the whole inventive concept point, at least in relation to the second patent.

For the Court of Appeal, the matter was made clear by the following:

“We asked [counsel for Werit] what the position would be if Delta made a frame according to claim 1 and fitted it with a Schütz bottle. Would that infringe? He initially agreed that it would. But the physical act of fitting the bottle into the cage is exactly the same as that complained of here. If it is "making" one way round, it must be "making" the other way round. Seeing the force of that he was driven to submit that putting a bottle in a cage so as to create an IBC was not "making" one. The submission only has to be stated to be rejected. If right it would mean that even Schütz never made IBCs.¹³”

Those two points were sufficient to dispose of the appeal, although the judgments deal with other arguments.

¹³ Court of Appeal judgment at [70]

Was the Court of Appeal right about those two points? There is certainly scope for argument. The first point – that their Lordships could have said so in *United Wire* - depends largely on the view which one takes of the facts of *United Wire*. There is room in the language adopted by Lords Hoffmann and Bingham, and Aldous LJ in the Court of Appeal as well¹⁴, for a test which has regard to the nature of the patented invention. The “could-have-said-so” argument is one sometimes dismissed as beloved of lawyers, but said to be of no real substance.

The argument about doing it the other way round is somewhat puzzling. If Werit were making a new cage and then completing it with a Schütz bottle, the inventive concept test would hold that they were infringing. The part retained, namely the old bottle, has nothing to do with the inventive concept. The Court of Appeal seem, at least in this aspect of their judgment, to have equated making and completing a patented article. So the person re-stringing a tennis racquet made by someone else is making it, just as much as the man or woman who is making the whole racquet from scratch. However, in applying the analogy with *United Wire*, the Court of Appeal seem to have accepted that what is relevant is not simply the isolated act of completing the article – putting the bottle in the cage - but whether what is being done can be described as “making a new one”. That might be said to involve looking at what the defendant does through rather a wider lens than that adopted by the Court of Appeal

The Court of Appeal went on to look at what they considered to be the uncertainty of the “whole inventive concept” test¹⁵. They considered that the notion of inventive concept had no part to play in the law of infringement and that it involved looking at the prior art. In saying that the inventive concept has no part to play in the law of infringement, the Court of Appeal were obviously excluding indirect infringement. There a distinction is made between parts of the invention which are

¹⁴ Aldous LJ said at [2001] RPC 450 “when deciding whether there has been manufacture of *the product of the invention*, it will be necessary to take into account the *nature of the invention as claimed*”. In the House of Lords Lord Bingham expressly approved these words at [55]

¹⁵ See [72]-[76]

essential elements and parts which are not. If I supply one element of a combination for someone else to use it to make up a claimed product, the court has to look at my activities and determine whether they amount to supplying an essential or inessential element. There the inventive concept may well have a part to play.

Jacob LJ also said this:

“Another way in which the test is uncertain is that it would depend on what piece of prior art you took into account. For in a general sort of way the "inventive concept" is the difference between the patented idea and the old idea. That depends on what the old idea was¹⁶.”

But that “general sort of way” was not the way that Werit (or the trial judge) had propounded the test of inventive concept¹⁷. The Court Appeal may have overlooked that the Judge had said this, perhaps to avoid being understood in that way:

“I would emphasise that it is the inventive concept as put forward in the patent ... not its inventiveness in relation to the state of the art¹⁸”

The Court of Appeal also addressed the fact that their decision would give Schütz a monopoly in unpatented bottles¹⁹. They said this was “obviously a concern of the judge in the present case”. Whether that is so or not²⁰, the Court of Appeal held that the courts were ill equipped to decide whether that mattered, relying on some

¹⁶ CA judgment at [76]

¹⁷ Although there is support for the view that even the Court of Appeal’s approach to inventive concept would be workable: Russell *UK Court of Appeal rejects German approach, and confirms: you may prolong the life of a patented article but you must not make a new one under the guise of repair: Schutz (UK) Ltd v Werit UK Ltd*: [2012] E.I.P.R. 208. Others have questioned whether the trial judge’s approach might be difficult to apply: Whitehead and Kempner *Manufacture or Repair?* JIPLP [2011] Vol 6 No 1 pp 9-10.

¹⁸ Judgment of Floyd J at [200]

¹⁹ see [77] to [80].

²⁰ The decision has been read by some as allowing patentees to control the after-market for replacement parts: see Russell [2012] E.I.P.R. 208

observations of Lord Hoffman in the copyright context in *Canon v Green Cartridge*²¹. However the court is well equipped to determine what, having regard to the nature of the patented product, constitutes making the product. There is no economics involved in that.

Next, the Court returned to the question of consumables²². What about a claim to a new photocopier loaded with paper? Could the patentee restrain the supply of paper for use with the patented machine? Schütz suggested a number of answers to this. One was that the Patent Office would not allow such claims. The Court of Appeal rejected this. Second, they suggested that many of the cases would indeed be covered by implied licence. But does someone who fills the photocopier with paper make the patented product? If not, no licence is required.

Finally the Court of Appeal rejected the application of the test developed in the German cases, as the judge had. They pointed out, as the judge had, that the cases were all concerned with what the ultimate consumer of the patentee's goods could do with them, as opposed to a third party selling it in competition with the patentee. It is, however, questionable why this difference should matter in seeking a definition of manufacture. Whether an act amounts to manufacture cannot depend on the extent to which one has the licence of the patentee to perform it. They went on to say:

“The German approach is clearly not the same as here. ... Elements of implied licence, expectation of the consumer and so on enter into what appears to be a multi-factorial consideration.”²³

²¹ [1997] AC 728

²² CA judgment at [82]

²³ CA judgment at [92]

That is true, and thus the German approach cannot be adopted wholesale into our law. However the German approach does recognise that not every refurbishment of the patented product amounts to making it.

The Court of Appeal were much influenced, unlike the judge, by the fact that Delta described the finished IBC as “re-manufactured”²⁴. Jacob LJ said that “says it all”. That may be a factor in an individual case, but it is difficult to see how it squares with the Court of Appeal’s own analysis. This is an essentially lay perception, out of the context of the patent, whereas the Court of Appeal’s approach takes account of what is in the patent claim. Lay statements of this kind are devoid of that context. On the Court of Appeal’s view of the law, Delta would have been manufacturing if they had removed and replaced any claim element. If one applies the lay approach to restringing a tennis racquet, nobody would have described what is going on as making the tennis racquet. Yet the Court of Appeal appears to hold that it is. That is because it is adding the last feature of the claim, to make good the claimed combination. Finally “re-manufacture” of an article is plainly not the same thing as making a new one.

Moreover, it is plain from the German cases that their courts have construed “making” differently. They have not taken the absolutist view of making, so that everything must depend on licence. Their courts have recognised a distinction between making something and replacing a part in something which has already been made.

Of course you can go so far with your replacement that what you have done is really to create a new article. This is an entirely different philosophical approach to that adopted by the Court of Appeal²⁵. The boundaries can, as the German cases

²⁴ CA judgment at [90]

²⁵ The Judge quoted Plutarch: "The ship wherein Theseus and the youth of Athens returned [from Crete] ... was preserved by the Athenians down even to the time of Demetrius Phalereus, for they took away the old planks as they decayed, putting in new and stronger timber in their place, insomuch that this ship became a standing example among the philosophers, for the logical question of things that grow; one side holding that the ship remained the same, and the other contending that it was not the same."

recognise, be difficult to draw. George Washington's axe, which has three new heads and two new handles, is the most notorious example of the problem. At some point, but precisely where it is hard to say in the abstract, there is a new axe. But if the patent to George Washington's axe is focused entirely on the head, and one replaces the handle, the problem disappears. The solution which would perplex the philosophers is that which says that there is a new axe each time the handle is replaced.