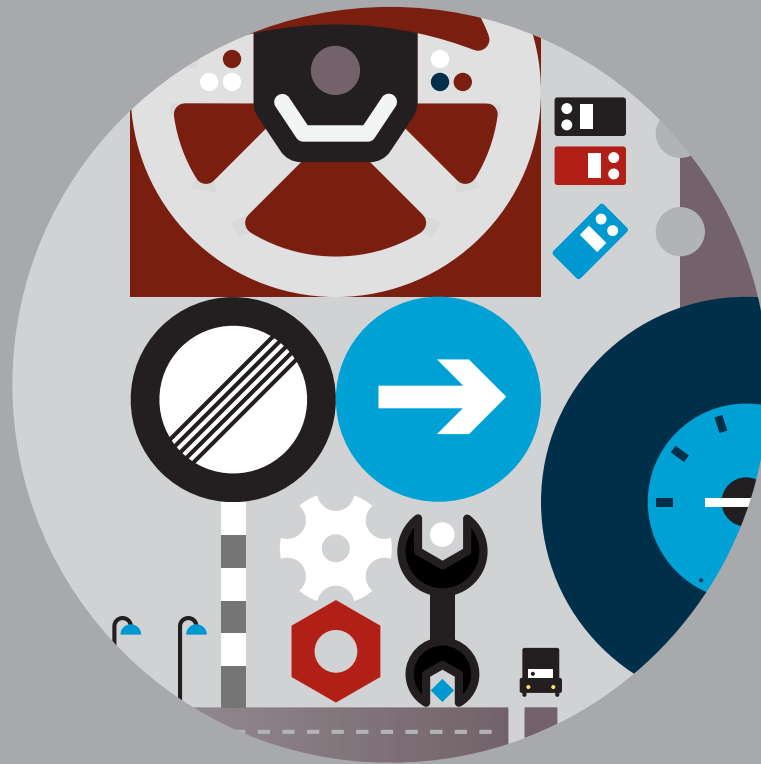


Legal Obstacles and Challenges for Remanufacturers

Trademarks, patents and product liability



APRA European
Remanufacturing
Symposium 2018,
Budapest

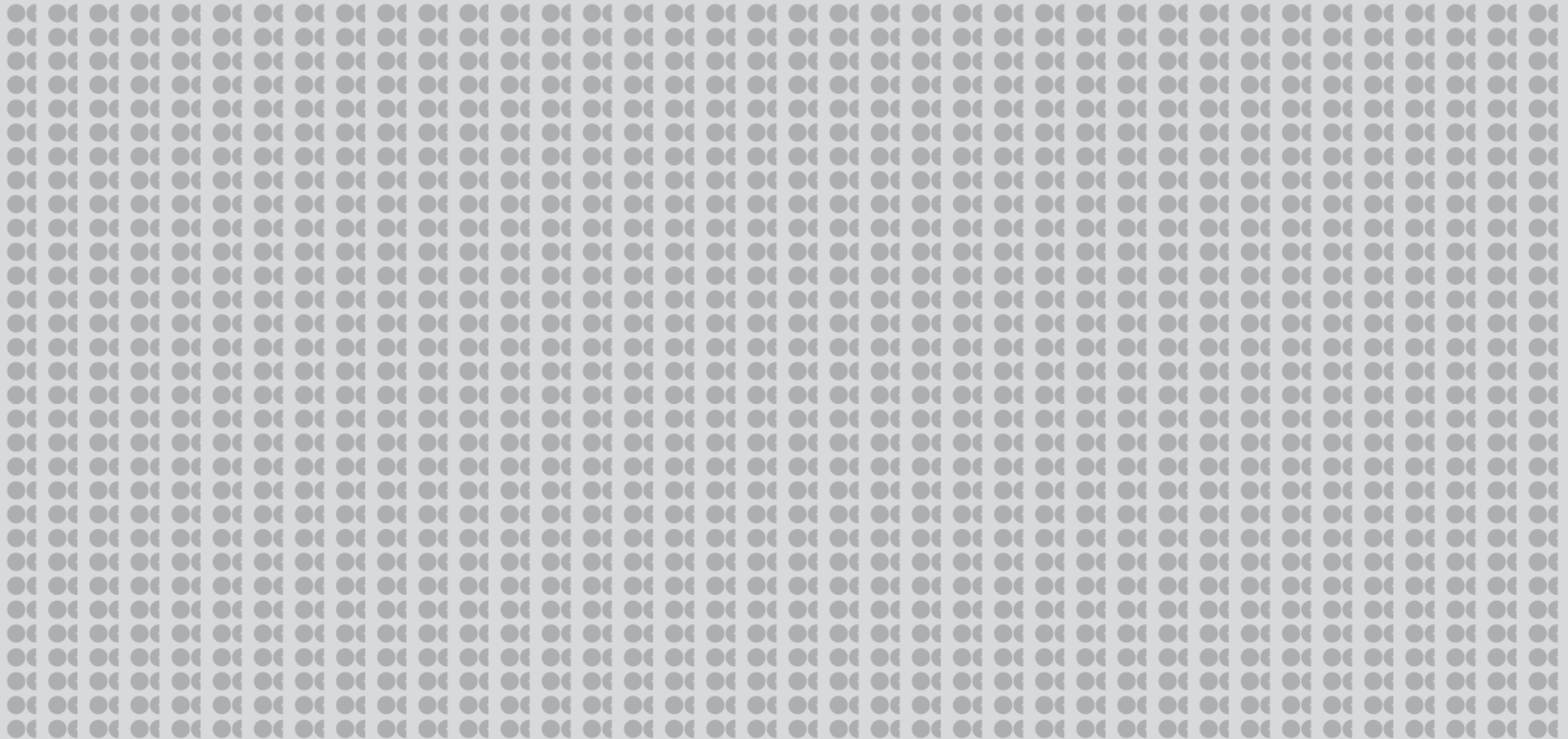


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19 April 2018

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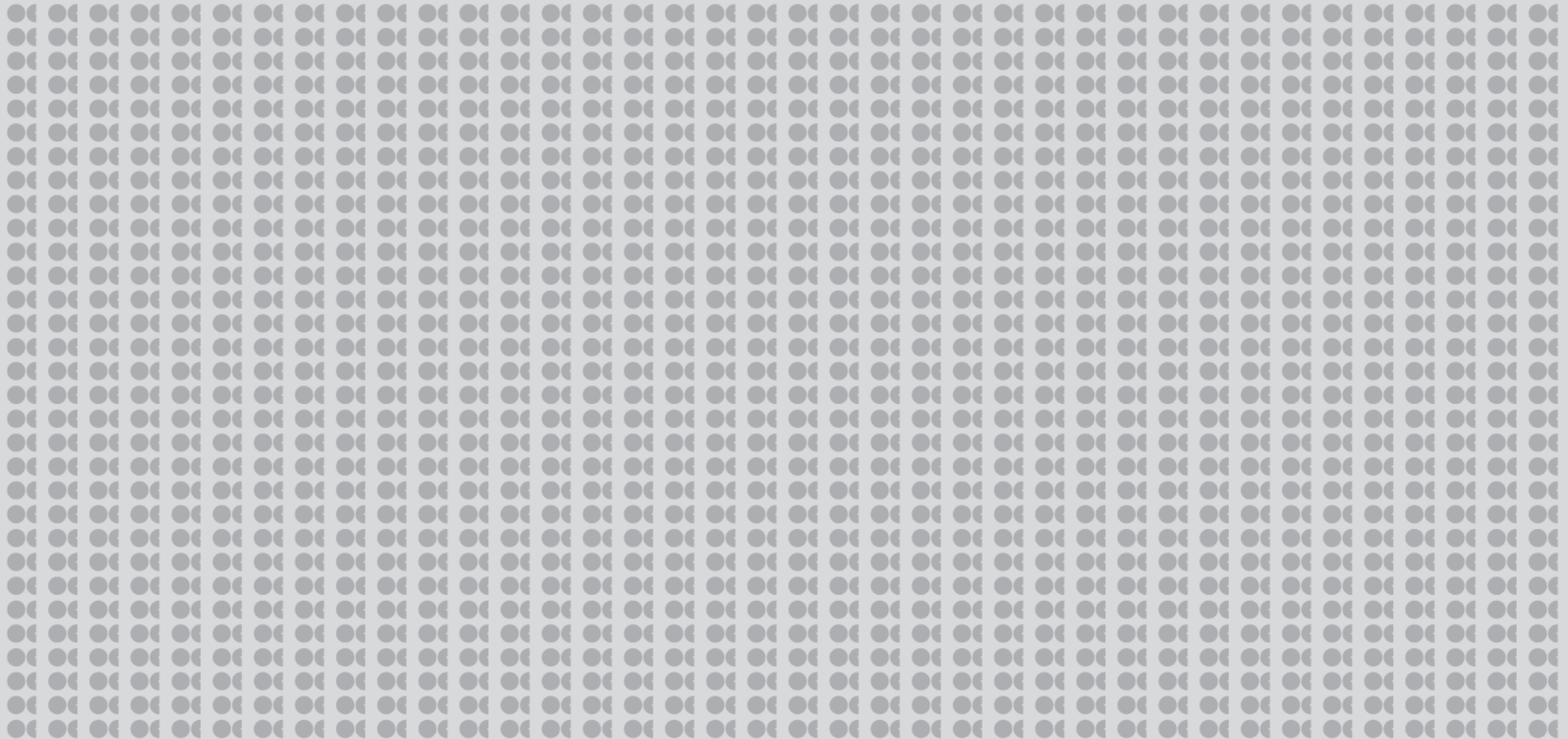
I. Overview of potential legal issues



Potential legal issues

- **Original equipment manufacturer (OEM) may object to further commercialisation of remanufactured products**
 - on grounds of **trademark infringement**: because his trademark still appears on the remanufactured product
 - on grounds of **patent infringement**: because the remanufacturing does not lead to a **repair** but to a **rebuilding** of the patented product
 - **Remanufacturer can face claims for damages from customers under product liability law if remanufactured product is defective**
-

II. Trademarks



Trademarks

- **Trademarks**
 - Different types of trademarks, e.g. word marks, figurative marks, logos
 - Protection in relation to **specific goods** and **services**
 - Exclusive right of trademark owner
- **Trademark functions**
 - Badge of origin
 - advertising function – brand recognition
 - "quality label"

Trademarks (cont.)

- **Principle of exhaustion of trademark rights within the EU / EEA** (§ 24 MarkenG – German TM Act, Art. 13 European Union TM Regulation)

Art. 13 (1): *An EU trade mark shall **not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.***



No objection to
the use of
goods after first
sale on the
European
market

Trademarks (cont.)

BUT...

- **Exception to trademark exhaustion: Original product is **altered** after it was put on the market**

Art. 13 (2): *Paragraph 1 shall **not apply** where there exist **legitimate reasons** for the proprietor to **oppose further commercialisation of the goods**, especially where the **condition of the goods is changed** or impaired after they have been put on the market.*

- ▶ **Trademark owner may legitimately object to alterations**
 - ▶ **Risk of court injunctions against remanufacturer, distributors**
-

Trademarks (cont.)

- **Trademark use permitted** (§ 23 (2) MarkenG, Art. 12 European Union TM Regulation) in accordance with honest practices

Art. 12 (1)(b): *An EU trade mark shall **not entitle the proprietor to prohibit a third party from using**, in the course of trade:*

*(b) **signs and indications** which are not distinctive or which concern the kind, quality, quantity, (...) or other **characteristics of the goods** or services;*

- ▶ **No infringement if remanufacturer clearly places his own trademark on remanufactured product**
- ▶ **OEM may not object to further distribution because product is no longer marketed under his trademark**

Trademarks (cont.)

- **German jurisdiction**

- Federal Court of Justice (BGH), landmark judgement "*Reconditioning of vehicle components*", 14 December 2006 (GRUR 2007, 705)



- Regional Court of Düsseldorf, 10 April 2008 (4 O 377/01): same parties, remanufacturers trademark **on packaging not sufficient!**

Trademarks (cont.)

- Federal Court of Justice (BGH), 12 March 2015 (I ZR 147/13): requirements for permissible conversion of vehicles – tuning
- No infringement if converted vehicle is offered by using the OEM's trademark AND the own trademark
 - ▶ **neutralizes** the function of indicating origin of the OEM's trademark
- No need to name every conversion in detail
- No need to state explicitly that OEM's trademark only refers to the origin of the original product

PORSCHE

Porsche 911 Turbo mit TECHART GTstreet Umbau



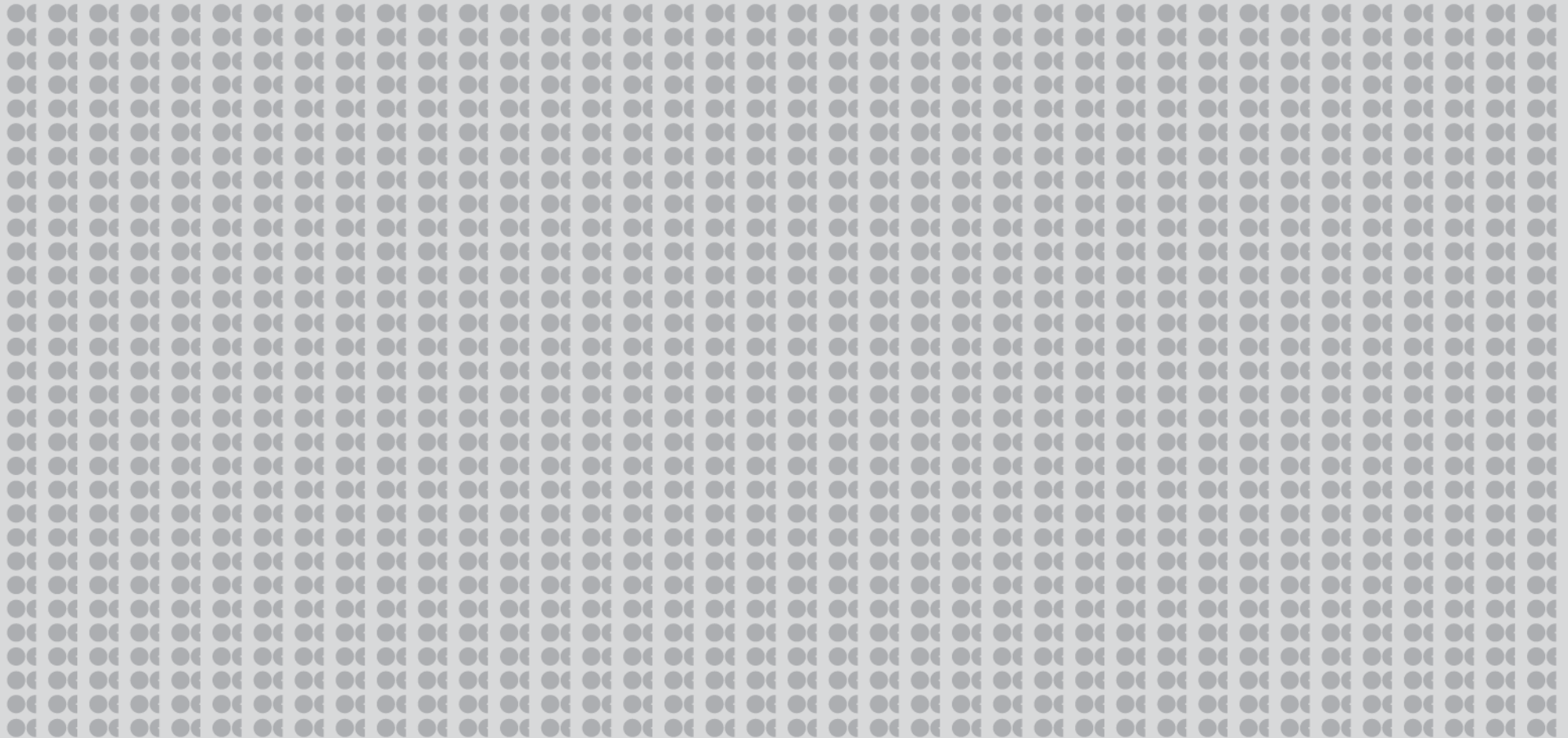
Endpreis:	€ 275.000,- <small>Mwst. ausweisbar</small>
Angebotsnummer:	TA477
Fahrzeugkategorie:	Neu
Aufbau:	Coupe
Erstzulassung:	12/2007
Kilometerstand:	60 km
Kraftstoff:	Benzin
Leistung:	463/630 (kW/PS)
Getriebeart:	Schaltgetriebe
Außenfarbe:	eissilber (matt) Metallic
Verbrauch:	13 l/100 km
Anzahl Türen:	2

Fahrzeugausstattung:
ABS, Airbag, Alarmanlage, Allrad, Alufelgen, Beifahrer Airbag, Bordcomputer, Elektr. Fensterheber, elektr. Stabilitätsprog. (ESP), Elektrische Sitze, Klima, Klimaanlage, Ledererausstattung, Navigationsystem, Nebelscheinwerfer, Park Distance Control, Radio, Radio/CD

Trademarks (cont.)

- Higher Regional Court of Hamburg, 14 October 2016 (5 U 51/15):
 - not necessary to state in the title of the offer that the product is converted if
 - a) OEM's trademark AND the own trademark are used in the title and
 - b) information on conversion can be found in the product details below
 - ▶ the potential buyer will most likely read the clarifying product details
 - the product may still be allocated to the category of the OEM's trademark e.g. on internet platform as this is allowed TM use (e.g. "Audi" on ebay)
-

III. Patents



Patents

- **Exhaustion after first sale in respect of usual repairs of patented products**
 - **Caution:** Remanufacturer has burden of proof for first sale in the EU – origin and availability of reman Cores from EU markets are key
 - **German jurisdiction:** Distinction between usual repairs and reproduction of the invention's essential elements
 - **US jurisdiction** (Lexmark case, Az.: 15–1189): International exhaustion, cores may be collected even outside the US, milestone for reman!
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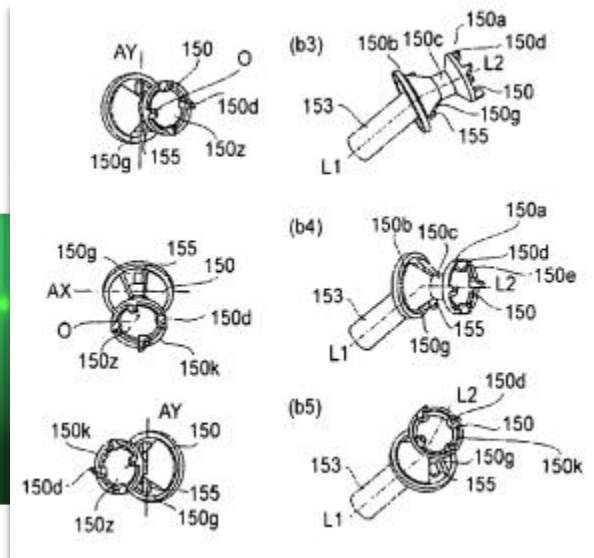
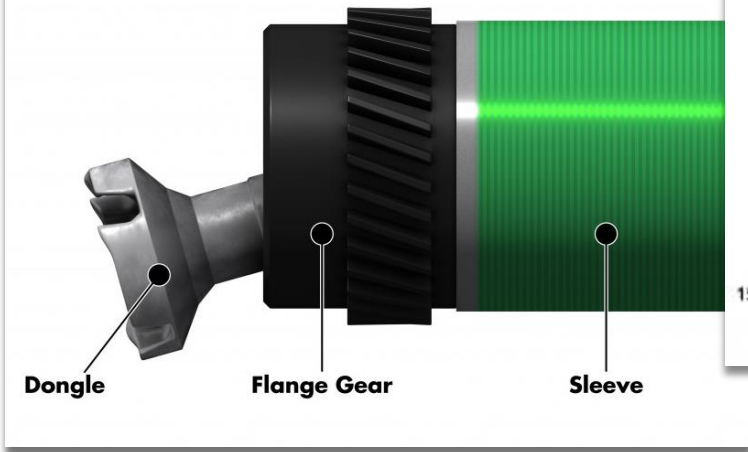
Patents (cont.)

- **Factors for distinction**

- Always look at the patented component, e.g. inventive starter (not overall device, e.g. car)
 - Federal Court of Justice, 24 October 2017 (X ZR 57/16) – *drum unit*:
 - Only the product in the patent specification (not the sold product containing further elements) is subject of the prevailing public understanding
 - If there is no prevailing public understanding for the patent product itself (often): infringement given if replaced part(s) is contributes to crucial advantages of the product
 - Stricter decisions in other EU jurisdictions!
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Example Canon's dongle gear patent (laser toner cartridge)

Repair or Recreation?

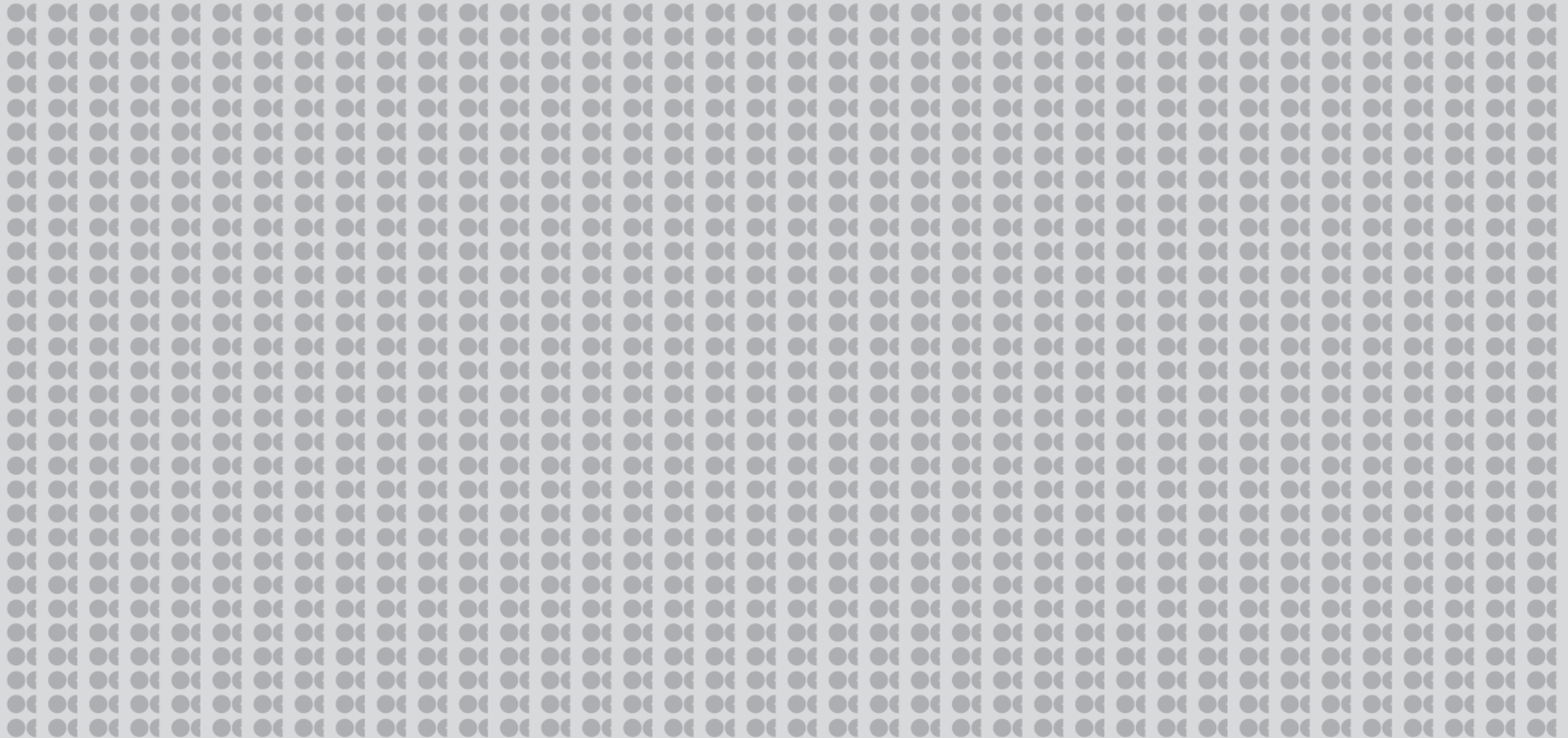


- scope and scale of cartridge repair varies
- replacement only of damaged part (i.e. OPC) if clear break or damage on OPC
- might involve removing and refitting of original gears

Patents (cont.)

- **Remanufacturing will often lead to rebuilding the product, if**
 - Essential element as mentioned in the patent claim is replaced
 - by a new part
 - by a part from another core
 - by a part from a core not originally sold within the EU
 - special legal challenge: remanufacturing by combination of parts from different cores => common practice but not allowed under German Patent Law, identity of original is lost!
 - Patentee could raise claims for patent infringement, recall, damages
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IV. Designs



Designs

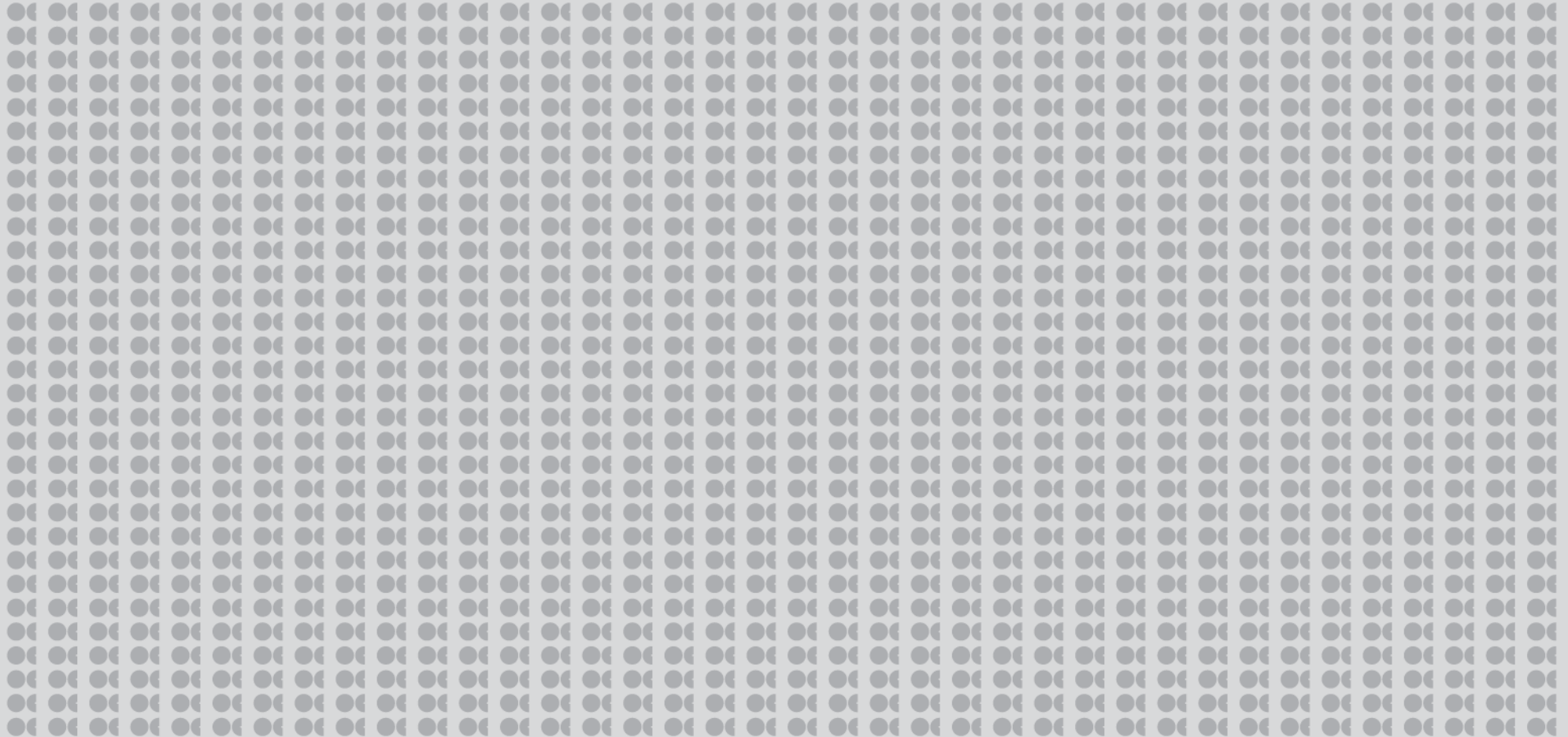
- **Design**
 - protection of the appearance of a product
 - exclusive right to use the design, such as producing and marketing a product in which the design is incorporated
 - **exhaustion** for products put on the market (Art. 21 European Community Design Regulation)
 - **Requirements for protection**
 - novelty and individual character
 - overall impression must differ from the impression other products give
 - individuality shall not consist solely of technical functions (-> patent)
-

Designs (cont.)

- **Community designs**

- no protection of products that are part of a complex product (e.g. car) and invisible in typical use (e.g. element of gearbox, coupling, motor bloc, Art 4 European Community Design Regulation)
- no protection of products that are required to repair a complex product/restore its original appearance (Art 110 European Community Design Regulation – "repair provision")
- covers "must fit" **and** "must match" elements (ECJ, 20 December 2017, C-397/16)

V. Copyright

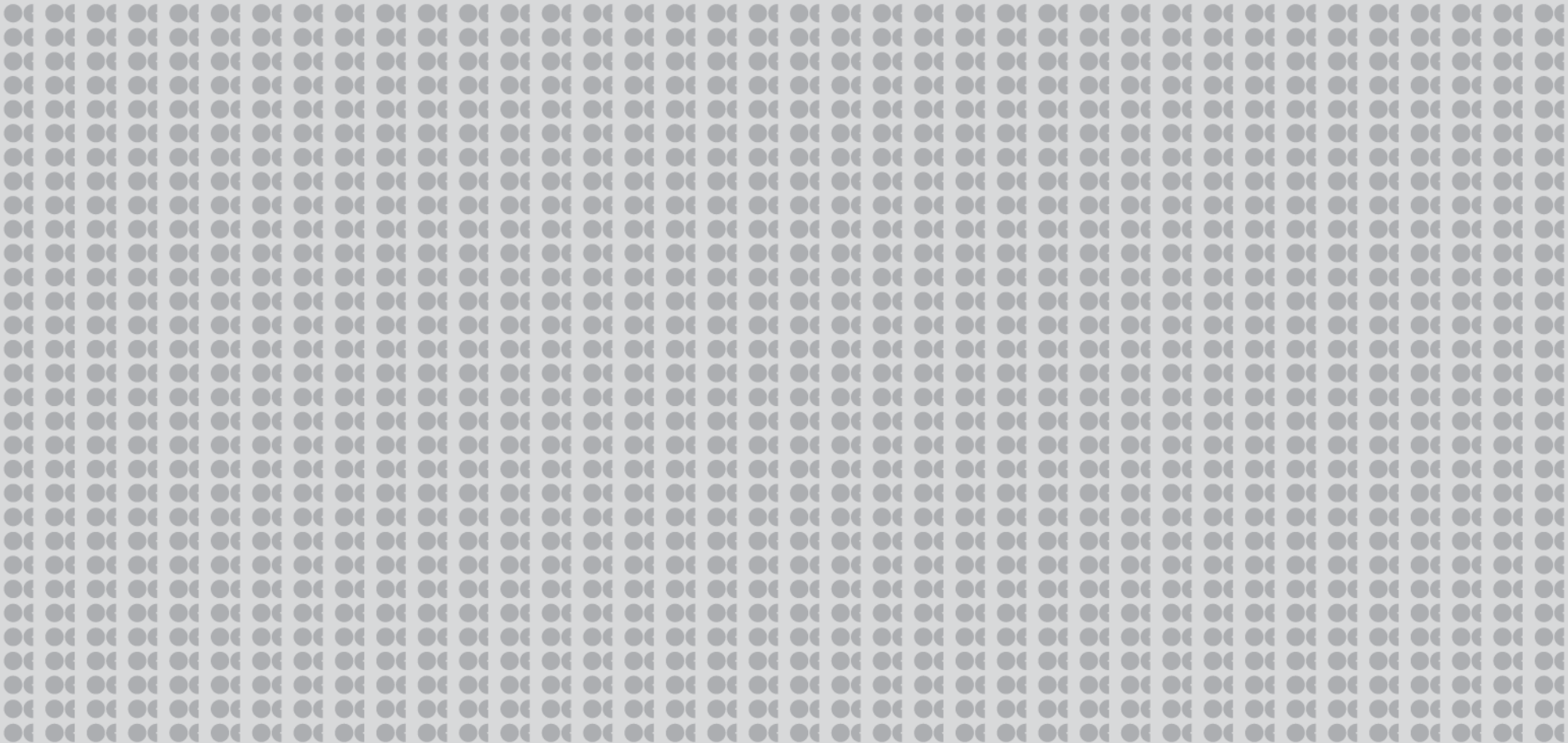


Copyright

Software

- (ECU) Software may be subject to copyright (§§ 2 and 69a UrhG – German Copyright Act, harmonized across EU by Software directive)
 - in general copyright reserves for the author an exclusive right to alter/modify the software (§ 69c UrhG)
 - exceptions are made for necessary alteration in order to use a sold software properly, i.e. fault removal (§ 69d UrhG)
 - modification for improvement or new features usually do not fall under this exception!
 - decompiling of software only allowed for interoperability
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VI. Product liability



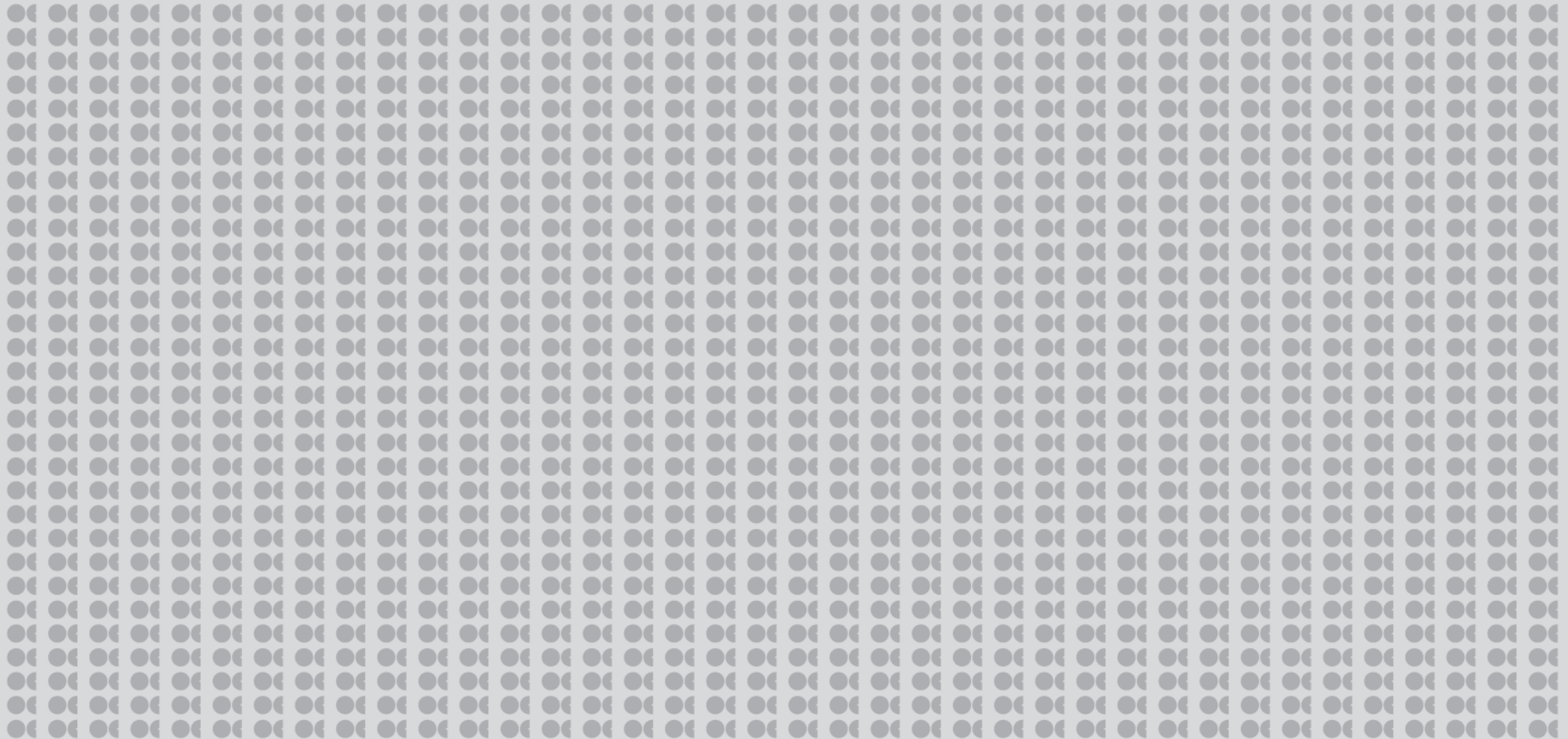
Product liability

- **Product liability law:**
 - the remanufacturer will be regarded as the **remanufactured part's producer**
 - product liability lies with the remanufacturer who sold remanufactured part
 - **Except:** Remanufacturer holds **no responsibility** for product's defectiveness and can **prove** it (no fault or negligence)
 - Failure Mode Effects Analysis (DIN EN 60812:2006) may be helpful/necessary to prove it

Product liability (cont.)

- **Distinction between**
 - **sales of goods to consumers for private use** (ProdukthaftungsG – German Product Liability Act, harmonized in other EU countries)
 - ▶ principle of **liability without fault!**
 - **and the producer's general liability for tort** (§ 823 I BGB – German Civil Code, similar provisions across EU)
 - **Contractual claims between seller and buyer**
 - warranty claims only against remanufacturer
-

VI. Key points



- **Remanufacturer's trademark on remanufactured product itself**
 - ▶ not merely on packaging
- **Remanufacturer's trademark as badge of origin**
 - ▶ avoid likelihood of confusion with OEM
 - ▶ Notice "*remanufactured by...*" not required by German jurisdiction
- **Possible patent infringement for remanufacturing of patented parts**
 - ▶ Remanufacturer is advised to check whether component is patented
- **Possible design infringement** (except "must fit" and possibly "must match" elements in complex products)
- **Software and data protection** becoming more relevant
 - ▶ Remanufacturer should verify software rights and privacy issues
- **Remanufacturer will be *prima facie* responsible for defective products**
 - ▶ Remanufacturer should perform and document quality controls

Q&A

Questions?



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Johannes advises national and international groups as well as mid-sized companies on matters of intellectual property, in particular on patent law and other technical protection rights, as well as the Law against Unfair Competition (UWG). In addition to providing representation for in-court and out-of-court disputes, he also supports clients in drafting and negotiating contracts.

Johannes has particular experience in providing advice on international patent disputes, for example in the area of LED and Automotive lightning technology.

His clients also include companies from the automotive supply industry. He advises these companies during judicial disputes, in designing licensing contracts, and on employee invention law.

In addition, he has experience in providing legal guidance during technology-related arbitration proceedings.

Johannes studied in Bonn, Paris and Lausanne. Afterwards, he completed his doctorate on patent law. He also completed a course of studies in industrial property protection law at the University of Düsseldorf which gave him a Masters degree in Industrial Property Protection Law (LL.M).

Johannes started working as IP practitioner in 2006 and qualified as a lawyer in January 2010. Prior to joining Osborne Clarke in 2013, he worked for an international law firm in Düsseldorf in the area of patent law.