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Fed. Circ. Offers Guidance on Right to Repair in Patent Law

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For many product manufacturers, post-sale repair and maintenance of their products is a significant source of revenue, and manufacturers use various incentives to entice their customers to return to them for post-sale repairs, rather than going to a less expensive independent repair company.

Product owners, however, sometimes claim that some manufacturers unfairly restrict their ability to repair their products by limiting access to the replacement parts, tools and design manuals necessary for maintenance and repair.

Manufacturers rightly respond that they have a legitimate interest in protecting detailed design and manufacturing information from competitors that could use it to produce competing products without incurring the significant investment in research and development made to create the original product.

In recent years, groups of product owners have pushed back on tactics limiting their repair options through legislative proposals to expand the “right of repair,” as well as litigation against product manufacturers.

Several states have enacted legislation giving product owners and independent repair businesses access to information and parts to repair products ranging from automobiles to consumer electronics.[1]

On the national level, Apple Inc. recently endorsed legislation providing for a federal right to repair,[2] and the Federal Trade Commission is ramping up enforcement against restrictions on product repair.[3] Antitrust litigation is also moving forward, most notably a class action against Deere & Co. alleging monopoly control of aftermarket repairs.[4]

One method some manufacturers have used to try to restrict the right of repair is to assert that repairs by their customers or independent repair companies infringe their patent rights.

A recent U.S. Court of Appeals for the Federal Circuit decision — Karl Storz Endoscopy-America Inc. v. STERIS Instrument Management Services Inc. — however, reaffirmed that product owners have broad rights to repair or modify their property as they see fit, free from claims that those repairs infringe patents covering the original device.

This article addresses the parameters of the right to repair in the context of patent infringement and provides guidance to product owners and aftermarket repair companies looking to avoid infringement, as well as advice to patent owners evaluating potential claims for infringement.

Patent Exhaustion and the Right to Repair

Prior to the U.S. Supreme Court's landmark decision on patent exhaustion in Impression Products v. Lexmark International Inc. in 2017, some Federal Circuit cases held that a patentee could theoretically preserve patent rights even after a sale, under the theory that a sale carried with it an implied license, which could be tailored by the patentee.

Impression Products rejected that theory, confirming that the sale of a product extinguishes all patent rights associated with that product, and a purchaser may repair that product "free and clear of an infringement lawsuit because there is no exclusionary right left to enforce."[5]

The court held up auto mechanics as an example of the impact of patent exhaustion, noting that "so long as those bringing in the cars own them, the shop is free to repair and resell those vehicles."[6]

Thus, like any owner of personal property, the purchaser of a patented article has an expansive right to repair, modify, discard or resell the article.[7] A purchaser can replace any part, no matter how essential,[8] whether the part is broken or not,[9] and can use new parts, aftermarket parts with a different design[10] or reused parts[11] as they see fit.

A product owner can also use any method of repair, no matter how invasive or destructive,[12] including completely disassembling a product and rebuilding it with parts from the same or other devices.[13]

An owner is also free to modify the product[14] or put it to a new use.[15] Whether a manufacturer wants its products repaired or the product is designed to be repaired is irrelevant,[16] and a seller cannot limit a purchaser's right to repair through licenses or restrictions in a sales contract.[17]

The right of repair free from claims of patent infringement[18] is so broad that it includes the sequential replacement of parts in successive repairs, even if that culminates in the creation of an entirely new device, so long as no single instance of repair constitutes a full reconstruction.[19]

Karl Storz v. IMS Reaffirms a Broad Right of Repair

The recent decision in Karl Storz confirmed the breadth of a product owner's right to repair. Karl Storz involved surgical endoscopes, which transmit light into a patient's body cavity and relay an image back to an eyepiece or monitor during surgery.

Surgical endoscopes can last for 25 years or longer, but over their lifetime, the fragile glass lenses in the endoscope can break, requiring repair. Because the cost of repair is typically far lower than a new endoscope, there is a thriving market of independent repair companies that repair endoscopes for hospitals and other healthcare providers.

Karl Storz alleged that one of these repair companies, IMS, infringed apparatus and method patents covering Storz's endoscopes when IMS repaired endoscopes owned by Storz's customers.[20] IMS moved for summary judgment based on the right of repair.

In response, Storz argued that the right of repair did not apply for several reasons, all of which the court found had been previously rejected by the Supreme Court or the Federal Circuit.[21]

First, Storz claimed that IMS' activities went beyond repair because the endoscope is no longer operable when the glass lenses break.[22] The court pointed out, though, whether the replaced element of the patented combination is an "essential" or "distinguishing" part of the invention makes no difference.[23]

Otherwise, one element of the patented combination would be "ascrib[ed] … the status of the patented invention in itself."[24] The court likewise held that breaking a bond sealing the endoscope and disassembling part of the endoscope[25] were comfortably within the right of repair.[26]

Storz also argued that the repaired product no longer met its manufacturing specifications, and so was essentially a new endoscope, that the right of repair was limited to consumable parts meant to be replaced, and that Storz did not intend that its products be repaired.[27]

The court swept these arguments away, noting that the Federal Circuit has held that IMS, like everyone else, had the right to modify the endoscopes; that no precedent limited the right to repair to consumable parts; and that Impression Products had expressly rejected the notion that a patentee could preserve its rights through a post-sale restriction on the use of its product.[28]

Once sold, Storz's patent rights were exhausted, entitling IMS to repair the endoscope as a matter of law.[29]

Guidance for Product Owners and Repair Companies

Customers can often generate significant savings by repairing, rather than replacing, expensive equipment.

The right to repair provides important protection from patent infringement claims for product owners, independent repair companies and businesses selling refurbished equipment. While the right to repair is broad, however, a product owner cannot reconstruct a product so as to make an essentially new article.[30]

Thus, product owners and repair companies should avoid replacing all the parts of a product with new parts at one time. Sequential repair of parts in a patented product over time is within the right to repair, but replacement of all the patented elements of a product in a single repair could be found to be essentially creating a new article.

Similarly, a product owner who replaces all but minimal portions of a patented item may exceed the scope of permissible repair. As the court observed in Karl Storz, if a patent is obtained on an automobile, the replacement of a spark plug would be permissible repair, but the retention of the spark plug and the replacement of the remainder of the car in a single stroke is more likely reconstruction.[31]

Thus, a product owner or repair company should reuse as many parts as possible, either from the product being

repaired, parts salvaged from other products or parts supplied by the original manufacturer.

Guidance for Product Manufacturers and Patentees

Karl Storz demonstrates that a purchaser's right to repair a patented product has almost no limit,[32] and a product manufacturer cannot use its patents or post-sale contractual restrictions to avoid the right to repair.

If a product is spent or at the end of its useful life, it cannot be repaired, but whether a product is at the end of its useful life is almost always up to the product owner. In other words, if it is possible to repair a product, it is likely not at the end of its useful life.[33]

The freedom to repair, though, does not override the patentee's right to exclude a purchaser from making a second, entirely new patented entity.

Thus, in evaluating potential claims of infringement during repair, the product manufacturer's focus must be on the invention claimed in the patent. If a product owner or third-party repair company replaces all claimed elements of a particular patented invention, without reusing or recycling any parts, such activity may constitute impermissible reconstruction.

Alternatively, if a product is so worn that the patented elements are spent, then replacement of all those elements may be considered effectively a recreation.[34] Again, however, few cases find that products are spent and cannot be repaired.

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[1] Rebecca Bellan, Automakers now have to comply with MA's Right to Repair Law, TechCrunch (Aug. 23, 2023), available at https://techcrunch.com/2023/08/23/automakers-now-have-to-comply-with-mas-right-to-repair-law/.

[2] Andrea Shalal, Stephen Nellis & David Shepardson, Apple Backs Biden's Push for Right to Repair Law, Reuters (Oct. 24, 2023), available at https://www.reuters.com/technology/apple-make-tools-parts-fix-phones-computers-available-nationwide-white-house-2023-10-24/.

[3] Policy Statement of the Federal Trade Commission on Repair Restrictions Imposed by Sellers and Manufacturers, July 21, 2021, available at https://www.ftc.gov/legal-library/browse/policy-statement-federal-trade-commission-repair-restrictions-imposed-manufacturers-sellers.

[4] Mike Scarcella, Deere must face US farmers' 'right-to-repair' lawsuits, judge rules, Reuters (Nov. 27, 2023), available at https://www.reuters.com/legal/litigation/deere-must-face-us-farmers-right-to-repair-lawsuits-judge-rules-2023-11-27/.

[5] Impression Prods., 137 S. Ct. at 1534.

[6] Id. at 1532.

[7] Jazz Photo Corp. v. ITC , 264 F.3d 1094, 1102 (Fed. Cir. 2001).

[8] Jazz Photo, 264 F.3d at 1107 (citing Aro Mfg. Co. v. Convertible Top Replacement Co. , 365 U.S. 336, 346 (1961)).

[9] Surfco Haw. v. Fin Control Sys. Pty. Ltd. , 264 F.3d 1062, 1065 (Fed. Cir. 2001).

[10] Kendall Co. v. Progressive Medical Tech., Inc. , 85 F.3d 1570, 1573 (Fed. Cir. 1996).

[11] General Electric Co. v. United States , 572 F.2d 745, 784 (Ct. Cl. 1978).

[12] Jazz Photo, 264 F.3d at 1101; Bottom Line Mgmt. v. Pan Man, Inc. , 228 F.3d 1352, 1355 (Fed. Cir. 2000).

[13] Dana Corp. v. Am. Precision Co. , 827 F.2d 755, 759 (Fed. Cir. 1987).

[14] Surfco, 264 F.3d at 1066.

[15] Wilbur-Ellis v. Kuther , 377 U.S. 422, 425 (1964); Jazz Photo, 264 F.3d at 1106.

[16] Jazz Photo, 264 F.3d at 1106; see also Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp. , 123 F.3d 1445, 1453 (Fed. Cir. 1997).

[17] Impression Prods., 137 S. Ct. at 1532-35.

[18] The right to repair applies to both system and method claims. Jazz Photo, 264 F.3d at 1108.

[19] FMC Corp. v. Up-Right Inc. , 21 F.3d 1073, 1077 (Fed. Cir. 1994).

[20] Karl Storz, 603 F. Supp. 3d at 1119.

[21] Id. at 1125-30.

[22] Id. at 1127-28.

[23] Id.

[24] Id. at 1127 (quoting Aro, 365 U.S. at 344-45).

[25] Id. at 1129.

[26] Id. at 1126.

[27] Id. at 1129.

[28] Id. at 1129-30.

[29] Id. at 1130.

[30] Jazz Photo, 264 F.3d at 1102.

[31] Karl Storz, 603 F. Supp. 3d at 1119 (quoting Husky Injection Molding Sys. Ltd. v. R & D Tool Eng'g Co. , 291 F.3d 780, 786 (Fed. Cir. 2002)).

[32] As one treatise concludes, "[a]lthough the [Federal Circuit] continues to insist that there is a doctrine of impermissible reconstruction, it is becoming increasingly difficult to postulate such a situation." Harmon, Homan and McMahon, Patents and the Federal Circuit, §7.1(B), Bloomberg BNA (citing Jazz Photo).

[33] See Bottom Line Mgmt., 228 F.3d at 1356 ("[t]he term 'spent' … is but a shorthand way of stating that the patented article had so deteriorated that it could not be repaired and could be resurrected only by reconstruction, i.e., by making a new article.").

[34] Karl Storz, 603 F. Supp. 3d at 1119 (quoting Aktiebolag v. E.J. Co. , 121 F.3d 669, 673 (Fed. Cir. 1997)).

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