

# HP Sends More Cease-and-Desist Letters to European Remanufactured Cartridge Sellers



Cease and Desist



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Last year, HP sent cease-and-desist letters to a number of companies that sell remanufactured inkjet cartridges in Germany (see [“HP Sends Cease-and-Desist Letters to German Remanufacturers”](#) and [“Details Emerge on the Cease-and-Desist Letters HP Sent to Remanufactured Cartridge Sellers in Germany”](#)). The letters asserted that certain remanufactured inkjet cartridges sold by these firms infringed HP’s patents under the principle of regional patent exhaustion in the European Economic Area (EEA). Now, HP has expanded its cease-and-desist letter campaign by sending out an unknown number of letters to remanufactured inkjet cartridge sellers in Italy and Spain.

### **What’s Regional Patent Exhaustion?**

For many, many years now, most OEMs’ cartridges have been regionalized, meaning that cartridges are designed for use only in printer models also sold in the same region. An HP inkjet cartridge sold in Europe won’t work in a printer model sold in North America and vice versa.

One of the biggest problems for cartridge remanufacturers is obtaining a sufficient quantity of empty cartridges to remanufacture. These empties must also be obtained at a cost low enough for the remanufacturer to remanufacture them and still make a profit, which is hard these days given the relentless price pressure from other remanufacturers and

the influx of low-cost new-build compatible cartridges.

Thus, converting cartridges from one region for use in printers sold in another region has become a common practice in the remanufacturing industry. Remanufacturers also convert cartridges designed for one printer model to cartridges for another printer model, for which empties are scarcer.

In some regions of the world, converting cartridges sold in one region for use in a different region is perfectly acceptable. But in other regions, such as Europe and formerly the United States, doing so means you are running afoul of patent laws.

As many of those following the U.S. remanufacturing industry are aware, U.S. law on regional patent exhaustion changed following the U.S. Supreme Court’s decision in *Impression Products v. Lexmark International* in 2017 (see [“U.S. Supreme Court Sides with Impression Products and against Lexmark on Patent-Exhaustion Questions”](#)). Prior to this decision, U.S. law on international patent exhaustion was governed by the U.S. Court of Appeals for the Federal Circuit’s decision in *Jazz Photo Corp. v. International Trade Commission*, which held that patentees exhausted their U.S. patent rights in a product after it was first sold in the United States, but international sales did not exhaust U.S. patent rights. The Supreme Court’s decision in the *Impression Products* case overturned

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this with the Court ruling that “a patentee’s decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose or the location of the sale.”

But the principle of regional patent exhaustion, which has been overturned in the United States, is alive and well in Europe. The European Commission Treaty on the Free Movement of Goods holds that “industrial property rights” such as patents, copyrights, or trademarks are “exhausted when a product has been lawfully distributed in the market of a Member State by the owner of the right or with his or her consent. Thereafter the owner of the right may not oppose the importation of the product into any Member State where it was first marketed. This is known as the principle of exhaustion of rights.”

This principle allows businesses in member countries to import patented goods from one member country to another without infringing intellectual property. Under this regional exhaustion system, patent rights are exhausted when a product is sold within the EEA, but patentees retain patent rights in products sold outside the region. So, much as was formerly the case in the United States, OEMs retain patent rights on cartridges first sold outside the EEA if they are then remanufactured/refilled and sold in the EEA. In other words, to avoid running afoul of the regional exhaustion doctrine, those selling remanufactured cartridges in the EEA need to make sure the empties used in their remanufactured cartridges were first sold in the EEA.

### **Campaign Expansion**

Last year, HP’s cease-and-desist letter campaign focused solely on German remanufactured inkjet cartridge sellers that violated the regional exhaustion

doctrine. Many of those receiving the letters sold their cartridges on Amazon, as well as their own online sites.

At the time, we noted that HP’s decision to start this campaign in Germany made sense for a few reasons. First, Germany is one of the biggest markets for printers and supplies within Europe. Second, Germany has had laws regarding regional patent exhaustion for decades, predating the formation of the EEA Agreement. Third, Germany is seen by patent holders as a favorable country for patent litigation due to the speed with which cases are handled, the experience in patent law of German courts, and the fact that patent cases are decided by judges rather than juries. While the initial letters were all sent to German recipients, we speculated that we might see HP extend this campaign to other countries.

Now, HP is doing exactly that. The company has reportedly sent cease-and-desist letters to a number of resellers in Italy and Spain. Once again, the OEM’s targets are companies selling remanufactured cartridges online on Amazon and their own websites.

HP’s campaign last year spread awareness of the regional exhaustion issue. While we have heard that some remanufacturers and sellers of remanufactured cartridges worked to bring their product lines for sale in the EEA in compliance with regional exhaustion laws, there are always unscrupulous players with the industry. It appears that now HP is going after remanufactured cartridge sellers in these three countries that did not heed the message of last year’s campaign.

With last year’s letters, HP mainly focused on remanufactured integrated print head (IPH) inkjet cartridges. It seems likely that this is HP’s focus again as well, but because ink tanks are also regionalized, we cannot say for sure.



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The primary way HP's IPH inkjet cartridges from one region are converted for use in another is through the use of a so-called "man in the middle" patch. The OEM chip in the print head isn't replaceable the way a chip is on an ink tank. So what remanufacturers do is use a third-party memory patch, also sometimes called a piggyback chip, carefully aligned over the OEM circuit to fool the printer into reading ink levels and printing. This non-HP patch or piggyback chip can also be used to allow printers from one region to accept cartridges for use in a different region. These patches in themselves aren't necessarily infringing as there are legitimate purposes for such chips. For example, now that the international exhaustion doctrine is no more in the United States, a remanufacturer could convert a cartridge first sold in Europe and use it in a remanufactured cartridge for sale in the United States.

The problem here is the application of such patches on cartridges first sold outside the EEA, mainly in Asia, that are remanufactured in Asia or in Europe and then sold within the EEA. While there are a few different companies that

manufacture such patches, we have heard that most of those being used on the cartridges HP is accusing of infringing come from a company that manufactures chips for use on its own products but also sells these patches to third parties.

### **HP Is Cracking Down on Amazon in Europe**

Amazon has become one of the most crucial channels for printer supplies, especially consumer-oriented supplies like inkjet cartridges. In 2018, Actionable Intelligence published a four-part series on Amazon's impact on the printer supplies business, the proliferation of aftermarket consumables on the marketplaces, and why counterfeits and infringing products proliferate on Amazon. For a summary and links to all four parts, see "[Seven Key Findings about Amazon's Impact on the Printer Supplies Business.](#)"

By sending its latest round of letters, HP is sending a clear message that it is closely watching what remanufacturers sell on Amazon to ensure they don't infringe by using empties sourced from other regions. That is not to say HP hasn't taken action against makers of infringing new-build inkjet cartridges as well. The cease-and-desist letters aimed at remanufacturers follow years of litigation HP filed in Europe and elsewhere against firms selling infringing new-build inkjet cartridges (see "[HP Prevails in Patent Suits in China, Poland, and Spain](#)").

While HP is reaching out directly to remanufactured cartridge sellers in Italy and Spain to try to resolve its patent-infringement claims, we have learned the OEM has taken other steps to clean up Amazon's marketplace in Europe. Much like Canon, HP has been busy filing infringement reports with Amazon to get



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infringing Amazon Standard Identification Numbers (ASINs) taken down.

As we have noted time and again in our coverage of Canon's slew of press releases, OEMs have long worked with Amazon to get infringing and counterfeit cartridges taken off the site, but they have typically done so quietly behind the scenes. What was really new about Canon's slew of press releases in the latter half of 2018 was that it was publicizing its efforts to get infringing toner cartridges taken off Amazon. To date, Canon has issued 33 such announcements (see "[Canon Announces Amazon Takedowns in Italy, UK, and U.S.A.](#)").

We have long known HP was filing infringement reports with Amazon over infringing clone cartridges sold on the marketplace, but Actionable Intelligence recently learned that HP is also filing such forms with Amazon over remanufactured inkjet cartridges that use cores first sold outside the EEA to get such cartridges taken off Amazon's sites in France, Germany, Italy, Spain, and the UK. To date, HP has successfully removed more than 200 listings.

One possible reason why HP may be targeting some sellers with cease-and-desist letters and targeting others by

filing infringement reports on Amazon is where those sellers are located. It is notoriously challenging to pursue patent-infringement claims against Chinese companies with no base of operations in the country where you intend to pursue your claims. These days, Amazon is chock-full of Chinese firms selling aftermarket consumables directly on Amazon. Even big manufacturers like Aster, Ninestar, and Print-Rite do it, as well as a plethora of other companies. We'd bet a lot of the "report infringement" forms that HP filed with Amazon were directed at ASINs sold by Chinese companies, whereas local European resellers and remanufacturers selling on Amazon were probably more likely to receive a cease-and-desist letter. That gives HP the option of pursuing its claims in court if the cease-and-desist letter doesn't yield its intended results.

That will indeed be something to watch moving forward. It does not appear that HP had to pursue any patent-infringement lawsuits in the German courts following its letter campaign last year, which probably means it was able to reach agreements with most of the firms receiving such a letter. Time will tell if HP's latest letter campaign delivers what the OEM seeks without it having to file suit.

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