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Patent exhaustion applied to parts by the Italian Supreme Court

Daniela Ampollini (Trevisan & Cuonzo) · Wednesday, August 25th, 2010

By decision of 9 June 2010, the Italian Supreme Court tackled the issue of patent exhaustion in a manner which may give rise to some debate. The case concerned a claim of infringement brought by Bavelloni, an Italian manufacturer of machines for glass processing, against competitor Bottero which had exhibited in a trade fair a machine mounting a device allegedly infringing a patent of Bavelloni's. Bottero, however, claimed that that device was an original Bavelloni device. Bottero added that, as it had not completed the design and production of its own device on time for the trade fair, it had lawfully purchased a second-hand Bevelloni machine, taken off the relevant device, and applied it to its own machine for display at the fair. Bottero therefore claimed that patent rights had exhausted.

The Court of Milan, in the first instance, found for infringement arguing that using a Bavelloni device removed from a second hand Bavelloni machine, in a Bottero machine, was equivalent to reproducing the teachings of the patent and therefore resulted in patent infringement. The Court of Appeal of Milan and, most recently, the Supreme Court have however reversed this decision and concluded that no patent infringement had been committed.

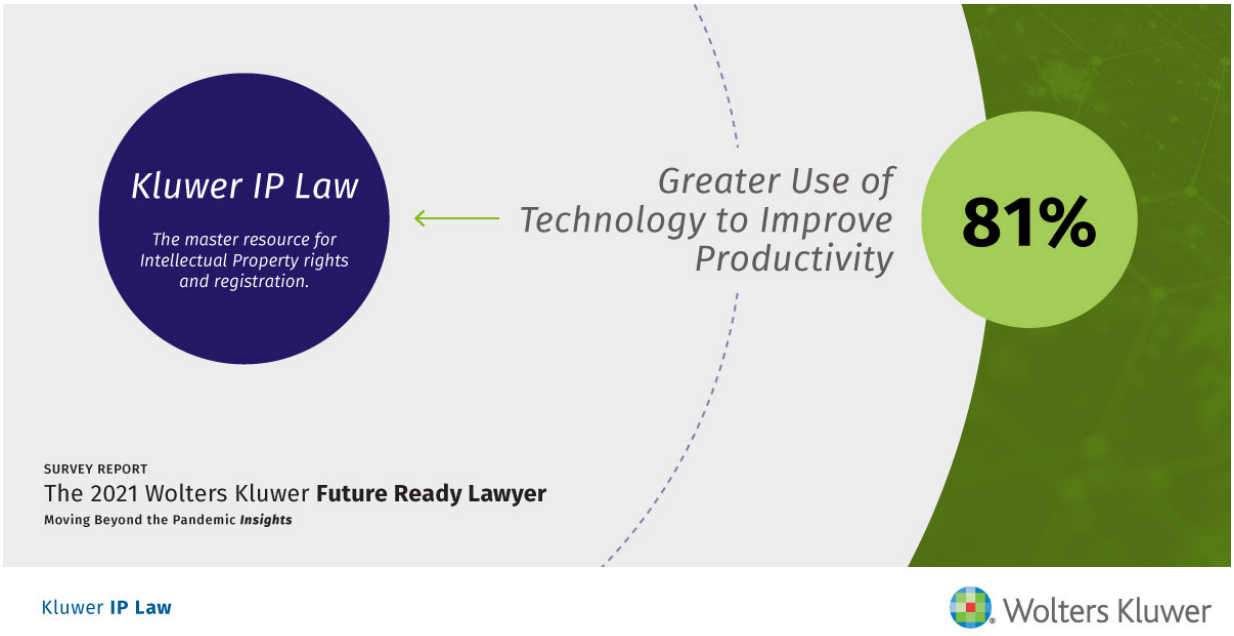
The Supreme Court stated that patent exhaustion means that

> the right of the patent holder only extends to the first sale of the product, whilst further sales may be carried out freely. In other words, the monopoly of the patent holder on its product which allows him to gain financial profit from the invention ceases to exist when, by means of the first sale, such profit is achieved. At this point the product has entered the availability of third parties and may be further marketed and used, without this infringing the patent. This principle cannot but extend to parts of the product, thus those who have lawfully purchased the product may re-use it or re-sell it in its entirety or limited to some of its components.

Bavelloni had also claimed that Bottero's behaviour in any event resulted in unfair

competition, however this claim was dismissed on procedural grounds without the court considering the merits of the same.

At first sight, the principle set by the Supreme Court may seem to be correct. However, this straightforward application of the exhaustion principle to the re-use and re-sale of parts of the patented product by a competitor, in the framework of its own product, is not fully convincing. One may argue that the financial profit achieved through the sale of the overall machinery was in the first place calculated and established by the patent holder considering the sale to clients of the whole machine, and not considering the sale of a single component to a competitor, so that, in fact, the financial profit granted by the patent for the specific use deployed by the competitor had not been achieved. Much would also probably depend on the scope of the patent in suit (i.e. just the device, the machine as a whole, the use of the device in the machine, etc.) which information does not transpire by the Supreme Court decision. Interesting case, I think…



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