

Jazz Photo Corp. v. International Trade Commission, 264 F.3d 1094 (Fed. Cir. 2001)

Dealt with issues of patent exhaustion and the importation of refurbished single-use cameras.

Background:

Fuji Photo Film Co., Ltd. (Fuji) held patents on disposable cameras. Several companies, including Jazz Photo Corporation, imported refurbished versions of these cameras into the U.S. after they had been used and collected overseas. Fuji filed a complaint with the International Trade Commission (ITC), arguing that the importation of these refurbished cameras infringed its patents.

Court's Analysis & Decision:

Patent Exhaustion Doctrine: The court reaffirmed that once a patented item is sold, the patent holder's rights to control its use and resale are "exhausted" in the U.S.

However, the court limited this doctrine to products first sold within the United States. It ruled that patent exhaustion does not apply to products sold abroad unless they are explicitly authorized for re-importation.

Refurbishment and Infringement: The court distinguished between permissible and impermissible refurbishments. If the refurbishing process constituted "reconstruction" (creating a new product rather than merely repairing it), then it was an infringement. However, minor repairs or servicing that did not significantly alter the original product were allowed under exhaustion.

Key Ruling & Impact:

Importation of refurbished cameras originally sold in the U.S. was allowed under patent exhaustion. Importation of refurbished cameras originally sold outside the U.S. was not protected under patent exhaustion and thus infringed Fuji's patents.

This case reinforced the idea that U.S. patent rights do not automatically extend to products first sold outside the country, which significantly impacts international resale markets.

Unfortunately:

1. Just as Fuji used patents to block refurbishment, large corporations use patents to restrict modifications and/or third-party repairs of proprietary hardware—an issue seen in software-restricted devices like printers, game consoles, and even medical equipment. Open source hardware projects avoid these limitations by designing repairable, modifiable products that aren't patent-encumbered.
2. Open source hardware and software rely on community-driven repairs and modifications. The Jazz Photo ruling limits the ability to import and repair devices originally sold outside the U.S., which discourages global-scale repair and modification efforts.