

Supplies Under Scrutiny in Europe and Russia





Copyright Notice

Copyright © Actionable Intelligence, 2014. All Rights Reserved.

No part of this report may be reproduced without the express consent of Actionable Intelligence.



Table of Contents

Introduction	3
OEMs Fight Back	5
The Pelikan Briefs	6
Epson: Euro Clone Warrior	8
Epson v. Medea ... and Ninestar	9
Toner Troubles	10
Samsung Goes to Court.....	11
Canon Takes Aim at Infringers.....	12
It's Not Just about Toner	14
Epson Battles in the UK, Again	15
More to Come—Much More.....	16

Introduction

Although lawsuits in the United States involving digital imaging consumables get all the attention, Europe has had its share, too. The availability of patent-infringing ink and toner cartridges is on the rise in the region, and these products are disrupting the market in Europe for digital supplies. While European cases may get short shrift in the industry press, don't be fooled. Hardware manufacturers have settled numerous lawsuits with European firms stopping them from marketing products that violated OEM intellectual property (IP). Often these settlements require violators to pay the OEM an undisclosed amount, and we estimate millions of euros have been exchanged as a result. While the list of offenders is now long, it is still growing as even more OEM lawsuits are filed in European courts.

There are essentially five categories of ink and toner cartridges (see table on the following page). From a legal perspective, OEM cartridges are, of course, the safest for the channels to market. Generally remanufacturing is permitted under patent law, so companies can safely sell remanufactured cartridges as long as all the materials used during the refurbishing process do not violate any OEM IP. Likewise, newly constructed compatible cartridges can be free of any legal snares if the manufacturer diligently reviews all of the IP represented in the design of the original OEM product and painstakingly works around each patented technology.

The other two categories in the grid are manufactured without regard for IP, and marketing products in either category can land a vendor in legal hot water—very hot water. Counterfeits are sold to unwitting customers who believe they are purchasing genuine OEM cartridges while infringing compatible cartridges are copied directly from the original OEM cartridge and manufactured with no consideration of the patented technologies. These infringing compatibles, also known as “clones,” are often marketed either as non-infringing compatibles or increasingly as remanufactured cartridges. While OEM, remanufactured, and non-infringing compatible cartridges are legitimate, counterfeits and clones are illegal, and they are at the center of the growing number of OEM lawsuits.



Hapless firms ignorant of the fact that the products they sell are infringing are liable for damages nonetheless.

Cartridge Categories	
Cartridge Type	Characteristics
OEM	A new cartridge made with new parts that were developed and manufactured by the OEM and protected by OEM patents.
Remanufactured	An exhausted OEM cartridge that has been refurbished with certain new parts and refilled with ink or toner, and marketed expressly as a "remanufactured" product.
Non-infringing compatible	A new cartridge made with new parts that were reverse-engineered from an original OEM cartridge in such a manner that they avoid encroaching on any intellectual property. Non-infringing compatibles are marketed as such so as to ensure it is clear to consumers that the product is neither an OEM nor a remanufactured cartridge.
Infringing compatible	Generally referred to as a "clone," an infringing compatible cartridge is copied directly from the original with little or no regard for underlying patented technologies. Clones are often marketed as non-infringing products or remanufactured cartridges.
Counterfeit	Shipped in trade dress identical to that of OEM products, a counterfeit cartridge is sold to unwitting customers who believe they are purchasing genuine OEM cartridges. Counterfeit manufacturers ignore all IP and often run afoul of criminal laws.

Note: Categories in the shaded region infringe intellectual property.

Ink and toner cartridges contain essential printing technologies, and OEMs invest heavily in the research and development of consumables. Because cartridges often contain a wealth of IP, those in the channels that sell third-party consumables must be certain the sources for the products they market are legitimate. Increasingly, the channels are at risk of selling cartridges that infringe OEM patents. Europe has a well-established and legitimate third-party supplies industry that is supported by diverse channels including distributors and wholesalers, retailers and resellers, various equipment dealers, and many others. Without constant vigilance, however, even long-time vendors marketing third-party supplies can be unaware that they are selling infringing products, which places them in jeopardy of lawsuits. Hapless firms ignorant of the fact that the products they sell are infringing are liable for damages nonetheless.

There are few R&D costs associated with counterfeits and clones because the

cartridges are simply copied. They require no empties so the fixed costs of acquiring and inventorying cores are non-existent. Because the costs are artificially cheap, clone manufacturers are able to bring products to market at a fraction of the cost of legitimate third-party supplies. Clones are often priced well below the price of remanufactured and non-infringing newly built compatibles, and legitimate third-party supplies vendors find clones impossible to compete with because they are so inexpensive. In order to preserve their sales, a growing number of legitimate European firms find that they must sell clones or exit the market. Clones have gained market share at the expense of OEMs and remanufacturers alike.

Manufactured mainly in Asia, clones have had little trouble slipping through Europe's many entry points. Because of its long and porous border with Africa and certain Eastern European countries where patent-holder rights and other IP protections are largely ignored, the European Union's markets are highly

German Customs authorities, flanked by representatives from HP, Konica Minolta, and Lexmark, searched for infringing consumables among the exhibits on the trade-show floor.

susceptible to clones. Estimates published by IDC in 2013 indicate that as many as one in five toner cartridges currently sold in Western Europe are infringing new-builds. This year, IDC released more narrowly focused research finding that one-third of the consumables (ink and toner) shipped in Russia, Poland, Hungary, and the Czech Republic are now new-build compatibles. European vendors say that clones have penetrated many of the region's larger retailers, and as in the U.S., clones are also widely available on the Internet.

OEMs Fight Back

The OEMs' war on clones is not new, but it is intensifying. Before the recession, several hardware manufacturers including Canon, Epson, and HP filed suits in Europe. Over the past couple of years, OEMs have felt an even greater need to protect their consumables

business as infringing products continue to flood the market and print volumes have tumbled along with the rate of consumption of toner and ink cartridges. Since 2013, OEMs have been active in the courts in Germany, the Netherlands, Poland, Spain, the United Kingdom, and, most recently, France and Russia.

This year started with a dramatic demonstration of just how serious OEMs are about protecting their IP in Europe. Raids were conducted at the 2014 Paperworld event in Frankfurt, Germany, as German Customs authorities, flanked by representatives from HP, Konica Minolta, and Lexmark, searched for infringing consumables among the exhibits on the trade-show floor. Paperworld hosts one of the European third-party supplies industry's most important annual events, Remanexpo@Paperworld, which attracts remanufacturers from across Europe as



German customs agents inspect products in Chinamate booth at Remanexpo@Paperworld 2014

The Remanexpo 2014 raids were escalated compared to what we had experienced in the past, which offers yet another indication that a growing number of OEMs are serious about protecting their supplies businesses.

well as from around the world, along with their suppliers and other stakeholders in the third-party supplies industry. While Paperworld had experienced searches and product seizures in the past, the raids at Remanexpo certainly received a lot of attention.

We noted that the stands hosted by Ninestar, a third-party supplies vendor based in Zhuhai, China, and UniPlus Technology, a Taiwanese firm, were both raided. We also saw the authorities in booths hosted by Chinamate Technology Company, Doliami (China) Limited, and HK HaoYinBao Group, which is an affiliate of Zhuhai Dior International Trading. Reports from various websites indicate that the Maetone Image Company stand was among those raided by German customs. The firms were alleged to be demonstrating infringing ink and toner cartridges for HP, Konica Minolta, Lexmark, and Samsung machines. Though no official statement was issued by either the German Federal Customs Administration or Messe Frankfurt regarding the raids, eyewitness reports along with posts at various websites indicate that all of the companies involved were from Asia.

The European remanufacturing industry applauded the efforts of the German authorities and the OEMs at Remanexpo@Paperworld. In a prepared statement on its website just after the raids, the European Toner and Inkjet Remanufacturing Association (ETIRA) said it fully endorsed the action. “Selling patent-infringing new-built cartridges is a criminal offense,” ETIRA warned, “and resellers and distributors should not buy these products if they want to stay out of court and avoid bankruptcy.” While some third-party vendors claim the OEMs’ legal actions are anti-competitive, most aftermarket companies in Europe welcome the assistance. Legitimate third-

party supplies vendors have suffered as much as—if not more than—OEMs as clones have flooded into Europe and grabbed more and more market share.

Paperworld is no stranger to raids. According to a post on the Office Products International (OPI) website, in 2013, the German authorities raided 31 Paperworld booths and collected nearly \$50,000 in fines, which had to be paid “on the spot” by the firms displaying infringing products. Included in the 2013 raids were two booths in the Remanexo@Paperworld hall: one hosted by Ninestar and the other by UniPlus Technology. Ninestar was accused of displaying toner cartridges that were alleged to infringe Lexmark patents, and it was alleged that UniPlus was exhibiting infringing inkjet print-head cartridges for HP machines. Although the German authorities did not release the actual number of booths that were inspected at Remanexpo in 2014, it was clear that significantly more booths were visited by the authorities than had been in 2013, and more product was seized in 2014. The Remanexpo 2014 raids were escalated compared to what we had experienced in the past, which offers yet another indication that a growing number of OEMs are serious about protecting their supplies businesses.

The Pelikan Briefs

The raids at Paperworld may have been dramatic, but in reality they are just one example of OEM IP protection activity in Europe, activity that has been ongoing for over a decade. One of the first high-visibility cases in the region started in Germany in 2002. With twists and turns, challenges and appeals, the case ran for five years.

Canon filed a patent-infringement suit in the German District Court of Düsseldorf against Pelikan Hardcopy Deutschland

GmbH and Pelikan Hardcopy European Logistics and Services GmbH in April 2002. Canon alleged that the Pelikan companies had violated European patent 0 879 703, which was issued for technology that would ultimately be used in more than a dozen replacement Canon ink tanks. Pelikan challenged the 0 879 703 patent in the European Patent Office (EPO) in June 2003, but in July 2005 the EPO declared it valid. Pelikan then appealed the patent office's validation and challenged another related European patent held by Canon (06 353 73). The patents in question were upheld on appeal and confirmed by the German Federal Court of Justice in October 2007.

While they challenged the patents, the Pelikan defendants also appealed rulings from the German court hearing the case. On November 20, 2003, the district court issued a first-instance ruling in favor of Canon, which the Pelikan Hardcopy companies appealed to the Higher District Court of Düsseldorf. The court dismissed the appeal in November 2005. When the higher court later upheld the Canon patents, it effectively ended Pelikan's lawsuit defense. It appears the firm may have anticipated the outcome. Pelikan had actually pulled all its infringing cartridges from the European market in 2003.

In April 2007, Pelikan Hardcopy Deutschland was back in the Düsseldorf district court, this time named as a defendant in a suit brought by HP. The OEM alleged that Pelikan's H06 and H08 tricolor cartridges, which are equivalent to the HP 57 and 28 cartridges, respectively, encroached on HP's IP. Specifically, the suit claimed that Pelikan had violated three of HP's patents on the cartridge and three of its ink-formulation patents. At the time the case was filed, an HP representative said that the company had purchased multiple



HP filed litigations against Pelikan related to Pelikan's H06 cartridge, equivalent to the HP 57

infringing cartridges from multiple locations in Germany.

The OEM followed its patent-infringement suit with another complaint accusing Pelikan of misleading advertising and unfair competitive practices. This second suit was filed in June 2007 in the Cologne District Court and involved the same SKUs, the Pelikan H06 and H08. HP alleged that the offending Pelikan products were sold in packaging indicating that the cartridges were remanufactured when in fact they were clones. In a press release, HP claimed its internal testing determined that "certain of the products sold in this packaging are apparently new, as opposed to remanufactured, products." Unlike what happened in the Canon case, Pelikan settled quickly with HP. On August 2, 2007, the OEM announced that Pelikan had admitted its products infringed the patents in question and it settled the lawsuit pending in the Düsseldorf court. A report on the German-language website www.heise.de (Heise Online) confirmed that the patents involved were related to technology found in the cartridge print heads as well as to the ink formulations. It also suggested that Pelikan may not have

Epson launched a global campaign against clones and counterfeits, which quickly bore fruit.

been aware that the cartridges were new-build—the article claimed (in translation) that Pelikan might “have been victims of irregularities in foreign suppliers.” As noted earlier, companies are at risk of being held liable for selling infringing products, even if vendors do not know that the products they are selling are infringing.

HP’s second case was also settled in the OEM’s favor. *The Recycler Magazine* ran an article in September 2008 reporting that HP said Pelikan Hardcopy Deutschland GmbH was found to have violated German laws governing unfair competition. The Cologne Regional Court ordered Pelikan to cease labeling certain newly manufactured ink cartridges as “remanufactured.” Further details regarding the Cologne matter were not given.

Epson: Euro Clone Warrior

Featuring permanent print heads based on piezoelectric technology, Epson’s devices have historically employed replacement ink tanks with relatively simple designs that made them easy to clone. At the turn of the century, the availability of cloned tanks for Epson machines was growing and Epson’s tanks were losing significant market share to such products. By 2005, Epson held less than 50 percent of the supplies market in many emerging economies, and its share in Western markets including the U.S. and Europe was slipping.

In response, Epson launched a global campaign against clones and counterfeits, which quickly bore fruit. The parent company, Seiko Epson, formed an internal division specifically to coordinate global legal activities. Between 2005 and 2008, the firm filed suits related to IP violations in various Asian countries including China, Japan,

Korea, and Taiwan. In Russia, Epson began working with the authorities to crack down on counterfeit supplies, which resulted in an increase in sales of its legitimate toner and ink cartridges in Moscow. In the United States, the firm settled a long-running suit over infringing ink tanks with Print-Rite and its subsidiary, Multi Union Trading Company, which exited the U.S. market in 2005. Epson then filed suit in the United States in 2006 against some 24 firms including one of Europe’s leading third-party supplies vendors, Armor Group of France and its German remanufacturing subsidiary Artech. Ultimately, most of the companies settled with Epson. The OEM then enlarged the geographical scope of its efforts to include certain distributors in Mexico selling infringing cartridges.

In Europe, Epson focused on ridding larger markets of clones including those in Germany and the United Kingdom. In April 2006, the firm announced that it had reached out-of-court settlements with four online retailers in Germany. According to the OEM, BWD Computer, Gesellschaft für Polymerchemie, which is commonly referred to as GEPOC, Tintenshop, and Tinten-Toner all agreed to “cease trading in compatible printer cartridges that were infringing a number of intellectual-property rights belonging exclusively to Epson.”

Epson was also successful in ridding certain markets in the UK of inkjet clones. In 2005, the firm reached settlements with various UK distributors including CybaHouse and its sister company Nutronic Limited as well as Environmental Business Products Ltd. (EBPL). The firm’s victories continued in 2006 when it settled with the online reseller Bentham Limited, which did business as IJT. Bentham agreed to stop importing and marketing infringing

Ninestar had supplied Medea with the compatibles at the center of the Epson suit.

products and to pay the OEM an undisclosed amount in compensatory damages. In August 2006, Epson announced that it had reached a deal with Recharge Inkjet Technologies Limited, which ran the online retail site CartridgeMonkey.com. Epson said, “The settlement terms include[d] Recharge undertaking not to infringe Epson’s patents and registered designs, and making substantial settlement payment to Epson.”

Epson v. Medea ... and Ninestar

While Epson had enjoyed a string of legal victories against various European distributors, the issues in the Medea International lawsuit would not be resolved as easily. In March 2006, the Japanese OEM announced it had “started patent-infringement proceedings in the English High Court” against Medea, an importer based in Dundee, Scotland, that distributed ink cartridges throughout the UK under brands such as Inkrite, JR Inkjet, InkyJet, and others. At issue was a “spongeless valve design” used in certain ink tanks marketed by Medea. Epson asserted that Medea’s spongeless valve encroached on the OEM’s patented “Epson Smart Valve Technology.” As details emerged, *The Register* reported on its website (<http://www.theregister.co.uk>) that in fact six patents were involved in the case.

After Epson filed suit, we learned of the strong relationship that existed between Medea and the third-party supplies vendor Ninestar. Reports eventually revealed that Ninestar had supplied Medea with the compatibles at the center of the Epson suit, and in November 2007, the Scottish firm announced it would sell the Inkrite NG (Next Generation) line of new tanks for Canon and Epson machines sourced from Ninestar and featuring its pigmented EverBrite ink. The connection with



An Inkrite NG cartridge for Epson inkjet printers

Ninestar was interesting because at the time Epson was also fighting a pitched legal battle with the Chinese firm in the United States—a battle that the OEM would ultimately win. We suspect that the evidence that Epson gathered separately for the U.S. and European cases was combined to support both lawsuits.

Epson’s case against Medea in the UK lasted for several years and was enlarged to include other defendants including Choice Stationery Supplies Limited and Ebuyer Limited. At first, it appeared that Medea was looking to resolve the matter quickly after the importer agreed to settle the initial Epson complaint. In October 2007, however, Epson filed a second suit against all three companies. An online report published on the website of the *West Somerset Post*, a local newspaper based near the offices of Choice Stationery Supplies, said the OEM was seeking amounts in excess of £1 million in damages and costs. The report said that Epson’s suit involved a total of 10 patents, including patented ink formulations and IP related to the design of the cartridge.

In the end, Medea settled its case with Epson three years after the OEM filed

Many of the firms marketing ink cartridge clones were developing the capability to bring cloned toner cartridges to market.

suit. A report on the CRN website channelweb.co.uk quoted a statement from Epson saying Medea “agreed to withdraw the products from sale and pay an undisclosed sum towards Epson’s claim for substantial damages and legal costs.” Ebuyer had previously agreed to a similar deal with Epson in August 2010. The Yorkshire-based reseller discontinued marketing Inkrite-branded cartridges and paid Epson an unspecified amount to settle the matter.

Toner Troubles

While Canon, Epson, and HP focused on infringing ink cartridges, little was being done about the growing number of infringing toner cartridges entering the European market. OEMs selling electrophotographic (EP) devices may have believed that EP technology was beyond the capabilities of those firms that reverse-engineered simple ink tanks. A rather significant capital investment is also required to produce new toner cartridges in volume so OEMs may have thought that such funding was beyond the reach of a small third-party supplies firms. Unfortunately, such perceptions proved wrong, and many of the firms

marketing ink cartridge clones were developing the capability to bring cloned toner cartridges to market.

As the installed base of inexpensive monochrome EP printers and MFPs grew in Europe between 2004 and 2010, so did demand for cheap infringing toner clones. Companies marketing infringing ink cartridges had the channel relationships in place in Europe to quickly grow their nascent toner businesses. Moreover, new low-cost, web-based sales engines like Amazon were becoming available along with large ecommerce sites devoted exclusively to ink and toner cartridges. With the installed base and channels in place, toner clones soon were flooding many European markets. As noted earlier, estimates indicate that today as many as one in five cartridges sold in Europe are clones, and that ratio is even higher in certain countries including those in Eastern Europe.

Although it would be a while before firms selling toner clones in Europe were named in lawsuits, rumors began circulating that some OEMs were taking steps to protect Europe from the growing clone problem. In 2010, for example, we



Toner for Samsung’s CLP-300 series proved easy to clone and is a popular SKU among clone manufacturers

It appears that Samsung has now had its fill of infringing toner cartridges.

heard rumors that Samsung had sent cease-and-desist letters to various distributors and dealers across the EU, warning them to stop selling cloned toner cartridges or face legal action. For several years prior, Samsung had successfully grown its market share and printer installed base in Europe. As a result, clone makers saw growing demand in the region for various Samsung toner cartridges especially SKUs for popular low-end lasers, which used toner containers that were relatively easy to copy. Many vendors saw Samsung's letters as a prologue to future legal actions and heeded the warning. Those that didn't would regret it.

In March 2012, *The Recycler* confirmed that Samsung had contacted European resellers warning them that they might be distributing toner cartridges that infringe the OEM's patents. The post quoted an announcement released by the South Korean firm saying, "after conducting extensive internal investigation and evaluation, Samsung has reached the conclusion that the patent technique is applied in specific toner products of several branded newly produced cartridges...carrying the distinctive numbers CLP-310, CLP-315, CLP-320, CLP-325, CLX-3170, CLX-3175 and CLX-3185 printers."

Samsung Goes to Court

It appears that Samsung has now had its fill of infringing toner cartridges. In 2013, attorneys for the firm filed the first lawsuits from the Korean OEM that we are aware of in Europe against distributors selling clones. According to reports on various German-language websites including BusinessPartner PBS, a Munich court awarded Samsung a preliminary injunction against seven unnamed distributors in late November prohibiting them from selling infringing new-build compatible toner cartridges.

Samsung then filed patent-infringement suits, and it appears the injunctions will remain in place until the outcome of those suits is resolved.

BusinessPartner PBS reported that the injunctions issued in Germany are against products that infringe Samsung's European patents 1 975 744 and 2 357 537, which cover cartridges used in the color Samsung CLP-610/620 series and monochrome ML-1660 series, respectively. European patents 2 325 701 and EP 2 256 559, which cover the designs for cartridges used in color laser printers such as the CLP-310, CLP-320, and CLP-360, are also alleged to be violated.

At the time that the Munich court issued injunction orders, the names of the seven distributors were not known. However, several names have come to light since the orders were issued. According to *Digital Imaging*, four of these seven resellers went to trial in early April. The defendants included Seevetal-based HQ Cartridges, one of Germany's largest online resellers; CMN PrintPool of Hamburg; North-Toner of Oststeinbek; and Kolor Office Supplies, based in the Grossneuhausen region. The Munich district court is expected to render a verdict shortly against the four named firms. The identities of the other three firms enjoined from selling alleged Samsung clones have not been revealed yet.

Several weeks after the news broke that Samsung had filed complaints in the Munich court, we learned that the firm initiated similar legal action in Holland. On December 17, the Netherlands-based business website Computable reported the OEM was suing four resellers accused of selling patent-infringing toner cartridges. The firms include Digital Revolution, which operates the website www.123inkt.nl; Maxperian, which according to its LinkedIn profile sells

Canon is growing more aggressive and has had some success protecting its toner IP in Europe.

cartridges on various websites including www.sneltoner.nl, www.mediamarkt.nl, www.kruidvat.nl, www.treklpleister.nl, www.cartridge.co.uk, and www.cartridges.com; Print About, which operates the www.printabout.nl site; and Yorcom Computers, which runs the www.yorcom.nl website. Samsung filed a motion for a preliminary injunction against the defendants, and a hearing took place in late December in the District Court of The Hague.

A post at the ETIRA website reports that the court in the Hague ruled on January 9 that Digital Revolution and Maxperian had infringed Samsung IP. The firms were ordered to immediately stop selling the clones in question and were compelled to name the suppliers that had provided the infringing products.

According to ETIRA, the judge also ordered PrintAbout “that it too should provide a list of its suppliers of such products to Samsung.” The court, however, did not enjoin the firm from selling the products that Samsung claims infringe. PrintAbout can continue to market the accused cartridges pending the outcome of Samsung’s ongoing case before The Hague. No details were available regarding the fate of Yorcom Computers, suggesting that the firm has not received any court orders yet.

Samsung seems to be widening its pursuit of clones into other European countries. On April 15, *The Recycler* reported that lawyers for Samsung dispatched letters to European resellers of Uprint cartridges warning them of potential IP violations. Uprint is a French company with some 250 resale partners, most of which are located in France. We assume that Uprint sourced the cartridges from a third-party outside of Europe. According to *The Recycler*, Samsung told the resellers that it “has used its best endeavors to discover the

identity of the supplier of the products.” but because the OEM has been “unable to trace the manufacturer or supplier ... [Samsung] has no other option than to address the issue with your company.” It appears that Samsung is claiming a total of a dozen cartridges from Uprint infringe European patents 2 325 701 B1 and 2 037 327 B1, which relate to ink-and/or toner-supplying apparatus and methods for the ink and/or toner supply. Although Samsung demanded an “adequate reply” by April 14, as of this writing the deadline has come and gone and we have not heard any reports of further actions on Samsung’s part related to Uprint. The Korean firm did expand its actions in Germany, however. On August 20, the German website Digital Imaging reported that Samsung requested that the District Court of Munich issue the injunctions against six unnamed resellers. The case involves the sale and distribution of illegal replica toner cartridges—newly manufactured, unlicensed, non-original toner cartridges. The cartridges in question are those used in the CLP-310/CLX-3170, CLP-320/CLX-3180, CLP-365/CLX-3305, Xpress M2825/M4025 2875 and ProXpress/4075 series devices, and the patent in question is European patent 2397914 B1, “developing device and image forming apparatus.” The cartridges are the same as those included in Samsung’s earlier filings and the patent is related to the EP 2325701 and EP 2256559 patents that the OEM claims in its earlier suits were violated.

Canon Takes Aim at Infringers

Canon is growing more aggressive and has had some success protecting its toner IP in Europe. It has announced a number of out-of-court settlements resolving patent, trademark, and copyright infringement claims with several UK-based distributors accused of selling infringing toner bottles

Canon is stepping up its patent protection and enforcement on desktop consumables.

for imageRUNNER machines. In late September 2013, Canon announced it had reached a settlement with Allcopy Products U.K. Limited, which markets compatible toner containers and other copier parts. In late 2013 and early 2014, Canon reached similar settlements with Parsia International Limited, a UK copier parts and consumables distributor, and PPC Solutions, another UK-based distributor of consumables and hardware parts. According to Canon, the firms agreed to cease importing and marketing the infringing toner bottles in the UK.

In addition to protecting supplies for its imageRUNNER devices, Canon is stepping up its patent protection and enforcement on desktop consumables, which are used in HP- as well as Canon-branded printers. (Canon owns much of the IP found in both the print engine and the cartridges used in HP LaserJet devices.) In April, the OEM announced that it had filed suit against Aster Technology Holland B.V. in the District Court of The Hague. Aster Technology Holland is the European distribution, marketing, and sales arm of the Chinese manufacturer Aster Graphics, and Canon alleges the Venlo-based firm is infringing European patent number 2 087 407, which covers technology in “process cartridge, electrophotographic image forming apparatus, and electrophotographic photosensitive drum unit.” The accused Aster products are replacement toner cartridges employed in various LaserJet printers.

After naming Aster in its case before The Hague, Canon amended its complaint in the Netherlands to include Seine (Holland) B.V. Formerly known as Ninestar Image (Holland) B.V., Seine Holland is the overseas sales company for the Seine/Ninestar group of companies in the Netherlands. Canon accuses Seine Holland, like Aster, of importing and

selling toner cartridges that infringe European patent number 2 087 407.

Ninestar seems intent on defending itself in Canon’s latest litigation as it has against so many other OEMs including Brother, Canon, Epson, HP, and Lexmark. In a prepared statement, the company said it will “protect its customers and partners with all strength.” When questioned, a Ninestar marketing manager we spoke to refused to confirm whether or not the company will provide its customers with legal representation. The company is also staying tight-lipped about whether it will indemnify its customers.

After its filings at The Hague, Canon initiated suits in other courthouses across Europe. On May 23, the company filed separate patent-infringement actions with the District Court of Düsseldorf in Germany against two German remanufacturers: wta Carsten Weser GmbH and KMP PrintTechnik AG. On May 29, Canon announced it was suing Zephyr SAS, whose trade name is Green Eco, along with the Hong Kong and Chinese companies that share the name Aster Graphics Company Limited. The suits were filed in France before the Paris First Instance Court.

Canon continued to file cases in Europe throughout the summer of 2014. In mid-July, the OEM filed patent-infringement suits in the High Court of Justice of England and Wales against European Cartridge Warehouse Limited and Printer Supplies Technology Limited. In late July, Canon was back at the district court in Düsseldorf to name Thomas Zenkel, owner of the domain tintenalarm.de, in a patent infringement suit. Mr. Zenkel’s site appears to be a reseller of aftermarket ink and toner, as well as a number of other office-supply products, and presumably sold what Canon claims are infringing cartridges. In August, Canon

initiated a second round of complaints in the UK against three firms: Badger Office Supplies Limited, Inkjet Direct Limited, and Greentrees International Limited. The firm also filed a complaint in Russia with the Moscow City Economic Court claiming that X-Com Shop Ltd. sold infringing toner cartridges on its Russian-language website www.xcom-shop.ru.

As in the case in the Netherlands, Canon is alleging in the various suits filed in France, Germany, and the United Kingdom that the defendants have infringed European patent number 2 087 407. Canon says the defendants imported and sold “certain toner cartridges for use in various models of Hewlett-Packard laser beam printers.” In the actions, Canon is seeking various remedies including an injunction and damages. In Russia, Canon is seeking enforcement of Russian Federation patent 2467370, which relates to toner cartridges.

As active as Canon has been in the European courts, we would not be surprised to see more lawsuits filed by the OEM in the region. The discovery efforts of Canon’s lawyers working on the various cases are bound to yield the names of other companies that are marketing products Canon claims are infringing. The OEM also has suits filed in the United States against some of the third-party supplies industry’s largest players including Aster, Ninestar, and Print-Rite. It seems likely that those cases will reveal information that Canon will use in its pursuit of infringing products worldwide.

It’s Not Just about Toner

While we are seeing more litigation involving toner cartridges, inkjet hardware manufacturers have also remained busy in the European courts. On January 24, HP filed two separate

lawsuits in Germany against the ink and toner cartridge vendor BestUse, which operates the www.bestuse.de website. Similar to its 2007 Pelikan case, HP filed a patent-infringement complaint and a second complaint alleging that BestUse falsely marketed newly-manufactured ink cartridges as remanufactured. A representative for the OEM indicated the German online retailer was accused of violating both structural and chip patents on certain HP ink tanks as well as infringing patents on the HP 344, a tricolor (CMY) integrated cartridge. The OEM said in a prepared statement that, “BestUse GmbH refused to defend itself.” A Düsseldorf court thus issued two verdicts confirming HP’s claims. BestUse was ordered to pay HP’s legal costs and provide information about its suppliers. HP also announced that it had reached settlements with some of the largest third-party supplies vendors in Poland. We have noted that HP has been particularly active in Poland, presumably because it is an entry point to various Western European markets.

Last year, the OEM settled its litigation against Action S.A., which distributes products under the ActiveJet brand, and AB S.A., the distributor of the TB Print line. Both Polish resellers agreed to stop selling certain HP-compatible ink cartridges. At the time, HP also announced that it had filed a patent-infringement complaint against Black Point S.A.

In January 2014, HP said it had reached settlement agreements with six additional companies in Poland accused of violating patents on some 20 different HP ink SKUs. The firms include:

- ABC Data S.A., a Warsaw-based reseller of Modecom-brand inkjet cartridges;
- Komputronik S.A., the Poznan-based owner of the Accura inkjet cartridge brand;



HP has been focused on cleaning up inkjet clones from the market in Poland, which provides an entry point for clones into other European countries

- Modecom S.A. of Oltarzew, which owns the Modecom inkjet cartridge brand;
- Praxis S.A., the Warsaw-based owner of ePrimo-brand inkjet cartridges;
- Scot Sp.z o.o., a Modlniczka-based distributor of Printe-brand inkjet cartridges; and
- Kris Krzysztof Muszalski of Czestochowa, which owns the Expression brand of inkjet cartridges.

According to HP, each of the Polish companies admits that HP's patents are valid and enforceable and has agreed to cease selling the cartridges in question in Poland and other regions where HP's patents are registered. With the exception of ABC Data, the Polish firms agreed to withdraw and destroy their remaining inventory of the infringing cartridges and reimburse HP for its legal

costs. An HP representative indicated that the six firms resold infringing cartridges from the Taiwanese firm, Microjet, which markets various new-build integrated ink cartridges worldwide.

Epson Battles in the UK, Again

As noted previously, Epson has successfully stopped a number of firms from peddling cloned ink tanks for its hardware in the UK over the years. Its most recent victory over DCI, however, may be Epson's biggest UK win to date. Founded in 1983, DCI has been one of the most prominent manufacturers of compatibles in the United Kingdom and is well known for its Jet Tec brand of compatible and remanufactured inkjet and toner cartridges.

DCI was one of the first vendors to offer compatibles for Epson cartridges using the Intellidige microchip. At one point, the Boston, UK-based firm said it was making as many as 2 million compatible cartridges a month. While we were unable to verify the figure, some have reckoned that as many as 1 million of those ink SKUs were Epson compatibles. Epson filed suit against DCI in April 2011, and it appeared that the third-party supplies vendor would fight the OEM's allegations. DCI filed a counterclaim and issued a press release in December 2011, announcing that some of the initial hearings went in its favor. In the end, however, DCI decided it was in its best interests to agree to the OEM's settlement terms.

Epson did not reveal any financial terms of the settlement, but the OEM did announce one condition: DCI has ceased to manufacture compatible cartridges for Epson printers. DCI will not abandon the market for non-OEM Epson cartridges, but going forward, it will focus on marketing remanufactured Epson cartridges rather than producing new compatibles. Neither Epson nor DCI

Epson's recent victory over DCI, however, may be its biggest UK win to date.

offered any further comment on the resolution of the lawsuit.

More to Come—Much More

In addition to the pending Canon and Samsung trials, there are unmistakable signs that more European courts will see additional lawsuits related to clones. In fact, there may be cases winding their way through courts in Europe today that have yet to be disclosed to the public.

As noted, Samsung is preparing to file complaints in France. With the German court ordering BestUse to turn over information about its suppliers to HP, we expect to see related suits in the future. The list of OEMs filing lawsuits also looks like it will grow. Konica Minolta's appearance at Paperworld indicates the firm is aware of the growing number of clones for its machines. Lexmark, which has been very active in enforcing its U.S. patents, may also get active in the EU. The firm said in 2012, "[An] important issue facing the market today is the increase of clone toner cartridges that have been found to violate Lexmark patents in a number of countries."

While the largest consumables markets in Europe—Germany and the UK—have seen their share of lawsuits, we expect cases to spread to courts in other countries as well. This is especially true of countries of strategic importance in terms of import/export activities. We speculate, for example, that Canon and Samsung filed suits in the Netherlands not because the firms are losing a large amount of revenue in the Dutch market, but rather because Holland is home to two of Europe's largest ports, Rotterdam and Amsterdam. The Netherlands also has dedicated IP courts in the Hague as well as an efficient customs infrastructure. Getting the Dutch courts and customs officials to pay more attention to infringing products would

reap benefits across Europe. Likewise, Poland is a key entry point for the growing Eastern European markets, which explains in part why HP has become so active there.

It has also become clear that companies trading in infringing products will continue to receive scrutiny long after they have settled a patent-infringement lawsuit. HP revealed recently, for example, that it became involved in a dispute with the Polish vendor Action S.A. over the terms of the agreement reached at the end of 2012. HP says Action S.A. had agreed to stop selling certain compatible inkjet cartridges with print heads, but the OEM later found that Action S.A. was not living up to its end of the agreement. Further action was required by the OEM to enforce the terms of the settlement. HP now says that Action S.A. "has agreed to abide by its commitments to not import or sell infringing inkjet print cartridges, has agreed to an extended recall of infringing Actis and ActiveJet print cartridges, and has compensated HP for its legal costs." Going forward, we would not be surprised to see other OEMs involved in similar enforcement activities.

It is clear that we will hear more about lawsuits in the EU in the near future. Europe will continue to be an important market for OEMs and remanufacturers alike, and regional markets must be protected. The economy in the region is expected to improve in the near term, and a better economy means more jobs and more printing. Moreover, the Eastern European market is also expected to grow in the near term. While all the forecasted growth is a good thing, it is also bound to attract more infringing products. There is no doubt that OEMs will do all they can to rid the markets of clones and other products that violate their IP. So, we feel that it is not a matter of "if" but rather "when" the next inevitable suit is filed.



About Actionable Intelligence

Actionable Intelligence is the leading source for news, analysis, and research on the digital printer and MFP industry and the original and third-party consumables business. Actionable Intelligence provides clients with customized research and consulting, as well as up-to-date news and strategic analysis on Action-Intell.com, the industry's leading destination site visited by tens of thousands of printer and supplies executives worldwide. Global printer OEMs, third-party supplies vendors, distributors, resellers, and a diverse mix of other companies rely on Actionable Intelligence to deliver timely and accurate information about the trends shaping the printer hardware and supplies markets. To learn more about Actionable Intelligence, visit www.action-intell.com.