

SUPREME COURT AFFIRMS LIMITS OF POST-SALE POWER

The U.S. Supreme Court issued an important decision yesterday in a patent case, *Impression Products, Inc. v. Lexmark International, Inc.*, No. 15-1189, 581 U.S. ____ (2017), ruling that post-sale restrictions on patent use are prohibited and that patent rights are exhausted once a product is sold anywhere in the world.

The underlying dispute concerned Lexmark toner cartridges. Lexmark International, Inc. brought a patent infringement case against Impression Products, Inc., a company that acquired empty Lexmark cartridges from purchasers in the United States and abroad, refilled them with toner, and then resold them.

A U.S. patent entitles the patentee to “exclude others from making, using, offering for sale, or selling inventions throughout the United States or importing the invention into the United States.” 35 U.S.C. §154(a). Lexmark argued that since the return program prohibited reuse and resale of empty cartridges, Impression Products infringed the Lexmark patents when it refurbished and resold the cartridges that Lexmark had sold in the United States. Lexmark further argued that since it did not give authority to import the cartridges, Impression Products violated Lexmark’s patent rights by importing the used cartridges that Lexmark had sold abroad. Impression Products argued that Lexmark’s sales, both in the United States and abroad, exhausted its patent rights in the cartridges.

The Court addressed two questions relating to the patent exhaustion doctrine: “First, whether a patentee that sells an item under an express restriction on the purchaser’s right to reuse or resell the product may enforce that restriction through an infringement lawsuit. And second, whether a patentee exhausts its patent rights by selling its products outside the United States, where American patent laws do not apply.”

In an 8-0 decision on the first issue, the Court ruled that “[o]nce a patentee decides to sell — whether on its own or through a licensee — that sale exhausts its patent rights, regardless of any post-sale restrictions the patentee purports to impose, either directly or through a license.”

As to the second issue on the location of the sale, the Court, in a 7-1 decision, held that patent rights are exhausted once a product is sold, *regardless of where the sale takes place*. The Court explained, “exhaustion occurs because, in a sale, the patentee elects to give up title to an item in exchange for payment. Allowing patent rights to stick remora-like to that item as it flows through the market would violate the principle against restraints on alienation. Exhaustion does not depend on whether the patentee receives a premium for selling in the United States, or the type of rights the buyers expect to

receive. As a result, restrictions and location are irrelevant; what matters is the patentee's decision to make a sale."?



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