



U.S. Supreme Court to Hear Case on Patent Exhaustion

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The patent exhaustion doctrine, or “first sale doctrine,” requires that the initial authorized sale of a patented item terminate all patent rights to that item. The Court of Appeals for the Federal Circuit, however, has recognized two exceptions to this doctrine. First, in *Mallinckrodt, Inc. v. Medipart, Inc.*, the Federal Circuit held that a patentee may transfer title to the patented article and specify a post-sale reuse or resale restriction on the article that may be enforced by patent laws. *See* 976 F.2d 700. Second, in *Jazz Photo Corp. v. International Trade Commission*, the Federal Circuit held that a patentee’s U.S. patent rights are not exhausted when it sells the patented article outside the United States. *See* 264 F.3d 1094.

Lexmark is a printer manufacturer that makes and sells patented toner cartridges for its printers. Impression Products is a remanufacturer of toner cartridges. In 2010, Lexmark brought suit against Impression Products and other remanufacturers for patent infringement. *See Lexmark Int’l, Inc. v. Impression Prods.*, 816 F.3d 721, 728-729 (Fed. Cir. 2016). Impression Products moved to dismiss Lexmark’s claims on the grounds that Lexmark exhausted its U.S. patent rights in the cartridges in two manners. First, Impression Products argued that Lexmark’s single-use/no-resale requirement was an invalid post-sale restriction under the Court’s decision in *Quanta*, 553 U.S. at 637. *Id.* at 731. Second, Impression Products argued that Lexmark exhausted its patent rights as to cartridges first sold abroad under the Court’s copyright exhaustion analysis in *Kirtsaeng*, 133 S. Ct. 1351 (2013). *Id.* at 731-32.

The district court for the Southern District of Ohio held that Lexmark did not exhaust its U.S. patent rights in toner cartridges that Lexmark initially sold abroad. *Lexmark*, 816 F.3d at 730. The district court further held, however, that the patent exhaustion doctrine barred

Lexmark's patent infringement regarding toner cartridges that were first sold by Lexmark in the United States, concluding that post-sale use restrictions did not preclude patent exhaustion after an authorized sale under *Quanta. Id.*

After subsequent appeals by both parties, in February 2016, the Federal Circuit *en banc* issued a 10-2 decision reaffirming that foreign sales do not exhaust patent rights and holding that post-sale use restrictions preclude patent exhaustion after an authorized sale.

Impression Products petitioned for a writ of certiorari regarding the scope of patent exhaustion with respect to foreign sales and post-sale use restrictions. The Court will hear both issues. This is the fourth patent case the Court has taken this term.

Impression Products, Inc. v. Lexmark International, Inc., 15-1189

Categories

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