



LEXMARK AND PATENT EXHAUSTION: WHAT YOU NEED TO KNOW NOW

On May 30, 2017, the U.S. Supreme Court toppled long standing Federal Circuit case law that post-sale restrictions and foreign sales preserved a right for patent owners to sue third parties for patent infringement of patented products.

Impact on Patent Owners

Patent owners may no longer impose single-use restrictions on their products under patent law. Owners who have relied on these types of restrictions for many years will now have to:

1. Recraft their licensing agreements to remove these post-sale restriction requirements.
2. Revisit ongoing patent litigation cases as accused infringers may now be able to argue that some patent rights have been exhausted.
3. Rethink pricing strategies as they may no longer be able to count on revenue from multiple sales of the same product.
4. Consider leasing patented products instead of selling the products outright, similar to the software product model, as the only recourse left to protect sold products is through contract law.

Patent owners would benefit from an immediate conversation from their intellectual property attorney to discuss options.

The Case

In *Impression Products, Inc. v. Lexmark Inc.*, the Court decided that all rights in a patented product are exhausted upon the first sale of the patented product, regardless of any post-sale restrictions imposed by the patent owner and regardless of where the first sale occurred.

As a result, when Impression Products bought used Lexmark toner cartridges outside of the United States from lawful first purchasers, refilled them, and then imported and sold them in the United States, they did not infringe the Lexmark patent. In fact, the post-sale restrictions Lexmark imposed on first purchasers of its toner cartridges did not give rise to patent infringement liability. This has far reaching implications for patent owners and purchasers of patented products alike.

The Law

The Court stated in its opinion that "a patentee's decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose on the location of the sale." Additionally, "[a]n authorized sale outside the United States, just as one within the United States, exhausts all rights under the Patent Act." This decision makes patent law doctrine more consistent with copyright law and the Court's 2013 decision in *Kirtsaeng v. John Wiley & Sons, Inc.* In that case, the Court held that textbooks lawfully made and sold overseas could be imported and resold in the United States without infringing U.S. copyrights.

For all your intellectual property legal matters, contact Paul Filon.