

Justices Seek Solicitor Gen.'s Take On Patent Exhaustion Row

By **Kevin Penton**

Law360, New York (June 20, 2016, 12:23 PM ET) -- The U.S. Supreme Court on Monday sought that the government's solicitor general weigh in on a case in which Impression Products Inc. questions the Federal Circuit's recent determination that foreign sales don't exhaust a patent owner's right to sue.

The high court seeks that the official express the government's views on the case, in which Impression also questions the Federal Circuit's related finding that patent owners can impose restrictions on the use of patented items to prevent an exhaustion of their rights to the intellectual property, according to court records. The case is over claims from Lexmark International Inc. against Impression over allegedly infringing refurbished printer cartridges.

"The court's action confirms that there are very serious questions about the legal standards adopted by the Federal Circuit majority," said Andrew J. Pincus, an attorney representing Impression, to Law360 on Monday.

Counsel for Lexmark could not be reached for comment on Monday. Current Solicitor General Donald B. Verrilli Jr. is set to step down on Friday.

Common law and Supreme Court precedent should bar U.S. patent owners from placing conditions on the use of patented items as a way to retain their rights, Impression told the high court in its March petition for certiorari.

"This court has long recognized that the first sale of a patented article terminates all patent rights possessed by the seller; there is no room in the exhaustion doctrine for continuing post-sale restrictions," Impression wrote.

Lexmark urged the Supreme Court last month not to review the case, arguing that the Federal Circuit was correct to conclude that the high court's 2013 *Kirtsaeng* decision, which said foreign sales exhaust copyright rights, does not overrule its own 2001 ruling that only U.S. sales trigger patent exhaustion.

Nonprofits such as the Electronic Frontier Foundation and the R Street Institute that filed amicus briefs and Impression cannot validly assert that the appellate court's decision would pose a disruptive change to the law or to the marketplace, as the Federal Circuit affirmed its own "well-established and oft-cited" precedents, according to the brief filed by Lexmark, which had filed an infringement suit against Impression, a printer cartridge refurbisher and reseller.

“Against this background of consistency, Impression’s and its amici’s sweeping claims about the imminent demise of U.S. commerce and foreign trade ring hollow,” the brief reads. “These doomsday prophecies have not come to pass in the years since the court below issued the decisions it reaffirmed in this case.”

As Impression did not dispute that the refilled Lexmark printer cartridges it sells infringe, the case hinged on its argument that Lexmark's patent rights were exhausted by foreign sales or post-sale restrictions. Since the en banc court found they were not, it remanded the case with instructions to enter judgment for Lexmark.

Impression has argued that since some of Lexmark's cartridges were sold outside the U.S., those foreign sales exhausted the company's patent rights. The Southern District of Ohio ruled in 2014 that such sales did not exhaust Lexmark's rights.

In a 10-2 decision that runs 129 pages, Federal Circuit Judge Richard Taranto wrote that Kirtsaeng "did not address patent law or whether a foreign sale should be viewed as conferring authority to engage in otherwise-infringing domestic acts."

Under the Patent Act, "a foreign sale is properly treated as neither conclusively nor even presumptively exhausting the U.S. patentee’s rights in the United States," he wrote.

The Federal Circuit’s opinion included a dissent by Judge Timothy Dyk, who wrote that while mere foreign sales should not exhaust U.S. patent rights in all circumstances, they should result in exhaustion if the seller does not explicitly reserve its U.S. patents rights.

With regard to post-sale restrictions, Judge Dyk wrote that the majority's decision to approve them cannot be reconciled with the Supreme Court's 2008 decision in *Quanta*, which held that authorized sales exhaust patent rights.

"We exceed our role as a subordinate court by declining to follow the explicit domestic exhaustion rule announced by the Supreme Court," Judge Dyk wrote.

Impression Products is represented by Andrew J. Pincus, Paul W. Hughes and Matthew A Waring of Mayer Brown LLP and Edward F. O'Connor of Avyno Law PC.

Lexmark is represented by Constantine L. Trela, Robert N. Hochman, Benjamin J. Beaton and Joshua J. Fougere of Sidley Austin LLP, Timothy C. Meece, V. Bryan Medlock Jr., Jason S. Shull and Audra C. Eidem Heinze of Banner & Witcoff Ltd., Steven B. Loy of Stoll Keenon Ogden PLLC and in-house counsel D. Brent Lambert.

The case is *Impression Products Inc. v. Lexmark International Inc.*, case number 15-1189, in the Supreme Court of the United States.

— Additional reporting by Ryan Davis and Dani Meyer. Editing by Ben Guilfooy.
