

AIPLA

Patent Law Committee Newsletter January 2016



Chair: [Paul Kitch](#)



Vice-Chair: [Sarah Knight](#)

Hello and welcome to the inaugural issue of the Patent Law Committee Newsletter during my term as Chair of the Committee. My name is Paul Kitch and I took over the reins as Chair of the Committee during the October 2015 AIPLA Annual Meeting.

First, I would like to recognize and give a special thanks to Marc Hubbard, who served as Chair for the past two years. During his tenure, Marc led the charge on organizing and implementing the many activities and initiatives of the Committee. Some highlights from Marc's term include organizing the joint AIPLA/USPTO Roadshows in Santa Clara, Dallas, and Alexandria in August 2015, preparing a response to the USPTO's Request for Comments on the USPTO's Preliminary Examination Instructions for Determining Subject Matter Eligibility in view of *Alice Corp v. CLS Bank* in the summer of 2014, providing numerous responses to requests for comments from both the USPTO and AIPLA Board, serving on the AIPLA's special Section 101 Task Force, working with and inspiring all the subcommittee chairs, and undertaking countless other unseen tasks. Thank you Marc for all your efforts, and for setting a great example of how to manage this Committee.

Next, please join me in welcoming Sarah Knight as the Committee's new Vice-Chair. Sarah has been a great help to this and other committees in her prior roles with AIPLA and I look forward to working with her for the next couple of years.

Lastly, I would like to thank all of the many volunteers who have contributed to the work of the Patent Law Committee and its subcommittees over the years. I would also like to thank and welcome the new volunteers who have joined the team as a result of our December communication. If you have not already signed up to become more involved with the Committee, you are always welcome to do so! Please feel to reach out to Sarah Knight and me if you would like to get involved and/or if you have ideas or suggestions for the Committee.

Very truly yours,

Paul R. Kitch

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Blogworthy? Take the [Patent Law Committee's Patent Law Blog Survey](#) and let us know which blogs are worth your time!

PLC Subcommittee Contacts

We hope to see you at
AIPLA's 2015 Mid-Winter Institute
January 27th - 30th
(see the program [here](#)!)

Patent Law Committee Meeting, 4:30-5:30PM Thursday, January 28th:

All are welcome. Join the Committee as we discuss our recent and planned activities and initiatives, including programming, newsletter, and patent law hot topics such as § 101 and § 112. Anyone seeking to get involved is encouraged to attend.

Upcoming AIPLA webinars:

January 20th -Patent Eligibility Post-Alice: Practical Advice for Navigating the Current 35 USC § 101 Regime - 12:30 - 2:00 pm Eastern

[register here](#)

February 9th - Caught In A Web - How the court in *Kimble v. Marvel* ruled on whether payment of royalties for an expired patent is unlawful per se - 12:30-1:30pm Eastern [register here](#)

[[[KEEP SCROLLING FOR ARTICLES]]]

Lexmark v. Impression Products: **Will International Patent Exhaustion Become Reality?**



Theresa Stadheim¹

Under the doctrine of patent exhaustion, once a patented product is sold in a sale authorized by the patent holder, patent rights in that product are exhausted. Domestic patent exhaustion (i.e., patent exhaustion upon a domestic sale) is a common law doctrine in the United States, as well as being generally accepted worldwide. However, the current *Lexmark v. Impression Products* litigation has raised the issue of whether international sales should also lead to exhaustion of patent rights.

The *Lexmark v. Impression Products* litigation

Lexmark manufactures printers and toner cartridges used in those printers. In *Lexmark Int'l, Inc. v. Ink Techs. Printer Supplies, LLC*, plaintiff Lexmark alleged that it first sold the patented inkjet cartridges at issue outside of the United States, and that these cartridges were later acquired and remanufactured by defendants, including Impression Products, thereby infringing Lexmark's patent.²

As summarized by the district court, the "patent exhaustion doctrine generally provides that once a patentee has made an unrestricted sale of a patented article, the patentee loses its right to control the sale, offer for sale, or use of the article."³ As held by the Federal Circuit in *Jazz Photo*, patent exhaustion is territorial, in that the sale must have occurred in the United States for patent exhaustion to apply.⁴ In other words, according to *Jazz Photo*, there is no such thing as international patent exhaustion.

The district court recognized that a previous Supreme Court decision did find an extraterritorial exhaustion doctrine with respect to copyrighted works, in that the first sale of copyrighted works would lead to exhaustion of a copyright, even if the sale were made abroad.⁵ In *Kirtsaeng*, the Supreme Court considered the common law history of the first sale doctrine as applied to copyright law to recognize the freedom to resell can remove a burden from courts in tracing and enforcing against sales of readily-movable goods, to

¹ Theresa Stadheim is an attorney at Schwegman, Lundberg & Woessner, PA in Minneapolis, Minnesota. The author thanks Brad Forrest and James Hallenbeck for their assistance.

² *Lexmark Int'l, Inc. v. Ink Techs. Printer Supplies, LLC*, 9 F. Supp. 3d 830, 831-832 (S.D. Ohio 2014).

³ *Id.* at 832.

⁴ *Jazz Photo Corporation v. International Trade Commission*, 264 F.3d 1094, 1105 (Fed. Cir. 2001).

⁵ *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1354 (2012)

determine that common law of the first sale doctrine (with respect to copyrighted goods) "makes no geographical distinctions."⁶ In *Kirtsaeng*, the Supreme Court stressed the ability of a purchaser to re-sell the copyrighted work without the burden of having to figure out territorial limitations on the work.⁷ Arguments that a nongeographical interpretation would make it difficult or impossible to charge different prices in different territories fell on deaf ears.⁸

The district court framed the essential dispute between Lexmark and Impression Products as being whether *Kirtsaeng* overturned *Jazz Photo* such that Lexmark's patent rights were exhausted upon the first authorized sale abroad.⁹ The district court found that *Kirtsaeng* is not plainly inconsistent with *Jazz Photo* because *Jazz Photo* involved patent law whereas *Kirtsaeng* involved only copyright law.¹⁰ The district court recognized that the Federal Circuit recently reinforced that copyright cases are not "controlling" regarding patent issues.¹¹ Accordingly, the district court held that *Kirtsaeng* did not overturn *Jazz Photo* and there was no international patent exhaustion (i.e., overseas sales of a patented product did not lead to exhaustion of patent rights in the patented product).¹²

Impression products appealed.¹³ In April 2015, the Federal Circuit sua sponte ordered a hearing *en banc*. The hearing was held October 2, 2015. Briefs have been filed by Lexmark and by Impression Products. At the invitation of the court, the United States also filed an *amicus* brief, and there were various other amici filed by other trade organizations and institutes.

Impression Products focused the majority of its brief on *Jazz Photo*, asserting that *Kirtsaeng* effectively overturned *Jazz Photo*, when it held that the sale of copyrighted material internationally exhausted copyrights in the United States. Impression argued that the common law exhaustion principles discussed by the Supreme Court apply equally to both copyright law and patent law.

The United States government advocated an international exhaustion structure in which a patentee could expressly reserve U.S. patent rights in foreign transactions, thereby preventing exhaustion. According to the government, this approach was the law before *Jazz Photo*.

⁶ *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1354 (2012).

⁷ The Court discussed at length various examples of the difficulties that would be encountered by museums, libraries, etc., in determining territoriality of rights. *Id.*, at 1364-1366.

⁸ The Court could find no right to such differential pricing. *Id.*, at 1370.

⁹ *Lexmark Int'l, Inc. v. Ink Techs. Printer Supplies, LLC*, 9 F. Supp. 3d 830, 834 (S.D. Ohio 2014).

¹⁰ *Id.*, at 835.

¹¹ *Id.*

¹² *Id.*

¹³ Lexmark also appealed the District Court's holding on another issue: whether (i) sales of patented articles to end users under a restriction that they use the articles once and then return them and (ii) sales of the same patented articles to resellers under a restriction that resales take place under the single-use-and-return restriction give rise to patent exhaustion. *Lexmark Int'l, Inc. v. Impression Prods.*, 785 F.3d 565, 566 (Fed. Cir. 2015). This paper, however, is limited to discussion of the international patent exhaustion issue.

Lexmark's brief agreed with the United States brief that foreign sales do not necessarily exhaust U.S. patent rights.¹⁴ Lexmark's brief points out a distinction between domestic and international sales. According to the Lexmark brief, because a U.S. patent does not interfere with the use of the patented article abroad, the sale abroad does not require or imply release of U.S. rights. In contrast, in a domestic sale, the patentee "parts with the right to restrict use" of a patented article.

The October 2 hearing¹⁵

Arguing for Impression Products was Edward R. O'Connor of Avnyo Law. Arguing for Lexmark was Constantine L. Trela, Jr., of Sidley Austin LLP. Other attorneys were given time to speak, including Andrew J. Pincus, who spoke in support of Impression Products on behalf of Google Inc., Intel Corporation, L Brands Inc., LG Electronics, Inc., Newegg Inc., Ninestar Image Tech Limited, QVC, Inc., SAS Institute, Inc., Samsung Electronic Co., Ltd., and Xilinx, Inc. Barbara A. Fiacco spoke in support of Lexmark on behalf of Biotechnology Industry Organization and CropLife International. Melissa N. Patterson spoke on behalf of the U.S. government.

The first to address international patent exhaustion was Mr. Pincus. Mr. Pincus argued that the decision in *Kirtsaeng* (the copyright exhaustion case) was based on the common law refusal to permit restraints on the alienation of chattels. One of the judges disagreed with this and asked whether the copyright statute wasn't actually the basis for the *Kirtsaeng* decision. That judge went on to state that the copyright statute had zero room for giving any consideration to sales location (which was why any discussion of location in *Kirtsaeng* was with respect to manufacturing location). According to that judge, this meant that any holding in *Kirtsaeng* would have stark consequences: either there was never exhaustion (whether the sales were U.S. sales or international sales), or there should always be exhaustion regardless of sales location. With the former holding, the copyright owner would retain rights indefinitely, which would lead to an unfair result, so the Court was left with the latter choice that there should always be exhaustion for both international and domestic sales. Mr. Pincus still maintained that the Supreme Court in *Kirtsaeng* first looked at the common law and, only after looking at the common law, looked to the statute.¹⁶ One of the judges then pointed out that *Kirtsaeng* was a copyright case and not a patent case, to which Mr. Pincus responded that common law did not draw such distinctions.

¹⁴ *En banc* brief for plaintiff-cross appellant Lexmark International, Inc., p. 12.

¹⁵ Available at http://www.cafc.uscourts.gov/oral-argument-recordings?title=&field_case_number_value=&field_date_value2%5Bvalue%5D%5Bdate%5D=2015-10-02&=Search (last accessed January 11, 2016). Judges names are not mentioned unless the judge's name was used during the respective remark/question.

¹⁶ The Supreme Court said the statutory language, context and common-law history were taken into consideration together. "In our view, §109(a)'s language, its context, and the common-law history of the "first sale" doctrine, taken together, favor a non-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial, and consumer activities. ... We consequently conclude that *Kirtsaeng's* nongeographical reading is the better reading of the Act." *Kirtsaeng* at 1358.

Mr. Pincus was then asked by another judge what he thought of the U.S. government's stance on the case (i.e., that a party could reserve U.S. patent rights in an international sale). Mr. Pincus thought this would influence downstream users unfairly. Mr. Pincus was then asked what should be the fair outcome when the U.S. patentee sold somewhere where there were no patent rights. Mr. Pincus thought this should still lead to patent exhaustion.

Ms. Patterson, arguing for the U.S. government, stated that the default rule should be that, by selling a product, the patent holder is parting with all patent rights, U.S. and otherwise. However, a patent holder should be able to reserve U.S. patent rights (and any other rights) by explicitly stating that the patent holder does not intend to part with any U.S. patent rights in the patented article. Ms. Patterson was also asked what would happen if a patent holder did not hold a patent in a country in which he sold products. Ms. Patterson said that the patent holder's rights should be exhausted, unless the patent holder expressly reserved the U.S. patent rights. Another judge thought the default should be the opposite, i.e., the default should be that U.S. patent rights are not being conveyed. Ms. Patterson responded that a common law sale gave up all rights, so the patent exhaustion doctrine should follow the same principles as common law sales.

Mr. Trela was next to speak. When asked why *Kirtsaeng* should not govern in this case, Mr. Trela replied that *Kirtsaeng* was a statutory construction case and a copyright case, and was therefore different from the present case in at least these two respects. According to Mr. Trela, the patent law is territorial (i.e., patent rights are specific to a territory or jurisdiction), whereas in contrast copyright law automatically confers rights to the copyright holder in 168 countries that are party to the Berne Convention as soon as a work is completed.¹⁷

Judge Lorie agreed with Mr. Trela that patent law is territorial in various different ways. Mr. Trela added that that the government's position and treaty negotiations all take into account that patent law is territorial. According to Mr. Trela, this should lead to the default rule that there is no international patent exhaustion because the U.S. patent has nothing to do with the foreign transaction. In other words, when a sale is made in a foreign country, the U.S. patent does not impose any restrictions on what the buyer can do with the product, so there is no reason to presume that the U.S. patent rights are exhausted. One of the judges asked what would happen if you sold your product in a country where there were no patent rights. Mr. Trela said you would not be selling any patent rights and therefore not exhausting any patent rights either.

Next to speak was Ms. Fiacco. One of the judges asked Ms. Fiacco why it would be burdensome for a seller to provide notice if the seller wanted to reserve some rights, since the seller knows what rights he or she owns and wants to convey. Under this hypothetical (which coincides with the U.S. government's position on international patent exhaustion), the buyer can then assume that he or she has the right to use the product wherever and whenever he or she wants, unless told otherwise. According to Ms. Fiacco the problem would be in changing expectations: previously under *Jazz Photo* it would be assumed that U.S. rights weren't being

¹⁷ As of September 2014, there are 168 states that are parties to the Berne Convention.

conveyed, whereas under the hypothetical posed by the judge, the assumption would be all rights were being conveyed. Furthermore, downstream users wouldn't necessarily have notice. Further, according to Ms. Fiacco, pharmaceutical companies need to maintain the ability to enforce regional pricing, which would not be possible if U.S. patent rights were exhausted by international sales.

Mr. O'Connor summed up by stating that *Kirtsaeng* was controlling in this case. One of the judges asked Mr. O'Connor whether any of the case law was inconsistent with the U.S. government position that there should be international exhaustion unless the seller expressly reserved U.S. patent rights. Mr. O'Connor conceded that none of the cases were inconsistent with this position.

Analysis and Summary

Several *amici curiae* were filed in this case. Parties that supported the idea of international patent exhaustion thought that *Kirtsaeng* should apply to patent law as well, because the Court in *Kirtsaeng* was appealing to general principles of protecting consumer interest in property ownership, and was not specific to copyright law.¹⁸ These parties also thought patentees would still be fairly compensated under international patent exhaustion, while avoiding problems of price discrimination.¹⁹ Other parties in support of international patent exhaustion thought *Jazz Photo* misinterpreted *Boesch v. Graff*, whose fact pattern involved an unauthorized sale, and accordingly should never have led to patent exhaustion in any event, international or otherwise.²⁰

Parties against international patent exhaustion thought *Kirtsaeng* was clearly limited to copyright law and based on statutory interpretation.²¹ These parties also discussed the differing policy considerations and products involved with copyrighted works versus patented works, and the territorial nature of patent law.²² For example, subject matter eligibility is vastly different in different jurisdictions.²³ Owners of copyrighted works have always considered that there were no geographical limits on their rights, whereas the same does not hold true (in fact, the opposite may hold true) for owners of patented products.²⁴

¹⁸ *Amicus curiae* brief of Public Knowledge, the Electronic Frontier Foundation, the Open Source Hardware Association, the Digital Right to Repair Coalition, and Public Citizen, Inc., in support of Impression Products, Brief of *amicus curiae*-The Computer & Communications Industry Association in support of Impression Products, Brief of Intellectual Property Professors and American Antitrust Institute as *amici curiae* in support of defendant-appellant.

¹⁹ *Amicus curiae* brief of Public Knowledge, the Electronic Frontier Foundation, the Open Source Hardware Association, the Digital Right to Repair Coalition, and Public Citizen, Inc., in support of Impression Products.

²⁰ Brief of Intellectual Property Professors and American Antitrust Institute as *amici curiae* in support of defendant-appellant.

²¹ Brief of *amicus curiae* Intellectual Property Owners Association, in support of Lexmark, Brief of *amicus curiae* American Intellectual Property Law Association in support of neither party. Also, as mentioned in the latter brief, the patent statute has always included geographic restrictions, in contrast to the copyright statutes which did not and still do not.

²² Brief of *amicus curiae* Intellectual Property Owners Association, in support of Lexmark, Brief of *amicus curiae* American Intellectual Property Law Association in support of neither party.

²³ Brief of *amicus curiae* Intellectual Property Owners Association, in support of Lexmark.

²⁴ *Id.*

Parties against international patent exhaustion also distinguished the first sale doctrine (pertinent to copyright law) and patent exhaustion.²⁵ Copyright law conveys certain rights to buyers and owners of a copyrighted work while, in contrast, patent exhaustion evaluates whether the patentee (not the purchaser) has been adequately compensated. As the parties being protected in either instance are vastly different, it stands to reason that the exhaustion issues should not parallel each other either. Policy issues were also raised regarding a patentee's willingness to sell pharmaceuticals and other humanitarian aid more cheaply, if patent rights are exhausted by the sale.²⁶

The judges seemed particularly interested in hearing what should happen when a patented product was sold in a jurisdiction with no patent rights, and nearly every attorney at the hearing was asked this question. In this hypothetical, and in balance, a ruling against international patent exhaustion will lead to the fairest result. While it might be more convenient for purchasers to be able to assume they own all rights in a purchased patented product, the fact remains that copyrighted products have long been distinguished from patented products. Patent law is also fundamentally different from copyright law in that patent law has always been of a territorial nature.

In the case of patent rights (as opposed to copyright), a purchaser would not know whether or not the product they bought was subject to patent rights. Thus, they should have no expectation of being able to sell the product or re-import the product into a different country. Furthermore, the product could have been made by a third party in a country where there was no patent protection by the patent owner. A huge gap would then be created in the patent holder's rights and scope of protection (along with the different potential scope of coverage in each country). This gap does not exist to the same extent in copyright and the patent holder rights should far outweigh the consumer rights. There are also several persuasive humanitarian and policy arguments that weigh against international patent exhaustion.

It is difficult to say with any certainty which way the Federal Circuit will decide the issue of international patent exhaustion. In any event, most agree that the loser in this case will appeal the issue to the Supreme Court. It is completely possible that the Supreme Court would find that consumer rights outweigh patentee rights, and come down on the side of international patent exhaustion.

²⁵ Brief of *amicus curiae* American Intellectual Property Law Association in support of neither party.

²⁶ *Id.*

It's All in the Details: **Q&A with Sarah Knight, Vice-Chair, Patent Law Committee**

1) How did you get involved in AIPLA?

The Patent Law Committee is actually the first committee that I started working with (so it has a special place in my heart). I knew I wanted to get involved in an IP organization and had attended a number of other organization conferences to identify “the one”. After meeting the people in the AIPLA organization and the other attendees, I knew that AIPLA was where I wanted to get involved. The outreach of the New Lawyers Committee (formerly Young Lawyers Committee) really helped since I was able to volunteer for a project prior to even attending a conference. The project was for Jerry Selinger who encouraged me to try a number of committees to see what I would like to get involved in. At my first AIPLA meeting, I reached out to one of the committees to let them know I was interested in being active in their committee but nothing happened – even after I emailed a few times to see if there was anything I could do (and no I'm not going to name names!). I could have been discouraged by that, but figured it just wasn't the right committee for me. It was during my second or third AIPLA meeting (I can't remember!) that I ended up at a happy hour event for the Patent Law Committee. I walked in to the bar and was greeted by Ken Nigon. I said I was interested in getting involved and he immediately gave me a position and introduced me to Paul Kitch... and I was off to the races!

2) What other roles have you had on the PLC committee? I worked first with Paul Kitch and then with Ashok Mannava on the Programming Subcommittee for the PLC.

3) What type of practice do you have? I primarily focus on patent drafting and prosecution in fields spanning semiconductor to software technologies. Last year I co-founded an IP Boutique and have been continually adding to my patent practice group.

4) What do you see as the strengths of the PLC? The Patent Law Committee touches on topics spanning most of patent practice. I view this committee as a substantive foundation committee that has an opportunity to influence and support patent laws and rules. We have great members with a diversity of practice. This helps us with education, outreach and advocacy.

5) What opportunities do you see for the future of the committee? The laws (and how they are interpreted) are constantly changing. I see the committee continuing to identify areas of law where there may be changes and then identifying solutions and/or providing resolutions to address those areas.

6) What would you tell a new member who wanted to get involved in the PLC? Just let me or Paul Kitch know you want to be involved! I also recommend that anyone interested take a look at the email Paul sent with the call for volunteers. He listed a number of positions and topics that may be available.

7) What other committees are you involved with, and how did you get involved in those committees?

I am also involved with the Professional Programs Committee (and occasionally a Mid-Winter Programming committee) as a coordinator and on occasion as part of a topics subcommittee. I think you can tell that I really enjoy being part of the programming for AIPLA. It can be a lot of work, but you get to see the results at each meeting. It also helps me see what topics are of interest to AIPLA membership and the IP community at large.

8) What do you do when you're not working?

I love to do quite a number of things – some of which I can do WHILE working, which is pretty awesome: travel, eat (I love experiencing new restaurants and farm-to-table dining), and fitness activities (of all sorts – running, HIIT, aerial fabrics, pilates, weight training). I am currently training for a relay run, but that is the only race I have planned for this year. I do like to read when I'm not working (mostly Science Fiction and Fantasy) and I follow quite a few of my favorite authors (and even a celebrity chef) on Twitter.

9) If you were an MPEP section, what section would you be? (kidding, mostly) I'll take the whole of chapter 600 – parts, form, and content of an application because I like to help people work within the rules and constraints necessary to get a proper finished product. I like details.

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