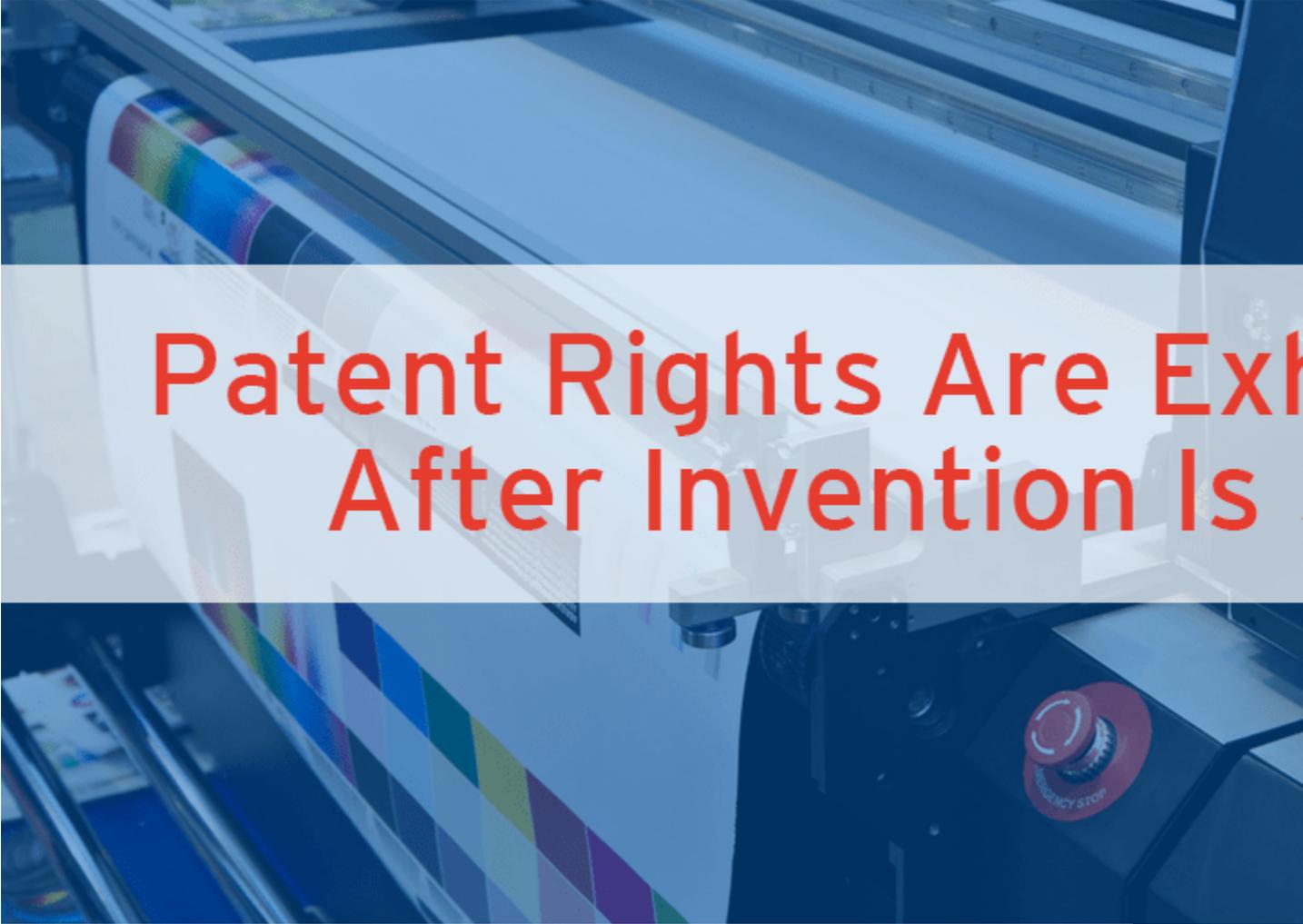


Patent Rights Are Exhausted After Invention Is Sold



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How far do patent rights go? Well, it often comes down to the sale of the invention. Typically, a patent holder's patent rights in an invention extend only until the invention is sold – this is known as patent exhaustion. After a first sale, the patent rights in the invention sold are exhausted, and the purchaser is not bound by them[1]. The law, however, was unclear as to whether a patent holder could extend patent rights beyond the first sale by imposing restrictions on the subsequent use or sale of the invention by a purchaser. For two decades, lower courts held that certain restrictions could be used to retain some patent rights after the invention was sold. For example, some courts have permitted patent holders to restrict the resale or re-use of a patented invention.

In 2017, the Supreme Court clarified the scope of the Exhaustion doctrine in *Impression v. Lexmark*. Lexmark, a toner cartridge manufacturer, sold toner cartridges at a lower price if the buyer agreed to a restriction on resale. Meanwhile remanufacturers were gathering up toner cartridges and refilling and reselling them. Impression Products, Inc., a

remanufacturer operating in the US and abroad, was purchasing cartridges that had been bought with the resale restriction. So naturally, Lexmark brought suit against Impression for patent infringement.

The Supreme Court held that when a patent owner sells an item, that product is no longer within the limits of the patent rights' monopoly and instead becomes the private individual property of the purchaser. They based this decision on a common principle that sellers should not be able to impose 'restraints on alienation.' Purchasers should be able to buy goods without fear that the goods are burdened by 'a legal cloud on title.' Without this level of protection, purchasers would have to research all of the goods they intend to purchase to discover any burdens that patent holders may have placed on the goods. Consequently, the Court ruled that Lexmark could not impose a resale restriction on its cartridges that would allow them to sue a subsequent purchaser for patent infringement.

The *Impression Court* determined that the Exhaustion doctrine applies to both domestic and foreign sales of patented inventions. Some have expressed concern that the foreign application of the doctrine will adversely impact the U.S. market for certain goods, such as life-saving pharmaceuticals, which are sold to foreign nations at discounted prices. Now it is possible for foreign purchasers to resell the discounted goods back into the U.S. market at a still-discounted price relative to the U.S. price while also earning a profit. Alternatively, the application of the doctrine to foreign sales may result in price increases for goods sold abroad.

Bottom-line – A patent holder has no patent rights in a patented invention after the invention is sold.

[1] Provided however, that the lawful owner of the patented device may maintain and repair the device, but may not reconstruct it.