

# Patent Exhaustion Dispute Likely Headed for the Supreme Court: Validity of Post-Sale Restrictions and Ability of Foreign Sales to Exhaust U.S. Rights to Be Considered

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In a decision likely to receive Supreme Court attention, the Court of Appeals for the Federal Circuit recently considered en banc two questions relating to the common law “patent exhaustion” doctrine. Although the Federal Circuit’s 10–2 majority decision purported to maintain the status quo,<sup>1</sup> a petition for a writ of certiorari to the Supreme Court has been filed<sup>2</sup> and, by the time this article is published, a response will also have been filed.<sup>3</sup> If the Supreme Court grants the petition and modifies the patent exhaustion doctrine, its decision could significantly impact patent-related transactions and the patent exhaustion doctrine going forward. This article explores the issues presented by *Lexmark International, Inc. v. Impression Products, Inc.*, explains the underlying precedent, makes concrete suggestions for how patent rights holders may minimize the impact of potential changes in the law, and illustrates potential licensing terms and transactional structures that an accused infringer may be able to use to invoke patent exhaustion as a defense.

## Patent Exhaustion Background

Patent exhaustion, sometimes called the “first sale” doctrine, refers to the termination of a seller’s right to control patented goods that have been sold. After an initial authorized sale by the U.S. patent rights holder, the reuse, resale, or other disposal of those goods cannot violate U.S. patent rights. The Supreme Court has broadly applied exhaustion to limit the reach of patent law:

- “[W]hen the machine passes to the hands of the purchaser, it is *no longer within* the limits of the [patent] monopoly.”<sup>4</sup>
- “[O]nce lawfully made and sold, there is *no restriction* on [its] use to be implied for the [patentee’s] benefit[.]”<sup>5</sup>
- “[S]ale of [the patented article] exhausts the monopoly in that article and the patentee *may not* thereafter, by virtue of his patent, control the use or disposition of the article.”<sup>6</sup>

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- “[T]he initial authorized sale of a patented item *terminates all patent rights* to that item.”<sup>7</sup>

The Federal Circuit has limited patent exhaustion in two ways. In *Mallinckrodt, Inc. v. Medipart, Inc.*, the Federal Circuit announced the so-called “conditional sale” doctrine: “[u]nless the condition violates some other law or policy . . . , private parties retain the freedom to contract concerning conditions of sale” (e.g., patent rights holders can create a single-use only restriction).<sup>8</sup> If the condition was violated after the sale, according to the Federal Circuit, patent exhaustion did not apply. Then, in *Jazz Photo Corp. v. International Trade Commission*, the Federal Circuit created a territoriality exception to patent exhaustion: “United States patent rights are not exhausted by products of foreign provenance.”<sup>9</sup>

### **En Banc Decision in Lexmark v. Impression Products**

The en banc *Lexmark* decision considered the *Jazz Photo* territoriality exception to patent exhaustion and the *Mallinckrodt* conditional sale doctrine. In the underlying dispute, Lexmark (the patent owner) sought to prevent resale of certain patented printer toner cartridges remanufactured and resold by Impression Products (the accused infringer). One group of accused toner cartridges was originally sold abroad by Lexmark, subsequently refurbished, and then imported into the United States for resale. A second group of accused toner cartridges was sold in the United States. Customers could purchase a regular cartridge without any reuse limitation or a “return program” cartridge at a discount in exchange for agreeing to return it to Lexmark after using it. The legality and enforceability of the “return program” contract was undisputed in *Lexmark*.

The district court found: (1) foreign-sold cartridges did not exhaust Lexmark’s U.S. patent rights under *Jazz Photo*, and (2) the “regular” and the “return program” cartridges initially sold by Lexmark in the United States exhausted Lexmark’s U.S. patent rights. Both parties appealed, and the Federal Circuit sua sponte ordered the case be heard en banc to address the continued viability of *Jazz Photo* and *Mallinckrodt*. The parties and over 30 amici curiae submitted briefing.

On February 12, 2016, the Federal Circuit issued a split 10–2 decision affirming its earlier decisions. Circuit Judge Taranto wrote the majority decision, maintaining *Jazz Photo*’s blanket prohibition against finding that foreign sales exhaust U.S. patent rights and reaffirming *Mallinckrodt*’s rule that a patentee can impose single-use/no-resale restrictions that may be enforced by later patent infringement litigation. Circuit Judge Dyk authored the dissent, arguing that a foreign sale can exhaust the patentee’s U.S. patent rights in the goods sold unless those rights are expressly reserved, and that single-use/no-resale restrictions cannot preserve patent rights after an initial authorized sale of the patented good in the United States.

### **Jazz Photo and the Blanket Ban against International Patent Exhaustion**

U.S. patent rights holders frequently seek to charge different prices abroad for their patented technology. The Federal Circuit’s *Jazz Photo* decision endorses this practice, and effectively bars unauthorized reimportation of these goods into the United States for resale. The recent *Lexmark* decision by the Federal Circuit maintained that barrier.

The majority determined Lexmark's sales of cartridges abroad did not, and could not, exhaust Lexmark's U.S. patent rights, continuing *Jazz Photo*'s hard distinction between domestic sales (to which patent exhaustion can apply) and foreign sales (to which it cannot).<sup>10</sup> Patent exhaustion is premised in part on the idea that once the patentee has received its reward for selling its invention, all patent rights should stop. According to the majority, "[a] patentee cannot reasonably be treated as receiving [its] reward from sales in foreign markets."<sup>11</sup> The majority further concluded that the Supreme Court's recent copyright decision in *Kirtsaeng v. John Wiley & Sons, Inc.*,<sup>12</sup> did not compel a different result. *Kirtsaeng* was a copyright case about § 109(a) of the Copyright Act, a specific statutory provision directed to first-sale rights under the copyright laws. "[T]hat ruling does not answer the question presented under the Patent Act."<sup>13</sup> The majority continued to rely on *Boesch v. Gräff*<sup>14</sup> as support for the rule of *Jazz Photo*: "The sale of articles in the United States under a United States patent cannot be controlled by foreign laws," which the majority argues the *Jazz Photo* rule helps prevent.<sup>15</sup>

The *Lexmark* dissent would have retained *Jazz Photo* in part, and would have established a presumptive exhaustion regime for foreign sales. An authorized foreign sale would result in exhaustion unless the seller explicitly reserved its U.S. patent rights at the time of sale, which is the same position the United States took in its argument to the Federal Circuit.<sup>16</sup> Impression Products, however, relies on *Kirtsaeng* to urge adoption of an absolute rule prohibiting reservation of any patent rights, including after an authorized sale made abroad.<sup>17</sup> The dissent and Impression Products both distinguish *Boesch* as inapplicable because those foreign sales were made by a third party and were not authorized by the U.S. patent holder.<sup>18</sup> *Boesch* does not address the effect of a foreign sale authorized by the U.S. patent holder.

A key assumption underlying the *Lexmark* dissent is that the enactment of the 1952 Patent Act adopted the common law existing at that time.<sup>19</sup> This common law established that an overseas sale could exhaust U.S. patent rights if the sale was authorized by the patent holder and made without clear reservation of U.S. patent rights. Three groups of cases illustrate this rule. In the first group of cases, no exhaustion was found where the U.S. patent holder failed to authorize the foreign sale of the patented good.<sup>20</sup> In the second group of cases, a clear reservation of the U.S. patent rights preserved them against exhaustion.<sup>21</sup> Such express reservations can be included in the invoice for the sale or on the product packaging itself.<sup>22</sup> This second set of decisions suggests that particular language is not required as long as commercially reasonable steps are taken at the time of sale to put the initial purchaser on notice that the U.S. patent rights are not part of the transaction. In the third group of cases, the U.S. patents were exhausted by a foreign sale. The patent rights holder both authorized these overseas sales and failed to reserve U.S. patent rights, and thus those sales exhausted their patent rights.<sup>23</sup> The foregoing was the settled law prior to the Federal Circuit's 2001 *Jazz Photo* decision. More importantly, because the 1952 Patent Act did not disavow common law precedent relating to patent exhaustion, the dissent argued this strongly suggested the common law approach was intended to be retained.<sup>24</sup>

Further, the *Lexmark* dissent argued that the Supreme Court's decision in *Kirtsaeng* could not be dismissed as simply relating to copyright. Impression Products' certiorari petition adopts this position and would expand *Kirtsaeng* to prohibit any reservation of patent rights, including for international sales. *Kirtsaeng* addressed the same legal issue, albeit in the context of copyrights and not patents, and held

that U.S. copyrights are exhausted by the initial authorized sale, regardless of location. *Kirtsaeng* was motivated by a desire to leave purchasers free to resell goods to enhance competition in the marketplace and to avoid administrative burdens of enforcing restrictions on difficult-to-trace, readily movable goods. Those motives apply with equal force to patent law.<sup>25</sup>

Finally, policy considerations favor presumptive foreign exhaustion in patent law, according to the *Lexmark* dissent. This is a “necessary accommodation between the interests of the rights holder and the unsuspecting buyer.”<sup>26</sup> Putting the onus on the patent rights holders to expressly reserve any U.S. patent rights being withheld serves the purpose of ensuring that buyers know what they are acquiring and that patent rights holders are properly compensated for their patent rights. This eliminates an implied restraint on the trade of patented articles.

Given that the Supreme Court has consistently articulated patent exhaustion in broad terms and without any geographic limitations on where the sale must occur, and that no Supreme Court decision authorizes the contrary holding of *Jazz Photo*, there is a strong possibility that it will overturn *Jazz Photo* if certiorari is granted. The possibility of certiorari being granted appears especially strong given the sharp distinction between *Lexmark* (international sales *do not* exhaust patents) and *Kirtsaeng* (international sales *do* exhaust copyrights). Further, a blanket prohibition against international patent exhaustion appears to represent a judgment that sales consummated outside the borders of the United States can never reward the seller for the U.S. market. That judgment is simply inconsistent with modern flows of international trade. The U.S. market represents a significant portion of the world economy (greater than 20 percent by some measures). Technology products routinely flow into the United States after sales abroad, and sellers are aware of these patterns. The value of a microchip sold in Taiwan may be impacted by its potential for later resale in the United States either as a standalone product or as one component of many within a more complex product. It is simply illogical to assume sellers are never being compensated for their U.S. patent rights when goods are sold abroad. It remains to be seen whether *Lexmark* can dispel these concerns in its anticipated briefing at the Supreme Court.

### **Patent Exhaustion and *Mallinckrodt*'s Conditional Sale Doctrine**

The en banc Federal Circuit retained the *Mallinckrodt* conditional sale doctrine. “A sale made under a clearly communicated, otherwise-lawful restriction as to post-sale use or resale does not confer on the buyer and a subsequent purchaser the ‘authority’ to engage in the use or resale that the restriction precludes.”<sup>27</sup>

The *Lexmark* majority, over the course of 40 pages of analysis of Supreme Court cases spanning more than 150 years, based its decision on the following main points. Patent owners are granted the right to exclude as infringers those who engage in certain acts “without authority” from the patent owner (e.g., to “make,” “sell,” or “use” the invention without permission is infringement). Patent owners can waive some or all of these rights, and can restrict rights granted to a purchaser by imposing a post-sale restriction within the scope of the patent rights under *Mallinckrodt* and other subsequent Federal Circuit decisions.<sup>28</sup> If that post-sale restriction is violated, then the patent owner can assert its reserved patent rights.

The 1938 Supreme Court decision in *General Talking Pictures Corp. v. Western Electric Co.* authorized field-of-use limitations imposed on a licensee.<sup>29</sup> When a licensee sold a patented amplifier outside the scope of its limited field-of-use license to a purchaser who knew it was not authorized by the patent owner to buy and use the amplifier, that was patent infringement: “Any use beyond the valid terms of a license is, of course, an infringement of a patent.”<sup>30</sup> The majority believed the result should be no different when the sale was being made directly by the patent rights holder. Such disparate treatment would allow nonpracticing entities to avoid exhaustion via careful licensing, but practicing patent owners that sell their own goods could not, which concerned the *Lexmark* majority.

The *Lexmark* majority found *Quanta Computer, Inc. v. LG Electronics, Inc.*,<sup>31</sup> distinguishable: it did not address patent owner sales (a licensee made the sale), and it did not involve a post-sale restriction (the licensee had unrestricted authority to sell). The Supreme Court also declined the government’s invitation to overrule *Mallinckrodt* during the *Quanta* case.<sup>32</sup>

The *Lexmark* majority also rejected as inapplicable the Supreme Court’s copyright decision in *Kirtsaeng*, which cited historical common law support prohibiting “restraints on the alienation of chattels” dating back to the seventeenth century and concluded a buyer could resell certain copyrighted articles “without the authority” of the copyright holder.<sup>33</sup> The copyright first-sale doctrine, the majority reasoned, is a statutorily created exception confined to the Copyright Act, which supersedes a copyright holder’s exclusive rights after an initial sale. By contrast, the Patent Act has no such statutory exception, and the judicially created patent exhaustion doctrine developed concurrently with the patent law policy that generally permits restrictive covenants not in violation of antitrust laws or public policy.

The *Lexmark* dissent and Impression Products in its certiorari petition rejected such post-sale restrictions. In their view, *Mallinckrodt* cannot be squared with *Quanta* and the numerous other Supreme Court decisions since 1852 that have refused to allow a patent owner to invoke patent law to control a patented good after its first authorized sale.<sup>34</sup> The dissent also cited influential commentators who agreed that *Mallinckrodt* was overruled by *Quanta*.<sup>35</sup> Finally, the United States has urged the Supreme Court to overrule *Mallinckrodt* twice and took this position for a third time in its argument to the Federal Circuit.<sup>36</sup>

To the dissent and Impression Products, the critical question was whether the patent rights holder had “authorized” the sale; it was irrelevant to the exhaustion analysis whether the particular use contemplated by the buyer was expressly or implicitly authorized by the patent rights holder.<sup>37</sup> This reasoning is consistent with the holding of *General Talking Pictures*: the licensee there made and sold the accused amplifier outside its authorized field of use and thus was an infringer; likewise, the buyer was also an infringer because it used the unauthorized amplifier. Further, because exhaustion is only triggered by a sale, the dissent found nothing anomalous about exhaustion being inapplicable in certain licensing situations, which is the same rule applied in the copyright context (e.g., the first-sale doctrine does not allow resale of licensed software because the software was not “sold”).

The dissent and Impression Products also argued the majority's decision and rationale were indistinguishable from the previously rejected Supreme Court decision in *Henry v. A.B. Dick Co.*<sup>38</sup> *A.B. Dick* upheld a post-sale restriction requiring a buyer to use a patented machine with certain unpatented supplies, reasoning the patent owner's "larger right" of excluding all others from using the patent "embraces the lesser [right] of permitting others to use upon such terms as the patentee chooses to prescribe."<sup>39</sup> This decision was expressly overruled a few years later in *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*, which held "the right to vend is exhausted by a single, unconditional sale, the article sold being thereby carried outside the monopoly of the patent law and rendered free of every restriction which the vendor may attempt to put upon it."<sup>40</sup> Later Supreme Court decisions, including *Quanta*, are in accord with *Motion Picture Patents*.<sup>41</sup>

The *Lexmark* dissent also criticized the majority for fashioning rules "unique to patent disputes," which the Supreme Court has previously instructed the Federal Circuit not to do, and for parsing the facts of prior Supreme Court decisions so finely it was no longer following the principles announced in those higher-court decisions.<sup>42</sup> The Supreme Court's *Quanta* and *Kirtsaeng* decisions, which each gave the exhaustion and first-sale doctrines broad reach in accordance with the general common law, should have compelled the Federal Circuit to strike down post-sale restrictions. Finally, the dissent criticized as irrelevant the pro-competitive policy rationale the majority cited for sustaining the single-use restriction because exhaustion turns on whether the sale was "authorized," not whether a particular post-sale restriction is desirable or undesirable, pro-competitive or anti-competitive.<sup>43</sup> But in any event, the dissent noted, the Supreme Court asserted in *Kirtsaeng* that prohibitions on resale are "manifestly anti-competitive," and antitrust decisions typically find horizontal restrictions between competitors like *Lexmark* and *Impression Products* to be per se unlawful.<sup>44</sup>

The Supreme Court will likely consider the viability of post-sale restrictions if certiorari is granted. The *Lexmark* majority found that Supreme Court quotations supporting a broad exhaustion rule were taken out of context, but numerous decisions rendered over more than 150 years appear to run against the principle underlying the majority's decision, or at least present a formidable obstacle to affirming it. Further, the dissent's explanation of *General Talking Pictures*, which the majority cites as critical to validating post-sale restrictions, appears to show that no exhaustion was found in that case because the initial sale by the licensee (seller) was unauthorized, not because the use contemplated by the buyer was prohibited. Finally, as *Impression Products* argues in its certiorari petition, "[a]llowing patentees to enforce sale and use restrictions through patent law, in addition to contract law, would dramatically expand patentees' ability to impose such restrictions."<sup>45</sup> This precise concern is what previously motivated the Supreme Court to repudiate *A.B. Dick* and withhold such an ability from patent rights holders. As noted above, it remains to be seen whether *Lexmark* can satisfactorily address these concerns in its anticipated briefing at the Supreme Court.

### **Practices That May Minimize the Potential Impact of Changes in the Law**

The good news for patent rights holders is they can protect themselves with careful planning and clearly communicated restrictions, even if the Supreme Court overrules *Jazz Photo's* territoriality exception or *Mallinckrodt's* conditional sale doctrine. Accused infringers looking to patent exhaustion as a defense should take careful note of where a patent rights holder fails to preserve its rights adequately.

Avoid selling the patented goods if possible. Structure the transaction as a use license or even a lease where practical (e.g., rental or lease of patented equipment) and be sure the buyer assents to the terms (e.g., signed contracts, putting clear labels on packaging akin to “clickwrap” agreements). The sale of a patented good is a necessary prerequisite for patent exhaustion. Therefore, clearly document the transaction as a license/lease, establish that the patent holder retains title, and take commercially reasonable steps to perfect that title.<sup>46</sup> Include terms requiring the patented good to be returned when the license/lease ends, or place other significant restrictions on subsequent transfer of the item.

If you must sell the patented goods, consider doing so only through a subsidiary or third-party manufacturing licensee with limited authority. Be careful to limit the definitions of “licensed products” and “field of use” to a particular intended market so that sales into other markets or to specific buyers are unauthorized. Also, make sure these restrictions are included in the license grant clause itself.<sup>47</sup> Further, consider using your other intellectual property rights—e.g., separate patent, copyright, and trademark rights—and technological controls—e.g., digital locks or activation codes—to maintain control over the product.

If you are selling the patented goods abroad at a discount compared to the U.S. sales price, expressly reserve and exclude authorization for your U.S. patent rights. Add language to the bill of sale, the invoice, or both prohibiting importation into the United States and denying any express or implied license under the U.S. patent rights.

Plan transactions to provide relief under commercial law if a condition is violated. Patent rights holders can sue the original purchaser in a contract action for violating the terms of sale, as has been repeatedly suggested by the Supreme Court.<sup>48</sup> To provide additional avenues for commercial relief, consider requiring the original purchaser to include this condition if it resells or otherwise transfers the patented good to a subsequent purchaser.

Consider licensing other parties throughout the relevant market. License not only selected third parties to manufacture and sell the patented items, but also their customers. Use the licenses to restrict the allowed uses of the patented good, being careful to stay within the scope of the patent and to avoid antitrust concerns in doing so. Only allow sales to licensed purchasers. This may reduce the risk of unintended exhaustion because unauthorized sales would not exhaust patent rights. It will also create privity with additional actors throughout the relevant market, increasing the potential to enforce contractual rights, even if the patents are exhausted.

Do not limit yourself to contract remedies. Consider creating and perfecting a security interest to encumber the patented goods under applicable commercial law, such that the seller could enforce the security interest to demand return of the patented goods if the contract is violated.<sup>49</sup> Even if the goods passed to a third party, the security interest would, in theory, run with the property and apply against most subsequent purchasers.

In short, all is not lost if either *Jazz Photo*'s blanket ban on international patent exhaustion or *Mallinckrodt*'s conditional sale doctrine is overturned by the Supreme Court. Patent rights holders can protect their legitimate interest through carefully crafted transactions either to avoid patent exhaustion, or to create enforceable rights under commercial law. Accused infringers should carefully evaluate whether the patent rights holder has successfully protected itself when developing defenses to any claim of infringement.

### Endnotes

1. *Lexmark Int'l, Inc. v. Impression Prods., Inc.*, 816 F.3d 721 (Fed. Cir. 2016) (en banc).
2. *Petition for a Writ of Certiorari, Impression Prods., Inc. v. Lexmark Int'l, Inc.*, No. 15-1189 (U.S. Mar. 22, 2016), 2016 WL 1130030.
3. *Lexmark*'s response is due May 23, 2016, which is after the submission of this article. A vote on certiorari should take place by June 2016, and if granted, would be briefed by fall 2016 and a decision issued by June 2017.
4. *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1853) (emphasis added).
5. *Adams v. Burke*, 84 U.S. 453, 457 (1873) (emphasis added).
6. *United States v. Univis Lens Co.*, 316 U.S. 241, 250 (1942) (emphasis added).
7. *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008) (emphasis added).
8. 976 F.2d 700, 708 (Fed. Cir. 1992).
9. 264 F.3d 1094, 1105 (Fed. Cir. 2001).
10. *Lexmark Int'l, Inc. v. Impression Prods., Inc.*, 816 F.3d 721, 754 (Fed. Cir. 2016).
11. *Id.* at 760.
12. 133 S. Ct. 1351 (2013).
13. *Lexmark*, 816 F.3d at 756.
14. 133 U.S. 697 (1890).
15. *Lexmark*, 816 F.3d at 773 (quoting *Boesch*, 133 U.S. at 703).
16. *Id.* at 784 (Dyk, J., dissenting).
17. *See id.*; *Petition for a Writ of Certiorari*, *supra* note 2, at 32.
18. *Lexmark*, 816 F.3d at 784 (Dyk, J., dissenting).
19. *Id.* at 779.
20. *See, e.g., Boesch*, 133 U.S. at 702 (finding no exhaustion by third party sale in Germany under a German prior use exception); *Sanofi, S.A. v. Med-Tech Veterinarian Prods., Inc.*, 565 F. Supp. 931, 938 (D.N.J. 1983) (finding no exhaustion because foreign sale not authorized by U.S. exclusive licensee).
21. *See, e.g., Dickerson v. Tinling*, 84 F. 192, 195 (8th Cir. 1897) (finding no patent exhaustion with express prohibition against importation of the patented good into the United States); *Dickerson v. Matheson*, 57 F. 524, 527 (2d Cir. 1893) (same).
22. *See, e.g., Tinling*, 84 F. at 195 (observing that product packaging included language expressing that the patented product was not to be imported into or sold within the United States); *Matheson*, 57 F. at 526 (noting that invoice stated "[t]he importation into the U.S. of North America of our patented [product] is prohibited").

23. *See, e.g.*, *Curtiss Aeroplane & Motor Corp. v. United Aircraft Eng'g Corp.*, 266 F. 71, 80 (2d Cir. 1920) (holding that manufacture and sale of patented airplanes in Canada by the U.S. patent owner without reservation exhausted U.S. patent rights); *Holiday v. Mattheson*, 24 F. 185, 185 (C.C.S.D.N.Y. 1885) (holding that after selling without restriction in England, patentee could not prevent purchaser from reselling patented good in the United States).
24. *Lexmark*, 816 F.3d at 779 (Dyk, J., dissenting).
25. *Id.* at 786–87.
26. *Id.* at 788.
27. *Id.* at 735 (majority opinion).
28. *See* *Princo Corp. v. ITC*, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (en banc); *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1426 (Fed. Cir. 1997).
29. 304 U.S. 175, *aff'd on reh'g*, 305 U.S. 124 (1938).
30. *Gen. Talking Pictures*, 305 U.S. at 126–27.
31. 553 U.S. 617 (2008).
32. *See Lexmark*, 816 F.3d at 737; *Lexmark Int'l, Inc. v. Ink Techs. Printer Supplies, LLC*, No. , 2014 WL 1276133, at \*5 (S.D. Ohio Mar. 27, 2014).
33. *Lexmark*, 816 F.3d at 756–57.
34. *Id.* at 774–78 (Dyk, J., dissenting).
35. *Id.* at 778 (citing 12 PHILLIP A. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW ¶ 2044, at 300 & 301 n.15 (3d ed. 2012) (“In its *Quanta Computer* decision the Supreme Court reaffirmed a strong version of the first-sale doctrine, striking down more relaxed Federal Circuit precedent. . . . To the extent that *Mallinckrodt* relaxed the first-sale doctrine, it was overruled by *Quanta Computer*[.]”).
36. *See* Petition for a Writ of Certiorari, *supra* note 2, at 18–19.
37. *Lexmark*, 816 F.3d at 781 (Dyk, J., dissenting).
38. 224 U.S. 1 (1912); *see Lexmark*, 816 F.3d at 776–77 (Dyk, J., dissenting).
39. 224 U.S. at 35.
40. 243 U.S. 502, 516 (1917).
41. *See* *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 626 (2008); *Boston Store of Chi. v. Am. Graphophone Co.*, 246 U.S. 8, 24–25 (1918) (both quoting *Motion Picture Patents*).
42. *Lexmark*, 816 F.3d at 779–80 (Dyk, J., dissenting).
43. *Id.* at 783.
44. *Id.*
45. Petition for a Writ of Certiorari, *supra* note 2, at 21.
46. *Cf.* *Straus v. Victor Talking Mach. Co.*, 243 U.S. 490, 498 (1917) (finding a “disguised attempt” to avoid a sale ineffective to prevent exhaustion).
47. *Cf.* *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 637 (2008) (concluding that because the sale of the infringing components was within the license to sell, the sale was authorized and thus exhausted the patent rights).
48. *See, e.g., id.* at 637 n.7 (reserving the question “whether contract damages might be available even though exhaustion operates to eliminate patent damages”); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 514, 518 (1917) (criticizing the “failure to distinguish between the rights which are given to the inventor by the patent law” and “rights which he may create for himself by pri-

vate contract”); *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 666 (1895) (finding it “obvious” that limitations on use of a patented article would “arise as a question of contract, and not [under] the patent laws”).

49. See John F. Duffy & Richard Hynes, *Statutory Domain and the Commercial Law of Intellectual Property*, 102 VA. L. REV. 1, 60–64 (2016).