Impression Products v. Lexmark International

Banner & Witcoff offers the following content as a resource to help clients understand and prepare for the potential impact of this case:

On February 12, 2016, the U.S. Court of Appeals for the Federal Circuit, in an *en banc* opinion, ruled in favor of Banner & Witcoff client Lexmark International, Inc., in Lexmark International v. Impression Products, finding the "first sale" doctrine under patent law does not apply to: (1) patented articles sold subject to restrictions on resale and reuse communicated to the buyer at the time of sale; and (2) patented articles first sold outside of the United States.

The Federal Circuit agreed with Lexmark's arguments that a patentee may conditionally license the manufacture, sale, and/or use of patented articles that otherwise remain the subject to patent-law restrictions. The Federal Circuit also agreed with Lexmark's arguments that sales of a patented product outside the United States do not exhaust a patent owner's right to enforce its patent rights in the United States.

On December 2, 2016, the Supreme Court granted Impression Products' petition to hear the case. Justices considered:

(1) Whether a "conditional sale" that transfers title to the patented item while specifying post-sale restrictions on the article's use or resale avoids application of the patent-exhaustion doctrine and therefore permits the enforcement of such post-sale restrictions through the patent law's infringement remedy; and (2) whether, in light of this court's holding in Kirtsaeng v. John Wiley & Sons, Inc., that the common-law doctrine barring restraints on alienation that is the basis of exhaustion doctrine "makes no geographical distinctions," a sale of a patented article – authorized by the U.S. patentee – that takes place outside the United States exhausts the U.S. patent rights in that article.

On May 30, 2017, the Supreme Court changed the law of patent exhaustion – a defense to infringement that holds that patent owners lose their rights after an authorized sale – and limited the ability of patent owners to control the use of patented products once they are sold.

In its decision, the Supreme Court held that the doctrine of patent exhaustion means that post-sale restrictions are not allowed and that U.S. patent rights are exhausted once a patent owner or its distributors sell a patented product anywhere in the world.

The justices said the Federal Circuit was wrong to hold that patent owners can impose restrictions on how patented items can be used or sold in the United States after they are sold and that U.S. patent rights remain in place if a product is first sold in another country.

IMPORTANT DATES

- May 30, 2017 – Supreme Court decision
- March 21, 2017 – Supreme Court oral arguments
- Dec. 2, 2016 – Supreme Court grants certiorari
- Feb. 12, 2016 – Federal Circuit issues en banc decision

COURT DOCUMENTS

- Supreme Court decision
- Supreme Court oral arguments transcript
- Petition to the Supreme Court
- Federal Circuit *en banc* decision

MEDIA

Banner & Witcoff attorneys are available to answer questions and discuss these cases. Media inquiries should be directed to Amanda Robert (312) 463-5465 or arobert@bannerwitcoff.com.