Federal Circuit sides with Banner & Witcoff client Lexmark over patent exhaustion for toner cartridges

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., 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.12

The *en banc* decision, garnering support from 10 of the 12 active Federal Circuit judges, was a complete win for Lexmark. 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.

Bob Patton, vice president and general counsel for Lexmark, issued the following statement: "We are pleased that the Court of Appeals for the Federal Circuit has confirmed the validity and enforceability of Lexmark's Return Program license under U.S. patent law. The Lexmark Return Program has been and will always be about customer choice and sustainability. Lexmark customers always have a choice between a full-price unrestricted cartridge or a Return Program cartridge, which can be used once and then returned only to Lexmark for remanufacturing or recycling."

Mr. Patton added, "The Federal Circuit's ruling will assist Lexmark in its efforts to combat the importation and sale of inferior toner cartridges that infringe our intellectual property rights and will further support Lexmark's own environmentally-friendly remanufacturing program."

The Federal Circuit remanded the case for entry of a judgment of infringement of 21 patents in favor of Lexmark, as well as awarded Lexmark its costs.

Lexmark is represented in this matter by Banner & Witcoff attorneys Timothy C. Meece, V. Bryan Medlock, Jr., Jason Shull and Audra Eidem Heinze. Lexmark was also represented by Constantine L. Trela, Jr., Robert N. Hochman, Benjamin Beaton and Joshua John Fougere of Sidley Austin LLP; and Steven B. Loy of Stoll Keenon Ogden PLLC.

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