

No. 11-796

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IN THE  
**Supreme Court of the United States**

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VERNON HUGH BOWMAN,  
*Petitioner,*

*v.*

MONSANTO COMPANY, *et al.*,  
*Respondents.*

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ON WRIT OF CERTIORARI TO THE UNITED STATES  
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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**BRIEF *AMICI CURIAE* OF AUTOMOTIVE  
AFTERMARKET INDUSTRY ASSOCIATION,  
AUTOMOTIVE PARTS REMANUFACTURERS  
ASSOCIATION, AND INTERNATIONAL  
IMAGING TECHNOLOGY COUNCIL  
IN SUPPORT OF THE PETITIONER**

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December 10, 2012

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**STATEMENT OF INTEREST<sup>1</sup>**

*Amici* are not-for-profit associations of companies that compete against original equipment manufacturers (“OEMs”) for sale of replacement parts and consumable goods and provision of repair services.

Automotive Aftermarket Industry Association (“AAIA”) is a national trade organization that represents more than 23,000 companies that manufacture, distribute, and sell motor vehicle parts, accessories, services, tools, equipment, materials, and supplies for passenger cars, heavy duty vehicles such as trucks, buses, off-road vehicles, and marine, industrial, and construction equipment. AAIA represents more than 100,000 repair shops, parts stores and distribution outlets. While AAIA’s members include companies that sell to OEM vehicle manufacturers, AAIA’s primary focus is the independent aftermarket which employs four million people and contributes more than two percent of the U.S. gross domestic product (“GDP”). Following the expiration of the new car warranty, over 75 percent of car owners patronize independent repair shops rather than new car dealers.

Automotive Parts Remanufacturers Association (“APRA”) is the trade association for companies that collect used motor vehicle parts and restore them to functionality through a process known as “rebuilding”

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1. The parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, their members, or their counsel made a monetary contribution to its preparation or submission.

or “remanufacturing,” thus extending the life of the product. Currently, APRA represents over nine hundred companies that remanufacture motor vehicle parts and their suppliers. Parts remanufactured by APRA members are used in automobiles, trucks, buses, and off-highway vehicles such as construction and industrial equipment and farm machinery.

International Imaging Technology Council (“I-ITC”) represents the interests of the imaging supplies industry, including companies that buy used cartridges, remanufacture used toner and inkjet cartridges, retail remanufactured cartridges, and all related industry suppliers.

The amici submit this brief in support of petitioner to address the first Question Presented: Whether the Federal Circuit in *Monsanto Co. v. Bowman*, 657 F.3d 1341 (Fed. Cir. 2011) (“*Bowman*”) erred by refusing to find patent exhaustion in patented seeds even after an authorized sale?

Products such as automobiles and computer printers contain removable and consumable parts that can be repaired or refurbished many times. By procuring parts and repair services, consumers extend the useful life of these products and enhance the value of their initial investments. Members of the amici satisfy this consumer demand by providing alternative sources of consumable goods, replacement parts, and services at lower cost and of as good or better quality than the OEM. These companies’ replacement products often include enhanced features compatible with, but not available on, the original equipment. Aftermarket competition from these companies thus constrains OEMs from increasing prices

to supracompetitive levels, and spurs higher quality and innovation in new and aftermarket products.

These companies contribute substantially to the American economy.<sup>2</sup> The motor vehicle aftermarket industry, encompassing products and services purchased for light, medium and heavy duty vehicles after the original sale including replacement parts, accessories, lubricants, appearance products, tires, collision repairs as well as the tools and equipment necessary to make the repair, employed approximately 3.8 million people in 2010. Overall aftermarket sales totaled \$285.7 billion in 2010, including sales in the automotive aftermarket (cars and light trucks) of \$215.4 billion and sales in the medium and heavy duty vehicle aftermarket of \$70.3 billion. Amici believe more than 10,000 companies in the United States rebuild motor vehicle parts.

According to the U.S. Census Bureau, in 2010 consumers spent more than \$19 billion for repair and maintenance of electronic and precision equipment, of which more than \$7 billion was spent for computer and office machine repair and maintenance.<sup>3</sup> Approximately

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2. See *Eastman Kodak Co. v. Image Technical Servs. Co.*, 504 U.S. 451, 462 & n.6 (1992). See also, *Aro Mfg Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 357-358 (1961) (“*Aro I*”) (Justice Black, concurring).

3. U.S. Census Bureau, Estimated Revenues, 2010 Annual Services Report, *Sources of Revenue, and Expenses for Employer Firms*, Table 10.1. Other Services (Except Public Administration, Religious, Labor, and Political Organizations, and Private Households) (NAICS 81) – Estimated Revenue for Employer Firms: 2002 Through 2010, available at [http://www.census.gov/services/sas/data\\_summary81.html](http://www.census.gov/services/sas/data_summary81.html) (last visited Dec. 3, 2012).

2,000 domestic businesses recondition and repair office imaging supplies, employing approximately 70,000 workers. Industry observers estimate that aftermarket refurbished printer supplies in North America comprise approximately 25-30 percent of the market for monochrome laser printer toner cartridges, up to 10 percent of the market for color laser printer toner cartridges, and approximately 14 percent of the aftermarket for refilled ink jet cartridges, with total annual aftermarket sales of some \$3.4 billion.

Reuse and repair also promote sound environmental policies, and conserve resources such as precious metals and petroleum-based plastics. Rebuilding automotive parts typically re-uses 88 percent of the raw material from the original parts, and rebuilding engines consumes 50 percent of the energy required to produce a new engine. I-ITC estimates reconditioning ink and toner cartridges will keep some 84,000 tons of industrial-grade plastics and metals out of landfills this year. Acquisition guidelines of federal agencies, state and municipal governments, and corporations express preferences for purchase of refurbished and recycled products such as those produced by members of the amici.<sup>4</sup>

Companies represented by amici run the gamut from large, technologically-sophisticated entities with substantial intellectual property portfolios to small operators that service local customers. What unites

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4. See 40 C.F.R. § 247.11 (2012); U.S. Environmental Protection Agency, *Comprehensive Procurement Guidelines – Toner Cartridges*, available at <http://www.epa.gov/osw/conserve/tools/cpg/products/toner.htm> (last visited Dec. 3, 2012).

these companies in this case is their stake in access to original equipment free of downstream patent restraints on alienation or repair asserted by the manufacturer as post-sale conditions on the purchase of patented goods. Without access to OEM products to repair or refurbish, these companies cannot provide choices to consumers or competition to OEMs based on price, quality, and features. The amici respectfully submit this brief so the Court may consider the impact, on commerce generally and on these aftermarket industries in particular, of the Federal Circuit's narrowing of the exhaustion rule.

Even after this Court's recent reaffirmation of the patent exhaustion doctrine in *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008), the Federal Circuit has sent conflicting signals suggesting that *Quanta* left standing the erroneous theory that post-sale use restrictions imposed by a "conditional sale" can trump patent exhaustion. OEMs have continued to exploit this confusion by applying restrictive patent notices to products and packaging sold to consumers in an attempt to exercise downstream post-sale control over the uses of these products by consumers. Though ostensibly positioned as a contract with the purchaser, OEMs deploy these post-sale restrictions as a strategem to lock out aftermarket competition for products and services that otherwise would constitute permissible repair under the patent laws.

The perspectives and experience of the amici thus place in sharp relief the harmful consequences of the erroneous decisions of the Federal Circuit. If post-sale conditions can prevent exhaustion, both consumers and aftermarket competitors risk liability for patent

infringement if the article is repaired by anyone other than the patentee. Patent law and competition best will be served by a bright-line holding, consistent with Court precedents, that rejects the Federal Circuit’s “conditional sales” theory, and reaffirms that an authorized sale exhausts the patent owner’s interest in the vended article. Any additional purported post-sale restrictions on the use or disposition of that article cannot be enforced by patent law, and only may be imposed to the extent consistent with contract and antitrust law.

### SUMMARY OF ARGUMENT

Under long-standing precedents of this Court, an authorized sale of a patented article exhausts the patentee’s right to restrict otherwise permissible uses of that article. Any attempt to further restrain the post-sale rights of the purchaser may be adjudged under contract and commercial law, but no longer is subject to the patentee’s rights or a patent-based remedy. This articulation of the exhaustion rule properly balances the patent owner’s exclusive rights with the consumer’s right to reuse, resell, repair, and improve lawfully-acquired property, and the public interest to prevent unfair competition.

Decisions of the Federal Circuit continue to muddle these clear principles, and threaten to upend this balance, to the detriment of competition and the public interest. In a line of cases beginning with *Mallinckrodt*<sup>5</sup> and continuing through *Bowman*, the Federal Circuit asserts that post-sale restrictions revive exhausted patent rights, and deems

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5. *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992).



purchasers of patented goods and third party aftermarket competitors liable for patent infringement from otherwise-lawful combinations and repair. In *Quanta*, this Court reversed the Federal Circuit's attempts to improperly extend patent rights beyond the authorized sale of the patented article. This Court likewise should reject the Federal Circuit's attempt to re-draw that line in *Bowman*.

These Federal Circuit decisions also encroach upon precedents of this Court defining lawful repair. Repair and customization industries provide valuable service to consumers and contribute billions of dollars to our economy. The post-sale restrictions in *Bowman* and its progenitors would prevent commonplace activities such as repair and upgrading of elements of a personal computer, an automobile, or any patented combination—much as the post-sale restrictions in *Mallinckrodt* imposed patent infringement liability on competitors otherwise engaged in lawful repair. Consumers and aftermarket competitors targeted by such post-sale restrictions may not know whether the restriction exists or, even if embossed on the device itself, whether the restriction is valid or enforceable. Yet, under *Bowman*, these consumers and aftermarket competitors could be sued and potentially held liable for patent infringement. These are not mere abstract concerns. Recent cases (in addition to *Bowman*) demonstrate how patent owners continue their attempts to impose restrictive post-sale requirements, with different outcomes depending upon whether the courts follow the Federal Circuit precedent or *Quanta*.

The threat of potentially devastating patent infringement liability chills competition by aftermarket businesses. Patent suits involve technically complex issues of infringement, claim construction, and validity, and

are extremely expensive to defend. Enhanced damages, attorney fees, and preliminary and permanent injunctive relief pose intolerable risks for small entrepreneurial companies. By contrast, suits based on contract, as should be the norm under the Court's exhaustion rule, are far less expensive to defend and less likely to jeopardize a company's long-term survival. Reaffirmation of this Court's exhaustion rule will protect the public's right to repair and stimulate investment in aftermarket industries.

Reaffirming the scope of patent exhaustion also will restore the proper balance between patent rights and antitrust law. Post-sale patent conditions and infringement lawsuits typically target manufacturers and sellers of competing supplies and repair services, not the purchasers that purportedly agreed to the post-sale restrictions. By allowing post-sale patent restrictions to limit exhaustion, the Federal Circuit necessarily proscribes lawful aftermarket competition and limits antitrust defenses – thereby restricting consumer choice, increasing consumer prices, and stifling aftermarket innovation.

Finally, a clear rule finding exhaustion upon an authorized sale best serves modern commerce. Products such as cars and computers may be sold and resold many times during their useful life. Millions of businesses and consumers use online commerce to resell anything from small used parts to a fleet of cars. Sellers and purchasers are entitled to know they have the right to resell, purchase, and use what they buy, free from the threat of infringement suits.

**ARGUMENT****I. THE EXHAUSTION DOCTRINE RECENTLY REAFFIRMED BY THIS COURT IN *QUANTA* MUST BE PRESERVED, NOT NARROWED AS THE FEDERAL CIRCUIT HAS DONE IN *BOWMAN*.**

Patent law vests the patentee with a limited monopoly interest, the full extent of which is an exclusive right to make, use, and sell the invention or discovery or to authorize others to do so. *United States v. Univis Lens Co.*, 316 U.S. 241, 250 (1942). As a statutory exception to policies disfavoring monopolies, the patent right imposes some sacrifice upon social welfare in return for the contributions of patent owners to the progress of science and the useful arts. The degree of sacrifice required of the public is proportionate to the scope of the patent right. Any aggrandizement of the patent right necessarily encroaches on other fundamental public interests.

Long-established doctrines of patent and competition law reflect the inherent tensions between the right of the patent owner to reap rewards for its invention and the right of the public to engage in commerce around the patented invention and in the patented article itself. An application of long-standing principles against equitable servitudes on property rights,<sup>6</sup> the exhaustion doctrine performs a key role in leveling this balance. By setting clear limits on the right of a patent owner to control

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6. See, e.g., *Straus v. Victor Talking Mach. Co.*, 243 U.S. 490, 500-501 (1917); 2 Coke, *Institutes of the Laws of England* § 360 (Day ed. 1812).

downstream commerce in vended patented articles, the exhaustion doctrine shapes the contours of the public's right to resell, reuse, recycle, and repair the patented article.

The exhaustion doctrine articulated by this Court in *Quanta* struck the proper balance among those interests. The patentee obtains its reward through the initial authorized sale, but the sale or passage of title to a patented article exhausts the patentee's interest in that article under patent law. "The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item."<sup>7</sup> Exhaustion extends to any patent covering reasonable uses of the patented article.<sup>8</sup> If a patent owner seeks to impose any post-sale restriction on use or resale of the article, the validity and enforceability of that restriction is to be determined by state contract law – not patent law.<sup>9</sup>

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7. *Quanta*, 553 U.S. at 625. *See also id.* at 638 ("The authorized sale of an article that substantially embodies a patent exhausts the patent holder's rights and prevents the patent holder from invoking patent law to control postsale use of the article."); *Univis Lens Co.*, 316 U.S. at 250 ("[The patent owner's] monopoly remains so long as he retains the ownership of the patented article. But sale of it 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").

8. *See, e.g., Univis Lens*, 316 U.S. at 250-251 (sale of the lens blank transfers ownership of the article and licenses the right to use the patent to produce the finished article).

9. "The extent to which the use of the patented machine may validly be restricted to specific supplies or otherwise by special contract between the owner of a patent and the purchaser or

Whether a post-sale restriction is subject to patent or contract law makes a vital difference to commerce. Patent infringement suits are complex and extremely expensive. Virtually any patent case requires specialized technical and legal analysis and expert testimony regarding claim construction, patent validity, and infringement. Small entrepreneurial companies, like those represented by *amici*, facing possible patent litigation must weigh the risks of enhanced damages, attorney fees, and injunctive relief. A preliminary injunction may force them near bankruptcy by starving them of ongoing revenue needed to support the business. Almost any patent suit by their definition is “bet the company” litigation. By contrast, breach of contract or tort litigation is far less expensive to defend, and even an adverse outcome is less likely to jeopardize their long-term survival.

Over the last 20 years, the Federal Circuit departed sharply from the Court’s clear exhaustion principles. From *Mallinckrodt* through *Bowman*, the Federal Circuit granted patent owners new powers to assert infringement

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licensee is a question outside the patent law ....” *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 509 (1917), citing *Keeler v. Standard Folding-Bed Co.*, 157 U.S. 659, 666 (1895) (“[O]ne who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws.”). *Accord Quanta*, 553 U.S. at 637 n.7 (“the authorized nature of the sale to Quanta does not necessarily limit LGE’s other contract rights”).

for breach of post-sale restrictions. While agreeing that validity of a post-sale restriction is to be adjudged by contract law, the Federal Circuit nevertheless revived the patent owner's ability to assert infringement not only against the purchaser but, significantly, also against persons not party to that restrictive contract.<sup>10</sup>

Even after *Quanta's* clear articulation of the *authorized* sale as a bright line for exhaustion, the Federal Circuit has done its utmost to cling to its “conditional sales” theory. In *Princo Corp. v. U.S. Int'l Trade Comm'n*, the Federal Circuit strayed far beyond the metes and bounds of the patent misuse issues before it to restate, in pure dictum, its conditional sales rationale rejected in *Quanta*.<sup>11</sup> And, in *Bowman*, in explaining its holding in prior seed cases decided before *Quanta*, the Federal Circuit reverted to a rationale—not discussed or credited in *Quanta*—that the application of the exhaustion doctrine depends upon whether the patent owner believes it has received “full value” for its rights.<sup>12</sup>

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10. For example, the defendant in *Bowman* purchased seeds from a third party grain seller that was not bound by any contractual obligation to Monsanto; and in *Mallinckrodt* the defendant was an aftermarket competitor that reconditioned the inhalers, not the hospital/purchaser alleged to be bound by a post-sale notice.

11. *Princo*, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (en banc), citing *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419 (Fed. Cir. 1997), and *Mallinckrodt*.

12. *Bowman*, 657 F.3d at 1347, quoting *Monsanto Co. v. McFarling*, 302 F.3d 1291, 1299 (Fed. Cir. 2002) (“The price paid by the purchaser ‘reflects only the value of the “use” rights conferred by the patentee.’” (citing *B. Braun Med.*, 124 F.3d at 1426)). *See also*

As a consequence of these decisions, the Federal Circuit limited the circumstances in which antitrust law can remedy any anticompetitive effects of post-sale restrictions on commercial activities, such as recycling, customization and repair, that otherwise would be permissible under patent law.

This expansion of patent rights cannot be squared with the precedents of this Court. The Federal Circuit has upset the policy balance established by this Court, tipping the scales decidedly toward the patent owner and away from the public interest. Amici thus urge this Court to recalibrate the law in accordance with its established precedents defining the scope of exhaustion, permissible repair, and unfair competition.

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*Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1362-1363 (Fed. Cir. 2009) (asserting that exhaustion “considers whether a patent owner has been fully compensated when a sale or license of his invention has occurred...”). Despite *Quanta*, the Federal Circuit’s stubborn “conditional sales” rhetoric continues to mislead district courts’ interpretations of the patent exhaustion doctrine. See, e.g., *PSN Illinois, LLC v. Abbott Labs and Abbott Bioresearch Ctr., Inc.*, No. 09cv5879, 2011 WL 444 2825, at \*6 (N.D. Ill. Sept. 20, 2011) (asserting erroneously that, under *Quanta*, patent exhaustion applies “after the patentee has authorized that article’s unconditional sale by another,” in reliance upon *Princo*, *B. Braun Med.*, and *Mallinckrodt*).

## II. PROPER INTERPRETATION OF THE EXHAUSTION DOCTRINE MAINTAINS SUPREME COURT PRECEDENTS CONCERNING REPAIR AND RECONSTRUCTION.

The doctrine establishing that repair of patented articles does not infringe the patent right is nearly as old as the American industrial revolution. “Since *Wilson v. Simpson* [in 1850], it has been the established law that a patentee had not ‘a more equitable right to force the disuse of the machine entirely, on account of the inoperativeness of a part of it, than the purchaser has to repair, who has, in the whole of it, a right of use.’”<sup>13</sup> Permissible repair has been found across the breadth of commerce, including automobiles,<sup>14</sup> surfboards,<sup>15</sup> medical devices,<sup>16</sup>

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13. *Heyer v. Duplicator Mfg. Co.*, 263 U.S. 100, 101 (1923) (purchaser of duplicating machine had the right to replace consumable gelatine bands, and did not have to purchase them from the patent owner), citing *Wilson v. Simpson*, 50 U.S. 109, 123 (1850) (owner of a patented planing machine could replace worn-out cutting blades, even though the blades were fundamental to the invention).

14. See *Aro I* (replacement fabric convertible tops); *Dana Corp. v. Am. Precision Co.*, 827 F.2d 755 (Fed. Cir. 1987) (rebuilding automobile clutches using new parts and used parts from many disassembled worn clutches held permissible repair).

15. *Surfco Hawaii v. Fin Control Sys. Pty. Ltd.*, 264 F.3d 1062 (Fed. Cir. 2001), *cert. denied sub nom. Fin Control Sys. Pty. Ltd. v. Surfco Hawaii*, 536 U.S. 939 (June 24, 2002) (replacing fins constituted permissible repair).

16. *Kendall Co. v. Progressive Med. Tech.*, 85 F.3d 1570, 1576 (Fed. Cir. 1996) (right to repair included replacement of unspent parts for purposes of hygiene).



injection molding machines,<sup>17</sup> cooking devices,<sup>18</sup> disposable cameras,<sup>19</sup> and computer printers.<sup>20</sup>

In *Aro I*, this Court adopted a test to distinguish permissible repair from infringing reconstruction. The Court clarified that “mere replacement of [broken or worn-out] parts, whether of the same part repeatedly or of different parts successively, is no more than the lawful right of the owner to repair his property”; and such replacement constitutes lawful repair regardless of how “essential [each nonpatented part] may be to the patented combination and no matter how costly or difficult replacement may be.” *Aro I*, 365 U.S. at 345-346. This distinction protected the patent owner against those who re-make the invention anew,<sup>21</sup> while promoting the

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17. *Husky Injection Molding Sys. v. R&D Tool & Eng'g*, 291 F.3d 780 (Fed. Cir. 2002).

18. *Bottom Line Mgt., Inc. v. Pan Man, Inc.*, 228 F.3d 1352, 1355 (Fed. Cir. 2000) (resurfacing cooking plates was permissible repair).

19. *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001) (approving eight-step repair process).

20. *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445 (Fed. Cir. 1997), *cert. denied*, 523 U.S. 1022 (1998) (permissible repair to modify ink jet cartridge for resale).

21. *See Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422, 424 (1964) (“The idea of ‘reconstruction’ in this context has the special connotation of those acts which would impinge on the patentee’s right ‘to exclude others from making,’ 35 U.S.C. 154, the article.”). In *Wilbur-Ellis*, the Court held that resizing unpatented parts in a patented combination was repair, not reconstruction, even though the activity customized the patented article by replacing unworn parts.

paramount public interest in lawful commerce pertaining to patented goods.

**A. The Federal Circuit’s Narrow View of the Patent Exhaustion Doctrine Thwarts the Public’s Right to Repair.**

Thousands of businesses provide customization and repair services and supply replacement parts for automobiles and electronics products. Automotive parts businesses commonly repair and recondition hundreds of reusable parts such as transmissions, alternators, brakes, clutches, and controlled velocity joints. Car engines commonly are customized and upgraded by third party repair shops using aftermarket parts. Suppliers in the imaging industry repair toner and ink cartridges for business and home office use with both mechanical parts and complex electronic chips that regulate and upgrade printing operations. Consumers upgrade computers with additional storage and memory, graphics processing and gaming boards. Consumers benefit from competition for service, repair and replacement of parts through lower prices, higher quality, and competitive features.

As Justice Black observed in his concurrence in *Aro I*, small repair and service businesses such as those represented by *amici* provide vital services to the domestic economy, but need bright-line rules to avoid the “disastrous or even lethal consequences” of patent infringement suits:

[B]usinessmen are certainly entitled to know when they are committing an infringement.... But to what avail these congressional precautions if this Court, by its opinions, would

subject small businessmen to the devastating uncertainties of nebulous and permissive standards of infringement under which courts could impose treble damages upon them....<sup>22</sup>

The right to repair depends upon proper application of the Court's precedents on patent exhaustion, because the repair right attaches where the product is subject to exhaustion. Any curtailment of the scope of patent exhaustion necessarily constricts the repair right, and substantially expands a patent owner's power to preclude otherwise lawful commerce in the repair of patented articles and the sale of unpatented components.

While some Federal Circuit decisions hew closely to the Court's definition of permissible repair,<sup>23</sup> decisions like *Mallinckrodt* eviscerate it. *Mallinckrodt* involved a single use restriction on a medical inhaler sold to hospitals. The patent owner received payment for the patented article and the hospitals took title to the device. Although title passed to the hospital, the patentee marked the inhalers with the words, "single use only," *i.e.*, a post-sale notice. The hospitals provided used devices to Medipart, which sterilized and repackaged them for a second use. The district court found this reconditioning activity to be permissible repair that directly infringed no *Mallinckrodt* patent. Nevertheless, the Federal Circuit decreed the patent owner entitled to judgment as a matter of law against the repair defense if the post-sale single use restriction were sustained on remand.<sup>24</sup>

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22. *Aro I*, 365 U.S. at 358-359.

23. *See* cases cited *supra* at 14-15 nn. 14-20.

24. *Mallinckrodt*, 976 F.2d at 709. The Federal Circuit remanded the case for consideration of whether the three-word

By giving post-sale restrictions primacy over patent exhaustion, the Federal Circuit has redrawn the boundary between the rights of the public and the patentee's competitors to repair patented articles and replace unpatented components, and the right of patent owners to exclude infringing reconstruction. *Mallinckrodt* and its progeny have reclaimed the right to repair from the public, and given patent owners a right to file patent infringement suits against aftermarket service and repair organizations for otherwise permissible repair. The Federal Circuit thus improperly has extended patent protection beyond the authorized sale of patented articles.

**B. The Federal Circuit's "Conditional Sales" Cases Create Continued Uncertainty Among the Courts and the Marketplace, a Trend that Only This Court Can Reverse.**

Predictably,<sup>25</sup> the sea change in *Mallinckrodt* spawned more intrusive efforts by patent owners to stymie aftermarket competition for repair. *Quanta* should have

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notice created a valid post-sale patent license condition under state law, and if the restriction against reuse was within the patent right or otherwise justified. If so, the Federal Circuit held, the defendant could be liable for patent infringement, even for otherwise lawful repair. The case appears to have been resolved by settlement without any further legal or factual development.

25. See *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 190 (1980), describing the rapid adoption of conditional licensing, and the ensuing corrosive effects on commerce, in response to *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912) – a result promptly reversed by the Court in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. at 515.

laid all those concerns to rest.<sup>26</sup> But the Federal Circuit’s continuing references to *Mallinckrodt* have continued to embolden plaintiffs to impose additional, creative patent-based intrusions upon their product marketing, to the detriment of consumers and competition.

In cases such as *Mallinckrodt* and *Bowman* in which post-sale restrictions target aftermarket competitors, narrowing the exhaustion and permissible repair doctrines exacts particularly severe penalties on commerce. While repair and supplies businesses can rely on patent marking and published patents to evaluate whether their activities constitute repair and not reconstruction, they have no analogous public information to determine whether devices are subject to post-sale restrictions. Businesses that later upgrade or repair products (such as the computers at issue in *Quanta*) may be unaware of a purported downstream restriction. Aftermarket competitors likely never will see the outer container of the original vended item, and have no information to determine whether the outer container

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26. See *Static Control Components, Inc. v. Lexmark Int’l, Inc.*, 615 F. Supp. 2d 575, 585-586 (E.D. Ky. 2009) (“*Quanta* overruled *Mallinckrodt* *sub silentio*. The Supreme Court’s broad statement of the law of patent exhaustion simply cannot be squared with the position that the *Quanta* holding is limited to its specific facts. Further, the Federal Circuit relied in part on *Mallinckrodt* in reaching its decision in ... the decision the Supreme Court reversed in *Quanta*”); Herbert Hovenkamp, *Post-Sale Restraints and Competitive Harm: The First Sale Doctrine in Perspective*, 66 N.Y.U. Ann. Surv. Am. L. 487, 490 n.18 (2011) (noting that *Mallinckrodt*, the basis of the “conditional sales” theory, “was subsequently overruled in *Quanta*”); Thomas G. Hungar, *Observations Regarding the Supreme Court’s Decision in Quanta*, (“*Mallinckrodt*’s ‘conditional sale’ rationale is no longer good law.”) 49 IDEA – Intell. Prop. L. Rev. 517, 533 (2009).

was slapped with a post-sale restriction or whether such a restriction legally could prevent repair. Many of these service companies receive empty consumable articles through intermediaries, such as commercial brokers and “cash for trash” charitable drives, without any of the original packaging. For example, charities that collect ink and toner cartridges sell them to brokers who place the cartridges on pallets wrapped in plastic, with no original packaging.

Even if the articles themselves are marked with a restrictive legend, the mere existence of such a “notice” does not make it *per se* valid or enforceable at law – a fact demonstrated by other, post-*Mallinckrodt*, Federal Circuit cases in which nearly identical “single use only” product markings were held *not* to create a restrictive patent license.<sup>27</sup> Thus, regardless of whether consumers and aftermarket competitors actually see the purported post-sale notice, they cannot know what rights they have to repair devices they lawfully own. Yet, under the Federal Circuit decisions, these businesses and consumers potentially would be subject to suit for patent infringement.

The history of *Static Control Components, Inc. v. Lexmark Int’l, Inc.* provides an object lesson on the continued pernicious effect of *Mallinckrodt*:

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27. See, e.g., *Kendall Co. v. Progressive Med. Tech. Inc.*, 85 F.3d at 1575, finding permissible repair by replacing with aftermarket parts a pressure sleeve sold in packaging marked “for single patient use only”; *Sage Prods. Inc. v. Devon Indus. Inc.*, 45 F.3d 1575, 1578 (Fed. Cir. 1995), finding repair by aftermarket replacement of used, but not spent, containers marked “single use only.”

- a company used post-sale restrictions modeled on *Mallinckrodt* to openly target lawful competition, not to achieve compensation for patent rights;
- a court that initially upheld the restrictions under *Mallinckrodt*, reversed its opinion after *Quanta*, and held the restrictions unenforceable under patent law; but,
- the lingering uncertainty created by the Federal Circuit even after *Quanta* emboldens patent owners to expand their efforts to control post-sale uses under patent law.

The facts: Lexmark, a computer printer manufacturer, affixed a label on the toner cartridge box with a purported post-sale patent restriction. According to Lexmark, the label required the purchaser either to return the used cartridge only to Lexmark for remanufacturing and recycling or to throw the cartridge away. The restriction prohibited the purchaser only from giving the empty cartridge to third parties. Thus, the restriction was aimed explicitly at stifling competition from aftermarket companies (known as “rechargers”) that recondition and refill toner cartridges.<sup>28</sup> Lexmark sued Static Control, which supplied nonpatented toner and parts used by rechargers to repair empty cartridges, and, later, several rechargers as well. On summary judgment, the court

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28. Lexmark sold unrestricted cartridges at a higher price. But, a purchaser could throw away the empty restricted cartridge without breaching the post-sale condition. Therefore, any price differential reflected the commercial value to Lexmark of keeping empties from its competitors, not compensation for any patent rights in the article itself.

found the cartridge rechargers would have engaged in permissible repair of the cartridge empties but for the label on the box with the post-sale restriction which the court, citing *Mallinckrodt*, held to preclude exhaustion from sale of the cartridge.<sup>29</sup>

While the district court had pending under consideration the parties' post-trial motions,<sup>30</sup> this Court issued its opinion in *Quanta*. Following briefing and oral argument, the district court reversed its prior holding. After a lengthy review of the law governing patent exhaustion, and this Court's opinion in *Quanta*, the district court held that Lexmark's authorized cartridge sales exhausted its patent rights, and that its post-sale restriction could not be enforceable under patent law.<sup>31</sup> Recognizing that *Quanta* rejected the theories underlying the Federal Circuit's line of "conditional sale" cases beginning with *Mallinckrodt*, the district court concluded: "*Quanta* overruled *Mallinckrodt sub silentio*." 615 F. Supp. 2d at 585.

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29. *Static Control Components v. Lexmark, Int'l, Inc.*, 487 F. Supp. 2d 830 (E.D. Ky. 2007). The Ninth Circuit in a different case upheld the Lexmark label as a valid contract in the context of California unfair competition and false advertising law. The appellant in that case neither challenged the validity of the *Mallinckrodt* decision nor contended that Lexmark acted outside the scope of the patent grant. *Arizona Cartridge Remanufacturers Ass'n v. Lexmark Int'l Inc.*, 421 F.3d 981, 987 (9th Cir. 2005).

30. Following a six-week trial, the jury returned a verdict that Static Control was not liable for inducement of patent infringement, and made advisory findings that Lexmark engaged in anticompetitive conduct that would support a determination of patent misuse.

31. *Quanta*, 615 F. Supp. 2d at 584-589.



Notwithstanding the district court’s holding and this Court’s holding in *Quanta*, Lexmark persisted in marketing toner cartridges with the same label on the outside of the box, while appealing the district court’s order. On appeal, the Sixth Circuit upheld the district court order, but found it unnecessary to address its reasoning for purposes of the appeal. The jury had found no infringement by Static Control even under the incorrect assumption that the rechargers’ activities were subject to a post-sale restriction.<sup>32</sup> Thus, the court observed that the outcome of the appeal – affirmance of the jury verdict of non-infringement—would be the same regardless of whether patent rights in the cartridges were exhausted. Reflecting the uncertainties left by the Federal Circuit’s post-*Quanta* decisions, the Sixth Circuit concluded its brief discussion on patent exhaustion: “We therefore decline to resolve this extremely complex and unsettled question, because it would have no relevance to the outcome of this appeal.”<sup>33</sup>

Since that opinion, Lexmark has ratcheted up its efforts to impose post-sale use restrictions on its products, by adding a box label “license” to its printers. Thus,

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32. *Static Control Components, Inc. v. Lexmark Int’l, Inc.*, 697 F.3d 387, 420-421 (6th Cir. 2012).

33. *Id.* at 421. Illustrative of the “complexities” referenced by that court, during the pendency of the appeal the parties filed supplemental notices of authority based on the Federal Circuit decisions regarding patent exhaustion in *Bowman, Tessera, Inc. v. Int’l Trade Comm’n*, 646 F.3d 1357, 1370 (Fed Cir. 2011) (acknowledging that a requirement to pay royalties is a post-sale condition that did not “convert initial authorized sales into unauthorized sales for purposes of patent exhaustion”), and *Ninestar Tech. Co. v. Int’l Trade Comm’n*, 667 F.3d 1373 (Fed. Cir. 2012) (involving exhaustion and foreign sales).

printers sold by Lexmark now assert, under the guise of a “patent license,” that consumers who open the printer box agree to only use genuine Lexmark cartridges in the printer, to return those cartridges only to Lexmark for recycling or remanufacture, and to pass this “license” on to any subsequent owner of the printer.<sup>34</sup> Such attempts to invoke patent law to impose post-sale use restrictions should be considered null and void and, in appropriate

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34. Lexmark’s new post-sale restrictions against use of its printers reads:

**“IMPORTANT: PLEASE READ BEFORE OPENING:** Opening this package, installing the printing device software, or using the products inside confirms your acceptance of the following licenses/agreements. **License:** The patented printer inside is licensed for, and designed to work with only genuine Lexmark toner cartridges and developer components for the life of the patented printer. You agree to: (1) use only genuine Lexmark toner cartridges and developer components with this printer except as otherwise provided below, and (2) pass this license/agreement to any subsequent user of this printer. The patented Lexmark toner cartridges and developer components inside are licensed subject to restriction that they may be used only once. Following their initial use, you agree to return them only to Lexmark for remanufacturing and recycling. Lexmark toner cartridges are designed to stop working after delivering a fixed amount of toner. A variable amount of toner may remain in them when replacement is required. **If you do not accept these terms, return the unopened package to your point of purchase.** Replacement toner cartridge(s) sold without these terms are available through [www.lexmark.com](http://www.lexmark.com), may be refilled by you, or a third party, as the only cartridge alternative to be used with the licensed printer.”

cases, patent misuse.<sup>35</sup> But until and unless this issue is settled once and for all by this Court, those who supply and repair products with replaceable parts will be subjected to threats of infringement litigation, and consumers will unjustly bear the costs of the market confusion sown by the patent owner.<sup>36</sup>

Competitors in supply, repair, and customization markets need a bright-line exhaustion test for exhaustion to stimulate investment and promote lawful commerce. Absent a clear rule that post-sale restrictions sound only in contract, any business owner considering entry into a repair or customization aftermarket would have to weigh the risk of unknowable patent infringement liability. This risk is all the more acute because many of these businesses begin life as small, family-owned enterprises. If suppliers and servicers cannot reasonably assess risks associated with their business plan, the threat of patent infringement litigation – with the potential for increased damages, attorney fee awards, and injunctions – will

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35. *Cf. Omega, S.A. v. Costco Wholesale Corp.*, CV 04-05443 TJH, 2011 WL 8492716 (E.D. Cal. Nov. 9, 2011) (Order and J.) (granting summary judgment, on remand of case involving copyright first sale doctrine, that plaintiff committed copyright misuse by engraving a copyrighted image on the reverse of a watch solely to enforce against unauthorized importation ).

36. As another recent example, a patent owner asserted infringement against a competitor that made replacement cartridges for one-cup beverage brewing machines. The district court held the patent owner's attempt to impose post-sale restrictions on the use of the machine was foreclosed by *Quanta. Keurig Inc. v. Sturm Foods, Inc.*, CV 10-841-SLR, 2012 WL 4049799 (D. Del. Sept. 13, 2012).

stifle investment and chill competition.<sup>37</sup> By contrast, if potential liability is determined under contract rather than patent law, liability would lie against those who breach or tortiously interfere with the contract, but not those who use or repair a patented device beyond post-sale terms they may never have seen.

In sum, the Federal Circuit’s “conditional sales” cases encroach upon the public interest by constricting the scope of permissible repair, contrary to the patent law precedents of this Court. Reversal of *Bowman* and reaffirmance of the Court’s long-standing patent exhaustion rule will provide needed certainty to aftermarket repair industries, promote consumer benefits from competition in the supplies market, and reduce the risk of unwarranted patent infringement litigation – without depriving the patent owner of its right to receive remuneration upon authorized sale of a patented invention.

### **III. PROPER INTERPRETATION OF THE EXHAUSTION DOCTRINE MAINTAINS THE CRUCIAL ANTITRUST LAW REMEDY AGAINST ANTICOMPETITIVE COMMERCIAL CONDUCT BEYOND THE PATENTEE’S RIGHTS.**

The Federal Circuit decisions from *Mallinckrodt* through *Quanta* also upset the equilibrium between patent and antitrust law. A patent “by its very nature is anticompetitive.”<sup>38</sup> It is an exception to the rule against

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37. This concern is not merely hypothetical. Several cartridge rechargers testified in *Static Control* they decided for that precise reason not to repair or to stop repairing Lexmark cartridges.

38. *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d. 1323, 1333 (Fed. Cir. 2008). *Accord*, *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) (“a

monopolies; in effect, a limited monopoly granted to exclude others from manufacture, use, and sale of an invention. *See Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 44 (2006), quoting *Int’l Salt Co. v. United States*, 332 U.S. 392, 395 (1947). “One body of law creates and protects monopoly power while the other seeks to proscribe it.” *United States v. Westinghouse Elec. Corp.*, 648 F.2d 642, 646 (9th Cir. 1981).

Notwithstanding, the Patent Act does not bestow a *carte blanche* privilege to violate the antitrust laws. As an exception to policies favoring free competition, the right to exclude should be construed within the scope of the patent grant, but no further. “Since patents are privileges restrictive of a free economy, the rights which Congress has attached to them must be strictly construed so as not to derogate from the general law beyond the necessary requirements of the patent statute.”<sup>39</sup> In navigating these complementary, often conflicting, policies, the Federal Circuit holds the patent monopoly immunizes any anticompetitive effects of a patentee’s conduct in all but three circumstances: (1) the exclusion misuses or extends the patent right beyond the scope of the patent grant (*e.g.*, seeking multiple royalties following the exhaustion or tying a patent license to purchase of

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patent is an exception to the general rule against monopolies and to the right of access to a free and open market”).

39. *United States v. Masonite Corp.*, 316 U.S. 265, 279 (1942), citing *Univis Lens*, decided the same day. *See also, Simpson v. Union Oil Co.*, 377 U.S. 13, 24 (1964) (“The patent laws which give a 17-year monopoly on ‘making, using, or selling the invention’ are *in pari materia* with the antitrust laws and modify them *pro tanto*.” *See also, Square D Co. v. Niagara Frontier Tariff Bureau*, 476 U.S. 409, 421 (1986) (exemptions from the antitrust laws are “strongly disfavored.”).

unpatented goods); (2) the asserted patent was procured by knowing and willful fraud;<sup>40</sup> or, (3) the infringement suit is both objectively baseless and subjectively motivated by a desire to impose collateral anticompetitive harm.<sup>41</sup> Each of these requirements erects a high hurdle for any potential antitrust claim.

With respect to the first of the above conditions, the Federal Circuit holds, “[s]hould the restriction be found to be reasonably within the patent grant, *i.e.*, that it relates to subject matter within the scope of the patent claims, that ends the inquiry.”<sup>42</sup> Therefore, the Federal

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40. *Walker Process Equip. Inc. v. Food Mach. & Chemical Corp.*, 382 U.S. 172 (1965).

41. See *Bard Peripheral Vascular v. WL Gore & Assoc.*, 682 F.3d 1003, 1007 (Fed. Cir. 2012); *In re Indep. Serv. Orgs. Antitrust Litig. (CSU et al. v. Xerox Corp.)*, 203 F.3d 1322, 1326 (Fed. Cir. 2000), *cert. denied* 531 U.S. 1143 (Feb. 20, 2001) (“*ISO Antitrust Litigation*”), quoting *Nobelpharma AB v. Implant Innovations Inc.*, 141 F.3d 1059, 1071 (Fed. Cir. 1998). In *ISO Antitrust Litigation*, the Federal Circuit found no violation of the Sherman Act from a unilateral refusal by Xerox to sell parts to independent service organizations unless they also were end-users of the Xerox copiers, on grounds that such a refusal, regardless of effect or motivation, fell within the scope of the patentee’s exclusive rights.

42. *Mallinckrodt*, 976 F.2d at 708; see also, *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997). Compare, *United States v. General Electric*, 272 U.S. 476, 489 (1942) (a patentee that has not granted title to the patent itself “may grant a license to make, use, and vend articles under the specifications of his patent for any royalty, or upon any condition the performance of which is reasonably within the reward which the patentee by the grant of the patent is entitled to secure.”). The

Circuit's view that a post-sale condition on the use or sale of a patented article remains within the patent grant, even though title to the articles properly passed to the purchaser, constrains the operation of antitrust law. By exempting post-sale conditions from exhaustion, the Federal Circuit concomitantly expands the power of patent owners to preclude otherwise-lawful competition and eliminates available antitrust remedies against a patentee's otherwise *unlawful* conduct.<sup>43</sup> If post-sale conditions instead were assessed only under contract law, the patent owner would remain free to protect its interests against breaches of a valid agreement, but could not raise patent law to shield anticompetitive conduct.

To illustrate the significance of the patent exemption in the antitrust context, consider the results in two cases involving aftermarket services in the reprographics industry. In *Image Technical Services v. Eastman Kodak*, Kodak adopted policies to deprive independent companies of parts needed to compete for printer repair services. The Ninth Circuit held Kodak's desire as a patent owner to exclude others was a presumptively valid business justification under antitrust law, rebuttable by evidence that the reliance on the patent right was subjectively

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Federal Circuit's formulation in *Mallinckrodt* appears narrowly to focus only on the scope of the claims. Anticompetitive effects also occur where a restriction strays beyond the substantive or temporal rights granted under patent law.

43. See *Image Technical Servs., Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1216 (9th Cir. 1997) ("Nor does the right of exclusion [under patent law] protect an attempt to extend a lawful monopoly beyond the grant of a patent.... Much depends, therefore, on the definition of the patent grant and the relevant market.").

pretextual. The court, however, found ample evidence of pretext. The patent justification played no part in Kodak's actual decision to withhold sales of parts, and the sales ban applied to thousands of parts though only 65 were patented. 125 F.3d at 1219-1220.<sup>44</sup> A different result would have issued from the Federal Circuit. Under *Mallinckrodt*, it is irrelevant that a claimed reliance on the patent is subjectively pretextual if the restriction *could* be justified under the patent grant. 976 F.2d at 708. The Federal Circuit reified this holding in *ISO Antitrust Litigation* by rejecting the Ninth Circuit's approach from *Image Technical Services*: "We therefore will not inquire into [the patent owner's] subjective motivation for exerting his statutory rights, even though his refusal to sell or license his patented invention may have an anticompetitive effect, so long as that anticompetitive effect is not illegally extended beyond the statutory patent grant." 203 F. 3d at 1327-1328.

The Federal Circuit "conditional sales" approach to exhaustion creates further conflict with the antitrust laws. If a valid post-sale restriction is to be enforced under contract law rather than patent law, a patent owner cannot seek to justify the anticompetitive effects

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44. Kodak had not claimed the right to exclude under patent law as a justification for its conduct when it initially sought early summary judgment against the ISOs. See *Eastman Kodak*, 504 U.S. at 461; *ISO Antitrust Litig.*, 203 F.3d at 1327. While there perhaps is some ambiguity whether the Ninth Circuit would have decided *ISO Antitrust Litigation* in the same way as the Federal Circuit, the Federal Circuit's explicit rejection of *Image Technical Services* suggests that it would ignore a wholly pretextual assertion of patent rights so long as a hypothetical non-pretextual assertion of patent rights would not be objectively baseless. *Id.*



of such a restriction under its patent grant. By sweeping post-sale conditions within the patent right, the Federal Circuit improperly broadens the patent owner's right to exclude and narrows the field of lawful competition. While post-sale restrictions seeking multiple royalties on the same articles (as in *Quanta*) or promoting sales of more aftermarket supplies (as in *Mallinckrodt* and *Static Control*) may further the commercial interests of the patent owner, profit maximization is not the ultimate aim of the patent laws.<sup>45</sup>

#### **IV. A BROAD PATENT EXHAUSTION RULE REMAINS ESSENTIAL TO ROBUST COMMERCE.**

The Federal Circuit has steered the patent right on a collision course with the law of patent exhaustion, permissible repair, implied license, and antitrust law. While re-establishing the clarity of this Court's precedents on patent exhaustion is vital as a matter of legal doctrine, it is equally essential to robust commerce.

Patents are ubiquitous in modern American life, from patented carpet fibers under our feet each morning to the toothbrush we use at night, from computers and cell phones we use at work to electronic entertainment products we enjoy at home. Such patents range in importance from fundamental inventions to minor improvements, but the patent laws endow each patent owner with the same panoply of rights.

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45. See, e.g., *Motion Picture Patents Co.*, 243 U.S. at 510-511.

Because the patent monopoly stands as a government-granted exception to laws promoting open commerce and fair competition, decisions that expand patent rights necessarily limit free commerce by others. It therefore is essential that the rights of patent owners be limited to those enumerated in the Patent Act. Consumers with title to the patented goods must have a right to resell, reuse, and repair them. Companies that compete against the patent owner must have the right to compete for the sale of supplies and the provision of services that do not reconstruct or practice the patented invention.

Consumers need to understand *their* full panoply of rights upon obtaining title to the property they buy. As this Court noted in a related context, total cost information in the hands of the purchaser supports robust competition in both primary markets and aftermarkets, while imperfect information tends to be exploited by would-be aftermarket monopolists.<sup>46</sup> The Federal Circuit imprimatur on post-sale patent restrictions deprives consumers of key information at the time of purchase as to the costs of repair and upgrade, thereby abetting unfair competition in contravention of sound economic policy.

Increasingly in modern commerce, sellers attach post-sale adhesion contracts such as shrink-wrap and electronic click-wrap agreements to goods sold and services delivered to individual and business consumers. Yet, today's electronic commerce also affords consumers

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46. See *Eastman Kodak*, 504 U.S. at 473-476, describing how the difficulty of ascertaining total cost of ownership at the time of purchase renders end users vulnerable to supracompetitive pricing.

greater opportunities to resell and repair their goods. Used products from small auto parts to the cars and trucks themselves are sold and resold directly to other consumers through electronic commerce sites such as ebay.com and Craig's List (not just through traditional "brick-and-mortar" stores). Any post-sale restriction that deprives consumers of their right to repair or resell articles ripples through this downstream economy. Modern commerce will be better served if patent rights are exhausted upon authorized sale, and post-sale restrictions are subject only to contract remedies and antitrust defenses.

As a matter of public policy, lawful aftermarket commerce thrives only if the patent exhaustion doctrine leaves room for robust competition, and consumers and competitors can know in advance whether their conduct is lawful. Without a clear definition of the right to compete post-sale, the law leaves insufficient incentive to invest in products and services that complement patented goods without infringing the patent right, and denies consumers the benefits of lower prices and innovation that result from fair and open competition.

From the mid-19th century through *Quanta*, the Court defined in the exhaustion doctrine a clear line of demarcation between patent rights and commercial freedom. Businesses and consumers will benefit from reaffirmation of the Court's bright-line rule that patent rights and patent infringement suits cannot be revived by post-sale conditions.

**CONCLUSION**

The judgment of the Federal Circuit should be reversed.

Respectfully submitted,

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