

No. 11-796

IN THE
Supreme Court of the United States

VERNON HUGH BOWMAN,

Petitioner,

v.

MONSANTO CO., *et al.*,

Respondents.

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

**BRIEF FOR AGILENT TECHNOLOGIES, INC.,
ILLUMINA, INC., LIFE TECHNOLOGIES CORP.,
PROMEGA CORP., QIAGEN N.V., AND
ROCHE MOLECULAR SYSTEMS, INC. AS
AMICI CURIAE IN SUPPORT OF RESPONDENTS**

STEPHEN S. RABINOWITZ
RANDY C. EISENSMITH
Of Counsel

JAMES W. DABNEY
Counsel of Record
FRIED, FRANK, HARRIS,
SHRIVER & JACOBSON LLP
One New York Plaza
New York, N.Y. 10004
(212) 859-8000
James.Dabney@
friedfrank.com

Counsel for Amici Curiae

QUESTION PRESENTED

35 U.S.C. § 271(d) provides in part: “No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having . . . (4) refused to license or use any rights in the patent; or (5) *conditioned the* license of any rights to the patent or *sale of a patented product* on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned” (emphasis added).

The question presented is:

Whether the current Patent Act permits conditional sales of products embodying patented inventions, under which (i) a buyer receives (and pays for) only predefined rights to use and resell invention(s) that a purchased product embodies, and (ii) a patentee reserves the right to sue for infringement in the event that a sale condition is violated.

TABLE OF CONTENTS

	<u>Page</u>
QUESTION PRESENTED.....	i
TABLE OF CONTENTS	ii
TABLE OF AUTHORITIES.....	iii
INTEREST OF AMICI CURIAE	1
SUMMARY OF THE ARGUMENT	3
I. CONTRACTS FOR THE SALE OR LICENSE OF PATENTABLE SUBJECT MATTER ARE GENERALLY GOVERNED BY STATE LAW.....	4
II. THE CURRENT PATENT ACT EXPRESSLY PERMITS CONDITIONAL SALES OF PRODUCTS EMBODYING PATENTED INVENTIONS.	6
CONCLUSION	13

TABLE OF AUTHORITIES

<u>Cases</u>	<u>Page(s)</u>
<i>Apple Inc. v. Psystar Corp.</i> , 658 F.3d 1150 (9th Cir. 2011)	5
<i>Aronson v. Quick Point Pencil Co.</i> , 440 U.S. 257 (1979)	4
<i>Bement v. Nat'l Harrow Co.</i> , 186 U.S. 70 (1902)	3, 4, 12
<i>Boston Store of Chicago v. Am. Graphophone Co.</i> , 246 U.S. 8 (1918)	5, 9
<i>Continental T.V., Inc. v. GTE Sylvania Inc.</i> , 433 U.S. 36 (1977)	5
<i>Dawson Chem. Co. v. Rohm & Haas Co.</i> , 448 U.S. 176 (1980)	9
<i>Erie R. Co. v. Tompkins</i> , 304 U.S. 64 (1938)	3, 5
<i>Ethyl Gasoline Corp. v. United States</i> , 309 U.S. 436 (1940)	7
<i>Gen. Talking Pictures Corp. v. Western Elec. Co.</i> , 305 U.S. 124 (1938)	4, 5
<i>Golan v. Holder</i> , 132 S. Ct. 873 (2012)	12
<i>Graham v. John Deere Co.</i> , 383 U.S. 1 (1966)	12

<i>Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.</i> , 77 F. 288 (6th Cir. 1896)	9
<i>Illinois Tool Works Inc. v. Indep. Ink, Inc.</i> , 547 U.S. 28 (2006)	3, 10
<i>Leeds & Catlin Co. v. Victor Talking Mach. Co.</i> (No. 2), 213 U.S. 325 (1909)	7, 8
<i>Leegin Creative Leather Prods., Inc. v. PSKS, Inc.</i> , 551 U.S. 877 (2007)	8
<i>Leitch Mfg. Co. v. Barber Co.</i> , 302 U.S. 458 (1936)	9
<i>Luckett v. Delpark, Inc.</i> , 270 U.S. 496 (1926)	4
<i>Mercoid Corp. v. Mid-Continent Inv. Co.</i> , 320 U.S. 661 (1944)	7, 8
<i>Mitchell v. Hawley</i> , 83 U.S. (16 Wall.) 544 (1873)	5
<i>Motion Picture Patents Co. v. Universal Film Mfg. Co.</i> , 243 U.S. 502 (1917)	7, 8
<i>Quanta Computer, Inc. v. LG Elecs., Inc.</i> , 553 U.S. 617 (2008)	4, 5, 11
<i>United States v. Gen. Elec. Co.</i> , 272 U.S. 476 (1926)	8
<i>United States v. Masonite Corp.</i> , 316 U.S. 265 (1942)	6, 10

United States v. Univis Lens Co.,
316 U.S. 241 (1942) 7, 8

Waring v. WDAS Broad. Station, Inc.,
194 A. 631 (Pa. 1937) 5

STATUTES

35 U.S.C. § 207(a)(2) 2, 11

35 U.S.C. § 209(d) 2

35 U.S.C. § 261..... 6, 11

35 U.S.C. § 271(d)passim

Bayh-Dole Act, 35 U.S.C. §§ 200-212..... 2

Act of July 8, 1870, § 22, 16 Stat. 201.....passim

OTHER AUTHORITIES

U.S. Const. Article I, § 8, cl. 8 12

INTEREST OF AMICI CURIAE

The undersigned amici are developers, manufacturers and marketers of products and methods having diverse uses including (i) biomedical research, (ii) commercial diagnostic testing, and (iii) industrial scale manufacturing. Amici are vitally interested in this case because the petitioner and his amici have urged an erroneous interpretation of the current Patent Act that, if accepted, would undermine innumerable existing contracts for the commercialization of patented innovations and cause significant disruption to amici's business.¹

The biotechnology and research tools industry (the "Industry") is diverse, embracing public and private, non-profit and for-profit, and academic and corporate institutions. The Industry spends billions of dollars each year developing technologies that support both research and development activities and diverse commercial and industrial activities. Commercial biotechnology products provide new sources of energy, more accurate techniques for identifying criminals or exonerating the innocent, improved food safety testing, and faster and more discriminating methods for diagnosing, detecting, and treating diseases including cancer and infections.

Amici rely heavily on 35 U.S.C. § 271(d) and the principles of divisibility and party autonomy that the statute implements. For example, amici frequently sell research tools to persons engaged in university research. Such sales are typically made on "research use only" conditions that exclude industrial or commercial activities. By retaining use and sale rights that university researchers have no need to buy or pay for, research tool companies are able to make patented research products available to biomedical researchers at prices that are tailored to the needs and economics of the persons engaged in research, and hence are more affordable than would be the case if

¹ No counsel for any party authored this brief in whole or in part. No party made a monetary contribution intended to fund the preparation or submission of this brief. The parties have consented to the filing of this brief.

researchers had to pay for manufacturing, commercial diagnostic, or other non-research use rights.

Divisibility of patent rights and party autonomy in contracting are also important to the federal government's ability to maximize its return on investment in biomedical research and to carry out the purposes of the Bayh-Dole Act, 35 U.S.C. §§ 200-212. By keeping prices lower for products sold for research use only, conditional sale and license transactions allow more research to occur for every dollar of federal research funds that are granted. And where federal funding results in the United States owning patents, the Patent Act authorizes agencies to grant "nonexclusive, exclusive, or partially exclusive licenses under federally owned inventions, royalty-free or for royalties or other consideration," and "on such terms and conditions as the granting agency considers appropriate." 35 U.S.C. §§ 207(a)(2), 209(d).

Divisibility of patent rights and party autonomy in contracting are also critical to the biotechnology technology transfer system that has developed over past decades. This technology transfer system gives members of the Industry, including teaching and research universities, flexibility to work with multiple parties in different fields, or at different levels or places within the same field, to put patented technology to its highest and best use with the best partner. This is particularly relevant where the patented technology has many uses but no single licensee could use, develop, or commercialize a technology for all possible uses and benefits.

Uses of biomedical technologies are often subject to restrictions in patent license agreements that limit licensees to uses in specific fields and allow other licensees the right to use in other fields. Patent right divisibility and party autonomy in contracting help licensees navigate this often complex field of patent rights use restrictions. When a licensee develops and sells a new product that comprises amici's patented technology, conditional sale and license terms provide a mechanism that enables the licensee to comply with field of use and other restrictions in its contracts for the sale of products embodying amici's patented inventions. Without the ability to make se-

lective waivers of patent rights, the biomedical technology transfer system would be severely disrupted and thousands upon thousands of existing licenses would be undermined.

Divisibility of patent rights and party autonomy in contracting are also critical to the commercialization of patents disclosing readily replicable technologies. Many research tools are replicable, such as cell lines and DNA vectors. If a patentee could not retain certain use and resale rights when selling products embodying novel replicable technologies, a customer could buy a product once and then easily replicate and resell it an indefinite number of times, in either identical or modified form. This would severely disrupt the network of limited use patent licenses for the technology, force higher prices, and deprive the Industry of incentives for developing and selling replicable research tools.

SUMMARY OF THE ARGUMENT

Contracts for the sale of products that embody patented inventions are typically made under and governed by state law. “There is no general federal common law.” *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938). Nothing in the text of the Patent Act purports to prescribe minimum use rights or other terms which must be included in contracts for the sale, lease, or license of products that happen to embody patentable subject matter.

In 1988, the Patent Act was amended to provide explicit authorization for sales of a patented product to be “conditioned.” 35 U.S.C. § 271(d)(5). *Cf. Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28, 31-32, 42-43 (2006) (patented ink jet cartridges sold on condition that buyers purchase unpatented ink from plaintiff). This amendment restored “the general rule” of “absolute freedom in the use or sale of rights under the patent laws of the United States.” *Bement v. Nat’l Harrow Co.*, 186 U.S. 70, 91 (1902). Under this rule, “with few exceptions” (such as those imposed on common carriers), “any conditions which are not in their very nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture

or use or sell the article, will be upheld by the courts.” *Id.*

In *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), this Court reaffirmed “the rule that ‘the right to vend is exhausted by a single, *unconditional* sale.’” *Id.* at 626 (quoting *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 516 (1917) (emphasis added)). *See also id.* at 637 (“No conditions limited Intel’s authority to sell products substantially embodying the patents.”) At issue here, by contrast, is whether the current Patent Act permits enforcement of *conditional* sales agreements, under which a buyer receives (and pays for) only limited rights of use and a patentee waives only some of its statutory rights to exclude using, making, or selling of invention(s) that a sold product embodies. *Cf. Gen. Talking Pictures Corp. v. Western Elec. Co.*, 305 U.S. 124, 127 (1938) (patent licensee had no contractual authority to sell patented products outside of licensed field and purchaser of such licensee was an infringer).

In seeking reversal of the judgment below, the petitioner and his amici inappropriately rely on case law interpreting the 1870 Act which has been legislatively overruled. The judgment of the Federal Circuit in this case was correct and should be affirmed.

I. CONTRACTS FOR THE SALE OR LICENSE OF PATENTABLE SUBJECT MATTER ARE GENERALLY GOVERNED BY STATE LAW.

“Commercial agreements traditionally are the domain of state law.” *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979). “State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law.” *Id.* *See also Lockett v. Delpark, Inc.*, 270 U.S. 496, 502 (1926) (“It is a general rule that a suit by a patentee for royalties under a license or assignment granted by him, or for any remedy in respect of a contract permitting use of the patent is

not a suit under the patent laws of the United States”).²

It is, thus, in the first instance a matter of state law whether party autonomy exists with respect to the subject matter of a contract or license involving patent rights, and whether title to tangible personal property is burdened or conditioned. *Cf. Quanta*, 553 U.S. at 636-37 (analyzing License Agreement to determine if it imposed “conditions” on licensee’s “authority to sell” products embodying patent-eligible subject matter); *Gen. Talking Pictures*, 305 U.S. at 127 (patent licensee had no contractual authority to sell patented products outside of licensed field and purchaser of such licensee was an infringer); *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544, 548 (1873) (“Sales of the kind may be made by the patentee with or without conditions . . .”). *See also Apple Inc. v. Psystar Corp.*, 658 F.3d 1150, 1155 (9th Cir. 2011) (noting that “license agreements, rather than sales, have become the predominate form of the transfer of rights to use copyrighted software material”); *Waring v. WDAS Broad. Station, Inc.*, 194 A. 631, 637-38 (Pa. 1937) (enforcing label restriction that sound recording was “not licensed for radio broadcast”).

Highly developed bodies of state law, such as Articles 2 and 2A of the Uniform Commercial Code, prescribe terms and conditions on which patentees and their vendees may contract with one another for the purchase and sale of products embodying patented or patentable subject matter. Amici are aware of no state law which requires a patentee to sell, or which requires a purchaser to take and pay for, more rights under a patent than the seller is willing to grant and the buyer is willing to purchase and pay for in connection with the sale, lease, or license of

² To the extent that *Motion Picture Patents* and its progeny relied on “the general law,” *Boston Store of Chicago v. Am. Graphophone Co.*, 246 U.S. 8, 25 (1918), they have been superseded by intervening precedent. *See Erie*, 304 U.S. at 78 (“There is no general federal common law.”). *See also Continental T.V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36, 58-59 (1977) (overruling prior precedent which had distinguished between lawfulness of vertical non-price distribution restraints based on whether a seller did or did not retain title to sold products).

products that embody a patented or patentable invention.

35 U.S.C. § 261 provides in part: “Subject to the provisions of this title, patents shall have the attributes of personal property.” Nothing in the text of the Patent Act purports to prescribe minimum quantities of rights that must comprise a license of rights under a patent or that must comprise terms of a sale, lease, or license of a machine, manufacture, composition of matter, or process that happens to embody patented or patentable subject matter

II. THE CURRENT PATENT ACT EXPRESSLY PERMITS CONDITIONAL SALES OF PRODUCTS EMBODYING PATENTED INVENTIONS.

35 U.S.C. § 271(d) provides in part (emphasis added):

No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having . . . (4) refused to license or use any rights in the patent; or (5) *conditioned the* license of any rights to the patent or *sale of a patented product* on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned” (emphasis added)

The above-quoted statute overruled precedent of this Court which had “strictly construed” § 22 of the Patent Act of 1870 (the “1870 Act”), 16 Stat. 201. *Cf. United States v. Masonite Corp.*, 316 U.S. 265, 280 (1942) (“the scope of the right to ‘vend’ cannot be determined by reference to the private law of sales alone. 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 neces-

sary requirements of the patent statute.”) (emphasis added).

In a controversial series of decisions handed down between 1917 and 1944, this Court renounced prior authority³ and held that if a patentee or its licensee sold a product that embodied a patented invention, the sale “exhausted” the patentee’s statutory right to exclude “use” of invention(s) that the sold product embodied. Thus in *Motion Picture Patents*, machines embodying one or more patented inventions had been sold on the condition they be used only with certain film material that the plaintiff sold or controlled. Notwithstanding that the plaintiff’s manufacturing licensee had sold the machines to buyers “practically at its cost” and expected to make “its entire profit from the sale of the supplies with which it is operated,” the patentee was held to have no post-sale right to enjoin use of the machines with unapproved film, even if the condition of sale were violated. 243 U.S. at 517.

In *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436 (1940), a patentee held separate patents on (i) a fuel additive and (ii) blended gasoline comprising the additive. The patentee sold the additive to refiners on the condition that they sell the separately patented blended gasoline only to vendees who had been licensed by the patentee to use and sell the product. Once again taking a narrow interpretation of § 22 of the 1870 Act, the Court held that the patentee could not enforce the condition in its licenses of the blended gasoline patent once it sold the additive to the refiners. *Id.* at 457.

In *United States v. Univis Lens Co.*, 316 U.S. 241 (1942), a patentee licensed an affiliate to manufacture and sell bifocal eyeglass lens blanks on the condition that they be sold only to qualified downstream licensees. The issue was whether, under the Court’s then prevailing interpretation of § 22 of the 1870 Act

³ See *Mercoird Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661, 668 (1944) (rejecting reasoning of *Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2)*, 213 U.S. 325 (1909)); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917) (overruling *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912)).

(then codified in 35 U.S.C. § 40 (1940)), the patentee had retained sufficient ownership interest in the lens blanks to be immune to antitrust liability. *Cf. United States v. Gen. Elec. Co.*, 272 U.S. 476, 490 (1926) (patent law immunized vertical price fixing agreement between patentee and selling agents).⁴ In holding that the patent law was no defense to antitrust liability in the circumstances, the Court noted “the public policy which limits the granted monopoly strictly to the terms of the statutory grant,” 316 U.S. at 251 (citing *Morton Salt*, 314 U.S. at 488), and held that in the circumstances the patentee had “sold his invention so far as it is or may be embodied in that particular article” such that resale price term was outside the statutory right to “use” or to “vend.” *Id.* at 251-52.

In *Mercoird Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944), the Court held that § 22 of the 1870 Act did not entitle a patentee to relief against a person that sold stoker switches that were specially adapted for use in the plaintiff’s patented invention, had no substantial non-infringing use, and were supplied for the purpose of inducing infringement. In reaching this controversial if not unprecedented result (once again over vigorous dissent), the Court disapproved of its earlier decision in *Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2)*, 213 U.S. 325 (1909), where a similar claim (challenging sale of phonograph records with intent that they be combined with a claimed player apparatus) was upheld.

Each of the decisions cited above was grounded in a judicial gloss on § 22 of the 1870 Act to the effect that it “restricted” (243 U.S. at 515) a patentee’s exclusive right to “use” and “vend” a claimed invention following its embodiment in a product that was

⁴ In *General Electric*, the Court established a patent law exception to what was, in 1940, a rule of *per se* illegality for vertical price fixing agreements. The scope of § 22 of the 1870 Act thus had direct antitrust liability consequences in 1940. This Court has since rejected the rule of *per se* illegality for vertical price restraints. See *Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 551 U.S. 877 (2007) (overruling *Dr. Miles Med. Co. v. John D. Park & Sons*, 220 U.S. 373 (1911)).

“vended.” This “restriction” was said to be “inherent in the patent grant.” *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458, 463 (1936) (quoting *Carbice Corp. v. Am. Patents Development Corp.*, 283 U.S. 27, 33 (1931)) The Court commented that if patentees did not like the Court’s interpretation of the 1870 Act, their remedy lay with “the curative power of legislation.” *Boston Store of Chicago v. Am. Graphophone Co.*, 246 U.S. 8, 25-26 (1918). That is exactly what happened in 1952 and 1988.

By enacting 35 U.S.C. § 271(d)(1)-(3) in 1952, Congress legislatively overruled the *Mercoïd* decision. See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 203 (1980) (“the 1952 Act did include significant substantive changes, and . . . § 271 was one of them.”). *Dawson* upheld a patentee’s right to condition use of a patented process on licensees’ purchase of an unpatented chemical from the patentee and to sue for contributory infringement. *Id.* at 222-23. Section 271(d) also restored party autonomy to enter into valid and enforceable sale and license contracts of the type approved in *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 F. 288 (6th Cir. 1896).⁵

By enacting 35 U.S.C. § 271(d)(4) and (d)(5) in 1988, Congress legislatively overruled *Motion Picture Patents* and similar decisions which had interpreted § 22 of the 1870 Act as broadly invalidating conditional sales of products embodying patented inventions. The text of § 271(d)(5) – “conditioned . . . the sale of the patented product on the acquisition of rights in another patent or purchase of a separate product” – is the exact scenario of the *Motion Picture Patents* case.

⁵ In *Heaton*, the plaintiff held a patent on a novel button setting instrument which required peculiarly configured staples. The plaintiff sold the instruments on the condition that the buyer use them only with staples supplied by the plaintiff; “In other words, they have chosen to fix the price for the right of use at the profits resulting from the sale of the staples.” 77 F. at 296. Court upheld a complaint alleging contributory infringement on the part of a defendant which made and sold peculiarly shaped staples having no substantial use except to support use of the patented devices. *Id.* at 297.

In lieu of controversial federal common law or equitable remedial restrictions on patent right divisibility and party autonomy in patent-related transactions, the 1952 Patent Act and 1988 amendments placed transactions involving patents and patentable subject matter on the same or a similar footing as contracts for the sale, lease, or licensing of other forms of personal property. Such transactions may be subject to antitrust or other laws limiting the enforceability of commercial transactions, but the 1952 Act and 1988 amendments clearly require reconsideration of case law invalidating conditional sales or licenses on the basis that (i) “patents are privileges restrictive of a free economy” and (ii) “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.” *Masonite*, 316 U.S. at 280.

The significance of the 1988 amendments was recognized in *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006). In that case, the Court overruled longstanding precedent and held that for purposes of antitrust law, there was no *per se* rule against conditioning the sale of a patented product (in that case patented ink jet cartridges) on the purchase of a complementary unpatented product (in that case unpatented ink) from the patentee. *Id.* at 31-32, 42-43.

The type of field of use conditions that amici incorporate in their sales contracts are much less controversial than are the type of “tie-in” sales conditions that § 271(d)(5) expressly authorizes. As set forth above, amici and their vendees use conditional sales contracts to tailor their product offerings to the specific needs, demands, and economic circumstances of different classes of customers. Selling products for “research use only,” for example, is extremely common and essential to amici being able to supply products to university researchers.

The current Patent Act replaced § 22 of the 1870 Act with 35 U.S.C. § 154(a)(1), under which “[e]very patent shall contain . . . a grant to the patentee . . . of the right to exclude others from making, using, offering for sale, or selling the invention throughout the

United States. . .” Interpreting the scope of a patentee’s right “to exclude,” and the extent to which a patentee may lawfully waive some but not all of its rights to exclude in a commercial transaction, can only be done in the context of the Patent Act as a whole, including 35 U.S.C. § 271(d). The 1870 Act included nothing like § 271(d). The 1870 Act also included nothing like the Bayh-Dole Act which expressly authorizes federal agencies to grant “nonexclusive, exclusive, or partially exclusive licenses under federally owned inventions, royalty-free or for royalties or other consideration,” and “on such terms and conditions as the granting agency considers appropriate.” 35 U.S.C. §§ 207(a)(2), 209(d).

While it remains the law that “the right to vend is exhausted by a single, *unconditional* sale,” *Quanta*, 553 U.S. at 626 (quoting *Motion Picture Patents*, 243 U.S. at 516) (emphasis added), the current Patent Act expressly provides that patentees may lawfully “condition[] the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product.” 35 U.S.C. § 271(d)(5). This provision would be rendered nugatory if, as petitioner suggests (and the government wrongly suggests in Part D of its amicus brief), a patentee’s rights to exclude “using” under § 154(a)(1) were nullified or “exhausted” by conditional sales of products embodying patented inventions.

This case raises no question of whether a person who purchases a product embodying a patented invention *without notice* of a retained use or resale right may be a *bona fide purchaser* for value and take free of the retained right. *Cf.* 35 U.S.C. § 261 (“An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.”).

At issue here, rather, is the enforceability of thousands upon thousands of existing contracts under which (i) a buyer receives (and pays for) only predefined rights to use and resell patented inven-

tion(s) that a purchased product embodies, and (ii) a patentee reserves the right to sue for infringement in the event that a sale condition is violated. The Court should reject petitioner's invitation to apply pre-1952 interpretations of a repealed 19th century statute as grounds for causing such enormous disruption to the nation's economy.

Congress has very broad discretion to determine what types of legislation will "promote the Progress of . . . useful Arts." U.S. Const. art I, § 8, cl. 8. See *Golan v. Holder*, 132 S. Ct. 873, 888 (2012); *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966). It would plainly frustrate Congress's intent to hold that rights under patents cannot be divided, licensed, or otherwise transferred similarly to rights in other personal property, or that any sale of a patented product operates to exhaust all patent rights in the sold product contrary to the explicit terms of sale in a commercial transaction. Such a broad concept of exhaustion is irreconcilable with the text of § 271(d)(5) and would revive case law precepts from 1917-1944 that the 1952 Patent Act was plainly designed to overrule.

Section 271(d) restores "the general rule" of "absolute freedom in the use or sale of rights under the patent laws of the United States." *Bement v. Nat'l Harrow Co.*, 186 U.S. 70, 91 (1902). Under this rule, "with few exceptions" (such as those imposed on common carriers), "any conditions which are not in their very nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the article, will be upheld by the courts." *Id.*

CONCLUSION

For the reasons set forth above, the judgment below should be affirmed.

Dated: January 23, 2013

Respectfully submitted,

James W. Dabney
Counsel of Record

Stephen S. Rabinowitz
Randy C. Eisensmith

Of Counsel

FRIED, FRANK, HARRIS,
SHRIVER & JACOBSON LLP
One New York Plaza
New York, NY 10004
(212) 859-8000

*Attorneys for Amici Curiae
Agilent Technologies, Inc.,
Illumina, Inc., Life Technologies,
Corp., Promega Corp., Qiagen
N.V., and Roche Molecular Sys-
tems, Inc.*