

No. 06-937

---

---

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

---

QUANTA COMPUTER, INC., *et al.*,  
*Petitioners,*  
*v.*  
LG ELECTRONICS, INC.,  
*Respondent.*

---

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

---

---

**BRIEF *AMICI CURIAE* OF AUTOMOTIVE ENGINE REBUILDERS  
ASSOCIATION, AUTOMOTIVE PARTS REMANUFACTURERS  
ASSOCIATION, AND INTERNATIONAL IMAGING TECHNOLOGY  
COUNCIL IN SUPPORT OF THE PETITIONERS**

---

---

MICHAEL J. CONLON  
CONLON, FRANTZ  
& PHELAN, LLP  
1818 N Street, N.W.  
Suite 400  
Washington, DC 20036  
(202) 331-7050

*Counsel for Amici Curiae  
Automotive Engine Rebuilders  
Association and Automotive Parts  
Remanufacturers Association*

SETH D. GREENSTEIN  
*Counsel of Record*  
CONSTANTINE CANNON LLP  
1627 I Street N.W.  
Washington, D.C. 20006  
(202) 204-3500

WILLIAM H. BARRETT  
STEFAN M. MEISNER  
McDERMOTT WILL  
& EMERY LLP  
600 13th Street N.W.  
Washington, D.C. 20005  
(202) 756-8000

*Counsel for Amicus Curiae  
International Imaging  
Technology Counsel*

---

---

**TABLE OF CONTENTS**

	<i>Page</i>
STATEMENT OF INTEREST .....	1
SUMMARY OF ARGUMENT .....	5
ARGUMENT .....	8
I. The Exhaustion Doctrine Articulated By This Court Must Be Preserved, Not Narrowed As The Federal Circuit Has Done In <i>Quanta</i> . .....	8
II. Proper Interpretation Of The Exhaustion Doctrine Maintains Supreme Court Precedents Concerning Repair And Reconstruction. ....	12
III. Proper Interpretation Of The First Sale Doctrine Maintains The Crucial Role Of Antitrust Law Against Anticompetitive Commercial Conduct. ....	21
IV. Exhaustion Should Apply Also To Method Claims. ....	25
V. The Court’s Patent Exhaustion Rule Remains Essential To Robust Commerce. .....	29
CONCLUSION .....	32

**TABLE OF CITED AUTHORITIES**

	<i>Page</i>
<b>Cases</b>	
<i>Arizona Cartridge Remanufacturers Ass'n v. Lexmark Int'l Inc., 421 F.3d 981 (9<sup>th</sup> Cir. 2005) .....</i>	18
<i>Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961) .....</i>	2, 11, 12, 13, 14
<i>Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) .....</i>	11, 15
<i>Bandag Inc. v. Al Bolser's Tire Stores, Inc., 750 F.2d 903 (Fed. Cir. 1984) .....</i>	25, 26, 27, 28
<i>Bottom Line Mgt., Inc. v. Pan Man, Inc., 228 F.3d 1352 (Fed. Cir. 2000) .....</i>	11, 13
<i>Dana Corp. v. American Precision Co., 827 F.2d 755 (Fed. Cir. 1987) .....</i>	12
<i>Dawson Chemical Co. v. Rohm &amp; Haas Co., 448 U.S. 176 (1980) .....</i>	17
<i>Eastman Kodak Co. v. Image Technical Services Co., 504 U.S. 451 (1992) .....</i>	2, 24, 30
<i>Glass Equip. Dev. Inc. v. Besten, Inc., 174 F.3d 1337 (Fed. Cir. 1999) .....</i>	26, 28

*Cited Authorities*

	<i>Page</i>
<i>Henry v. A.B. Dick Co.</i> , 224 U.S. 1 (1912) .....	17
<i>Hewlett-Packard Co.</i> <i>v. Repeat-O-Type Stencil Mfg. Corp.</i> , 123 F.3d 1445 (Fed Cir. 1997), <i>cert. denied</i> , 523 U.S. 1022 (1998) .....	13, 27, 28
<i>Heyer v. Duplicator Mfg. Co.</i> , 263 U.S. 100 (1923) .....	12
<i>Husky Injection Molding Systems</i> <i>v. R&amp;D Tool &amp; Engineering</i> , 291 F.3d 780 (Fed. Cir. 2002) .....	13
<i>Illinois Tool Works Inc. v. Independent Ink Inc.</i> , 547 U.S. 28 (2006) .....	21
<i>Image Technical Services, Inc.</i> <i>v. Eastman Kodak Co.</i> , 125 F.3d 1195 (9 <sup>th</sup> Cir. 1997) .....	23, 24
<i>In re: Independent Service Organizations</i> <i>Antitrust Litigation</i> , 203 F.3d 1322 (Fed. Cir. 2000), <i>cert. denied</i> <i>sub nom. CSU et al. v. Xerox Corporation</i> , 531 U.S. 1143 (2001) .....	22
<i>International Salt Co. v. United States</i> , 332 U.S. 392 (1947) .....	21

*Cited Authorities*

	<i>Page</i>
<i>Jazz Photo Corp. v. Int’l Trade Comm’n</i> , 264 F.3d 1094 (Fed. Cir. 2001) .....	13
<i>Keeler v. Standard Folding-Bed Co.</i> , 157 U.S. 659 (1895) .....	9
<i>Kendall Co. v. Progressive Med. Tech.</i> , 85 F.3d 1570 (Fed. Cir. 1996) .....	11, 13, 19
<i>Lexmark Int’l Inc.</i> <i>v. Static Control Components, Inc.</i> , 387 F.3d 522 (6th Cir. 2004) .....	17
<i>Mallinckrodt Inc. v. Medipart Inc.</i> , 976 F.2d 700 (Fed. Cir. 1992) .....	<i>passim</i>
<i>Motion Picture Patents Co.</i> <i>v. Universal Film Mfg. Co.</i> , 243 U.S. 502 (1917) .....	9, 17, 25
<i>Nobelpharma AB v. Implant Innovations Inc.</i> , 141 F.3d 1059 (Fed. Cir. 1998) .....	22
<i>Sage Prods. Inc. v. Devon Indus. Inc.</i> , 45 F.3d 1575 (Fed. Cir. 1995) .....	19
<i>Simpson v. Union Oil Co.</i> , 377 U.S. 13 (1964) .....	21
<i>Square D Co. v. Niagara Frontier Tariff Bureau</i> , 476 U.S. 409 (1986) .....	21

*Cited Authorities*

	<i>Page</i>
<i>Static Control Components, Inc.</i> <i>v. Lexmark Int'l, Inc.</i> , 487 F.Supp.2d 830 (E.D. Ky. 2007) . . . .	17, 18, 20, 25
<i>Surfco Hawaii v. Fin Control Sys. Pty. Ltd.</i> , 264 F.3d 1062 (Fed. Cir. 2001), <i>cert. denied</i> , 536 U.S. 939 (2002) . . . . .	13
<i>United States v. General Electric</i> , 272 U.S. 476 (1942) . . . . .	23
<i>United States v. Masonite Corp.</i> , 316 U.S. 265 (1942) . . . . .	21
<i>United States v. Univis Lens Co.</i> , 316 U.S. 241 (1942) . . . . .	<i>passim</i>
<i>United States v. Westinghouse Elec. Corp.</i> , 648 F.2d 642 (9 <sup>th</sup> Cir. 1981) . . . . .	21
<i>Virginia Panel Corp. v. MAC Panel Co.</i> , 133 F.3d 860 (Fed. Cir. 1997) . . . . .	22
<i>Walker Process Equipment Inc.</i> <i>v. Food Machinery &amp; Chemical Corp.</i> , 382 U.S. 172 (1965) . . . . .	22
<i>Wilbur-Ellis Co. v. Kuther</i> , 377 U.S. 422 (1964) . . . . .	14
<i>Wilson v. Simpson</i> , 50 U.S. 109 (1850) . . . . .	12

*Cited Authorities*

*Page*

**Statutes**

35 U.S.C. § 154 .....	14
-----------------------	----

**Other Authorities**

United States Census Bureau, 2005 Service Annual Survey .....	2
--	---

**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 Engine Rebuilders Association represents garages, machine shops, and other generally small businesses that rebuild motor vehicle engines for automobiles, trucks, buses, construction and farming equipment, and smaller boats.

Automotive Parts Remanufacturers Association represents companies that rebuild automotive and truck related “hard” parts for passenger cars, heavy duty vehicles such as trucks, buses, off-road vehicles, and marine, industrial, and construction equipment.

International Imaging Technology Council (“I-ITC”) represents the interests of the imaging supplies industry, including office-machine retail and repair, office-supply retail, computer retail, repair and networking companies, and all related industry suppliers.

---

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 *amicus curiae*, its members, or its counsel made a monetary contribution to its preparation or submission.



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. Our companies' replacement products often have enhanced features compatible with, but not available on, the original equipment. Competition from these companies constrains OEMs from increasing prices to supracompetitive levels, and spurs OEMs to improve quality and innovate new features to meet or surpass the alternative-sourced products.

These companies contribute substantially to the American economy.<sup>2</sup> Amici believe more than 10,000 companies in the United States rebuild automobile parts, and more than 3,000 domestic businesses recondition and repair office imaging supplies. According to the United States Census Bureau, in 2005 consumers spent more than \$85 billion on automotive repair and maintenance, and more than \$17.5 billion for repair and maintenance of electronic and precision equipment.<sup>3</sup> In 2004, more

---

2. See, *Eastman Kodak Co. v. Image Technical Services Co.*, 504 U.S. 451, 462 and 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. United States Census Bureau, 2005 Service Annual Survey, Table 10.1, available online at [http://www.census.gov/svsd/www/services/sas/sas\\_data/81/2005\\_NAICS81.pdf](http://www.census.gov/svsd/www/services/sas/sas_data/81/2005_NAICS81.pdf) (last visited October 31, 2007).

than \$6.5 billion was spent for computer and office machine repair and maintenance. *Id.* Approximately 30% of monochrome toner cartridges and 15% of color cartridges sold in 2006 were aftermarket products.

Reuse and repair promote sound environmental policies, and conserve resources such as precious metals and petroleum-based plastics. 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.

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 these companies under the banner of 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 our industries in particular, of the Federal Circuit's narrowing of the exhaustion rule.

Following recent Federal Circuit exhaustion decisions, OEMs are applying restrictive post-sale patent notices to products and packaging sold to 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. Under a recent district court decision, even the simple act of refilling a printer cartridge with unpatented ink or toner could be deemed infringement under a “single use only” post-sale notice. But for that post-sale restriction, that activity indisputably would be permissible repair.

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 create enforceable patent licenses, 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: The first sale or passage of title to a patented article exhausts the patent owner’s interest in that article, and in any method patent covering the reasonably contemplated uses of that article. Any additional purported post-sale restrictions on the use or disposition of that article only may be imposed to the extent consistent with contract and antitrust law, and may be enforceable only under contract law.

## SUMMARY OF ARGUMENT

Under long-standing precedents of this Court, the first sale or passage of title to a patented article exhausts the patentee's right to seek further reward upon that article. Any attempt to further restrain the post-sale rights of the purchaser is to 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.

Recent Federal Circuit decisions upend this balance, to the detriment of competition and the public interest. In a line of cases from *Mallinckrodt*<sup>4</sup> to *Quanta*, the Federal Circuit holds post-sale restrictions revive exhausted patent rights, and deems purchasers of patented goods and third party aftermarket competitors liable for patent infringement from otherwise-lawful combinations and repair. *Quanta* improperly extends patent rights beyond the line of exhaustion drawn by this Court and should be reversed.

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 *Quanta* would prevent commonplace activities such as repair and

---

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

upgrading of elements of a personal computer, an automobile, or any patented combination, much as the post-sale restrictions in *Mallinckrodt* would impose patent infringement liability upon competitors who engage in otherwise lawful repair. Consumers and aftermarket competitors targeted by these 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 *Quanta*, these consumers and aftermarket competitors could be sued and potentially held liable for patent infringement.

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 smaller 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 will restore the proper balance between patent rights and antitrust law. Post-sale patent conditions and infringement lawsuits typically target competitors for supplies and repair services rather than purchasers that purportedly agreed to the 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.

The Federal Circuit erred by holding patent exhaustion inapplicable to method patents. This holding conflicts with prior Federal Circuit cases and is inconsistent with principles underlying exhaustion. The Court should confirm: (1) authorized sale of a patented article by a patent owner or its licensee also exhausts patent rights with respect to any repair that practices a method actually used to construct the article; and, (2) authorized sale of a patented article, or an unpatented article that necessarily will be used in an infringing combination, exhausts rights in any patented method that could reasonably interfere with either the repair of the article or a further combination of patented and unpatented elements.

A clear rule finding exhaustion upon passage of title 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 Articulated By This Court Must Be Preserved, Not Narrowed As The Federal Circuit Has Done In *Quanta*.**

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. The exhaustion, or first sale, doctrine performs a key role in leveling this balance. By setting clear limits on the right of a patent owner to control 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 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.<sup>5</sup> Exhaustion extends to any patent covering reasonable uses of the patented article.<sup>6</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>7</sup>

---

5. See, e.g., *United States v. 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”).

6. *Id.*, 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).

7. “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 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

(Cont'd)



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 15 years, the Federal Circuit departed sharply from the Court’s clear exhaustion principles. From *Mallinckrodt* through *Quanta*, the Federal Circuit granted patent owners new powers to assert infringement 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 a patent owner’s ability to assert infringement not only against the purchaser but, significantly, also against persons not party to that

---

(Cont’d)

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.

restrictive contract.<sup>8</sup> The Federal Circuit also permitted post-sale notices to vitiate exhaustion and implied licenses to method patents covering an article's reasonably contemplated uses. As a consequence, 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.<sup>9</sup> The Federal Circuit has upset the policy balance established by this Court,

---

8. For example, the defendant in *Mallinckrodt* was an aftermarket competitor that reconditioned the inhalers, not the hospital/purchaser alleged to be bound by a post-sale notice.

9. The Court also should clarify that the exhaustion and repair doctrines are *not* based on implied license. *See, e.g., Kendall Co. v. Progressive Med. Tech.*, 85 F.3d 1570, 1573 (Fed. Cir. 1996), *citing Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964) (“*Aro II*”); *Bottom Line Mgt., Inc. v. Pan Man, Inc.*, 228 F.3d 1352, 1354 (Fed. Cir. 2000) *citing Aro I*, 365 U.S. at 346. The distinction between exhaustion of patent rights and implied license is not merely semantic – it is fundamental. If a patent owner exhausts its rights to make, use, and sell that article upon first sale, the patent owner has no further rights in that article to license either directly or by implication. *See, United States v. Unis Lens*, 316 U.S. at 250 (a first licensed sale “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.”). Since the patent owner has no further right to control the licensed use, and repair does not “make” the patent, the purchaser is entitled by exhaustion to repair the article. This principle further is illustrated by *Aro I*, in which the repairs were justified by exhaustion upon the first sale. Implied license was not cited by the majority as the rationale for its decision.

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.

## **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 itself.

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>10</sup>

Permissible repair has been found across the breadth of commerce, including automobiles,<sup>11</sup>

---

10. *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).

11. *See, Aro I* (replacement fabric convertible tops); *Dana Corp. v. American 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).

surfboards,<sup>12</sup> medical devices,<sup>13</sup> injection molding machines,<sup>14</sup> cooking devices,<sup>15</sup> disposable cameras,<sup>16</sup> and computer printers.<sup>17</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

---

12. *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).

13. *Kendall Co. v. Progressive Med. Tech.*, 85 F.3d at 1576 (right to repair included replacement of unspent parts for purposes of hygiene).

14. *Husky Injection Molding Systems v. R&D Tool & Engineering*, 291 F.3d 780 (Fed. Cir. 2002).

15. *Bottom Line Mgt., Inc. v. Pan Man, Inc.*, 228 F.3d at 1355 (resurfacing cooking plates was permissible repair, not infringement of device and method claims).

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

17. *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).

those who re-make the invention anew,<sup>18</sup> while promoting the paramount public interest in lawful commerce pertaining to patented goods.

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

---

18. 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.

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 for making parts, distinct, separable, minor parts, or even major parts of a combination patent, upon which parts no patent has been or legally could have been issued.<sup>19</sup>

The right to repair depends upon proper application of the Court’s precedents on patent exhaustion and implied license, because the repair right attaches only where the product is subject to exhaustion or the use of the product is licensed.<sup>20</sup> Any curtailment of the scope of patent exhaustion or implied license 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.

---

19. 365 U.S. at 358-359.

20. *See Aro II*, 377 U.S. at 480, in which neither exhaustion nor implied license justified repair to a car that had no patent license to first make or sell the combination (“when the structure is unlicensed . . . even repair constitutes infringement.”).

While other Federal Circuit decisions hew closely to the Court's definition of permissible repair,<sup>21</sup> decisions like *Quanta* eviscerate the right to repair. Indeed, the Federal Circuit expressly recognized and sanctioned this anomalous result. *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>22</sup>

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.

---

21. See cases cited *supra* at 11-12, n. 11-17.

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

*Mallinckrodt* through *Quanta* 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 first sale of patented articles.

Predictably,<sup>23</sup> the sea change in *Mallinckrodt* spawned more intrusive efforts by patent owners to stymie aftermarket competition for repair. The case of *Static Control Components, Inc. v. Lexmark Int'l, Inc.*<sup>24</sup> provides an object lesson in how post-sale restrictions built upon *Mallinckrodt* openly target lawful competition, not compensation for patent rights. 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

---

23. 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.

24. 487 F.Supp.2d 830 (E.D. Ky. 2007). Lexmark added claims for patent infringement against Static Control in addition to its initial claims for violations of copyright law. *Lexmark Int'l Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004).



companies that recondition and refill toner cartridges.<sup>25</sup> Lexmark sued Static Control, which supplied nonpatented toner and parts used to repair empty cartridges, and, later, several “rechargers” that repaired and refilled empty toner cartridges. On summary judgment, the court found the cartridge rechargers would have engaged in permissible repair of the cartridge empties but for the post-sale restriction which the court, citing *Mallinckrodt*, held to preclude exhaustion from sale of the cartridge.<sup>26</sup>

In cases such as *Mallinckrodt* and *Static Control* 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

---

25. 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.

26. 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 (9<sup>th</sup> Cir. 2005).

or repair the computers at issue in *Quanta* may be unaware of LG's purported downstream restriction against using non-Intel parts. Aftermarket competitors likely never will see the outer container of the original vended item, and have no information to determine whether the outer container 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.

---

27. See, e.g., *Kendall Co. v. Progressive Medical 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."

Competitors in supply, repair, and customization markets need a bright-line exhaustion test 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 stifle investment and chill competition.<sup>28</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 decision in *Quanta* encroaches upon the public interest by constricting the scope of permissible repair, contrary to the patent law precedents of this Court. Reversal of *Quanta* and re-affirmance 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 first sale of a patented invention.

---

28. 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.

### III. Proper Interpretation Of The First Sale Doctrine Maintains The Crucial Role Of Antitrust Law Against Anticompetitive Commercial Conduct.

The Federal Circuit decisions from *Mallinckrodt* through *Quanta* also upset the equilibrium between patent and antitrust law. A patent is an exception to the rule against monopolies; in effect, a limited monopoly granted to exclude others from manufacture, use, and sale of an invention. See, *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28, 44 (2006), quoting *International 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 (9<sup>th</sup> 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>29</sup> In navigating these complementary, often

---

29. *United States v. Masonite Corp.*, 316 U.S. 265, 279 (1942), citing *United States v. 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.”).

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 first sale or tying a patent license to purchase of unpatented goods); (2) the asserted patent was procured by knowing and willful fraud;<sup>30</sup> or, (3) the infringement suit is both objectively baseless and subjectively motivated by a desire to impose collateral anticompetitive harm.<sup>31</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>32</sup> Therefore, the Federal

---

30. *Walker Process Equipment Inc. v Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965).

31. *See, In re: Independent Service Organizations Antitrust Litigation (CSU et al. v. Xerox Corporation)*, 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.

32. *Mallinckrodt*, 976 F.2d at 708; *see also, Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997).

(Cont'd)

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>33</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 its anticompetitive conduct.

To illustrate the significance of the patent exemption in the antitrust context, consider the results in two cases

---

(Cont'd)

*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 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.

<sup>33</sup>. See *Image Technical Services, Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1216 (9<sup>th</sup> 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.”).

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 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>34</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 reitified 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,

---

34. 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 v. Image Technical Services*, 504 U.S. at 461; *ISO Antitrust Litigation*, 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. 203 F.3d at 1327.

so long as that anticompetitive effect is not illegally extended beyond the statutory patent grant.” 203 F.3d at 1327-1328.

The Federal Circuit approach to exhaustion thus 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 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>35</sup>

#### **IV. Exhaustion Should Apply Also To Method Claims.**

Patent owners commonly draft patent claims to cover both a device and a method of using the device.<sup>36</sup> Method inventions may be set out in separate patents or included as separate claims in a device or system patent. In *Quanta*, for example, at least two of the five patents at

---

35. See, e.g., *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. at 510-511.

36. See, e.g., *Bandag Inc. v. Al Bolser’s Tire Stores, Inc.*, 750 F.2d 903, 922 (Fed. Cir. 1984) (noting it is “commonplace” that competent claim drafting can define the same invention as apparatus or methods).



issue include both system and method claims. 453 F.3d at 1368. The right to repair would mean little if the owner of a patent covering a device could sue aftermarket competitors based on patent claims covering the method of repair. Therefore, whether exhaustion applies also to method claims is crucial to those who may have to practice a patented method in the course of repair, customization, or combination of elements.

Federal Circuit decisions with respect to exhaustion of method claims are marked by inconsistency in approach and result. In *Quanta*, the Federal Circuit flatly pronounces that “the sale of a device does not exhaust a patentee’s rights in its method claims.” 453 F.3d at 1370. In *Glass Equip. Dev. Inc. v. Besten, Inc.*, the Federal Circuit considered whether “sale of an unpatented article grants an implied license to practice one or more methods claimed in a separate patent.” 174 F.3d 1337, 1341 n.1 (Fed. Cir. 1999). The unpatented article also had been used by the defendant in noninfringing ways. The Federal Circuit could have taken a narrow course and found exhaustion inapplicable because of those noninfringing uses, but instead held broadly that sale of unpatented articles does not exhaust patent rights. *Id.* In *Bandag*, the defendant Bolser purchased a used tire recapping machine that was not covered by a patent, but that practiced a method patent owned by Bandag. The court found no implied license and no exhaustion because the machine was not covered by plaintiff’s patent and could have been modified for use for noninfringing purposes.<sup>37</sup> 750 F.2d at 924-925.

---

37. *Bandag* took an unreasonably expansive view of what constitutes “noninfringing purposes” for purposes of defeating

(Cont’d)

However, it is unclear whether the *Bandag* holding was intended as a blanket rule against exhaustion or a fact-specific finding.

In at least one post-*Bandag* case, the Federal Circuit did find method claims exhausted by the sale of a patented article. *Hewlett-Packard v. Repeat-O-Type Stencil* concerned the aftermarket modification and refilling of patented ink-jet printer cartridges. After finding the cartridge modification constituted repair, the court further held refilling ink reservoirs did not infringe HP's process claims. The court agreed the process claims necessarily were practiced by refilling the cartridge, but held the claims exhausted by the first sale: "when a patentee sells a device without condition, it parts with the right to enforce any patent that the parties might reasonably have contemplated would interfere with the use of the purchased device." 123 F.3d at 1455.<sup>38</sup>

---

(Cont'd)

an implied license claim. The court found potential noninfringing purposes included modifying the equipment or selling it as a whole or as replacement parts. 750 F.2d at 925. *Amici* submit that the "noninfringing purposes" standard should focus on whether there exist reasonable noninfringing *uses* of the device *as is*, not whether a machine might be modified, resold, or disassembled without infringement.

38. The court also found an implied license from exhaustion of a patent that had both apparatus claims and process claims covering the use of the apparatus. "HP 'authorized' the practice of any method claims in the '295 patent when it sold the cartridges unconditionally." *Id.*, citing *Univis Lens*, 316 U.S. at 249. Reliance on "authorization" is questionable for two reasons. First, the Federal Circuit blurred the distinct concepts of

(Cont'd)

Thus, the Federal Circuit holding in *Quanta* that “sale of a device does not exhaust a patentee’s rights in its method claims,” if accepted at face value, directly conflicts with the finding of exhaustion in *Hewlett-Packard*. The differing articulations of the applicable exhaustion rule from *Bandag* to *Hewlett-Packard* to *Glass Equipment* to *Quanta* call out for resolution by this Court.

The better rule should be that exhaustion of method claims occurs upon first sale in at least two circumstances. First, authorized sale of a patented article (by the patent owner or its licensee) should exhaust the patentee’s right with respect to any repair that practices a method used to construct the article. Second, authorized sale of a patented article, or an unpatented article that necessarily will be used in an infringing combination, should exhaust rights in any patented method that the parties reasonably might have contemplated would interfere with either repair or combination of patented and unpatented elements. Finding exhaustion in these circumstances respects the policies underlying *Univis Lens*, *i.e.*, that exhaustion covers not only the vended article but also immanent uses of the article covered by a patent. As noted in *Hewlett-Packard v. Repeat-O-Type Stencil*, any other rule would enable a patent owner unfairly to obtain multiple royalties upon uses of the article contemplated

---

(Cont’d)

exhaustion and implied license. *Supra* at 10 n. 9. Second, its citation to *Univis Lens* is inapt. The Court specifically noted that the allegedly infringing lens finishers did not practice any of the patented methods, so did not need such implied license. 316 U.S. at 246-247.

at the time of sale. Moreover, any other rule would encourage patentees to evade both the exhaustion and repair doctrines through artful claim drafting.

#### **V. The Court's 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 primacy 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.

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>39</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 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 defined before title passes and exhausted upon first sale, and post-sale restrictions are subject only to contract remedies and antitrust defenses.

---

39. See, *Eastman Kodak v. Image Technical Services*, 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.

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.

Similarly, commerce will benefit from a clear rule that the sale of a patented article also exhausts any method patent to repair or use that article for its reasonably contemplated purposes. Where the patent owner produces an article using a particular method, or where repair of the article reasonably contemplates the use of the patented method, compensation upon first sale of the article inherently covers the method as well as the apparatus claims. To hold otherwise enables the patent owner unfairly to extract multiple payments for acts reasonably contemplated within the initial sale. By granting such additional leverage to the patent owner, the Federal Circuit creates anomalous results such as in *Quanta*, where those who paid compensation for licensed articles have no right to use them for their intended purpose. Clarifying that exhaustion of the vended article also exhausts method patents covering reasonably contemplated uses will provide much-needed certainty to licensees and to aftermarket competitors.

From the mid-19<sup>th</sup> century through *Univis Lens*, 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, for both apparatus and method patent claims.

### CONCLUSION

The decision of the Federal Circuit should be reversed.

Respectfully submitted,

MICHAEL J. CONLON  
CONLON, FRANTZ  
& PHELAN, LLP  
1818 N Street, N.W.  
Suite 400  
Washington, DC 20036  
(202) 331-7050

*Counsel for Amici Curiae  
Automotive Engine Rebuilders  
Association and Automotive Parts  
Remanufacturers Association*

SETH D. GREENSTEIN  
*Counsel of Record*  
CONSTANTINE CANNON LLP  
1627 I Street N.W.  
Washington, D.C. 20006  
(202) 204-3500

WILLIAM H. BARRETT  
STEFAN M. MEISNER  
MCDERMOTT WILL  
& EMERY LLP  
600 13th Street N.W.  
Washington, D.C. 20005  
(202) 756-8000

*Counsel for Amicus Curiae  
International Imaging  
Technology Counsel*