

# Are We Exhausted Yet?

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## Post-Sale Restrictions After *Lexmark*

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## Exhaustion

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- When a patented item is “once lawfully made and sold, there is no restriction on [its] use to be implied for the [patentee’s] benefit.”
  - › *Adams v. Burke*, 84 U.S. 453, 457 (1873).

## Exhaustion

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- Patent exhaustion marks the point where patent rights yield to the common law principle against restraints on alienation.
- The doctrine “is uniform and automatic.”
- Regardless of any post-sale restrictions.
  - › *Impression Prods. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523 (2017).

## Quanta: Two Contracts

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- LGE entered into a license agreement with Intel that authorized Intel to manufacture and sell microprocessors and chipsets.
- The license agreement did not purport to alter patent exhaustion rules.
- A separate agreement required Intel to give its customers written notice that the LGE license did not extend to a product made by combining a licensed Intel product with a non-licensed Intel product.

## Quanta: Quanta's Infringement

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- Quanta purchased microprocessors and chipsets from Intel and used them to manufacture computers using licensed Intel products in combination with non-licensed Intel products.
- Quanta did not modify the Intel components.
- LGE sued Quanta for patent infringement.

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## Quanta: Initial Questions

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- The Supreme Court first addressed two questions:
  - › (1) whether patent exhaustion applies to method claims, and
  - › (2) the extent to which a product must embody a patent to trigger exhaustion.

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