

Licensing

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Ed Cavazos · Pillsbury Winthrop Shaw Pittman LLP,
Austin, TX

Pillsbury Winthrop Shaw Pittman LLP

Licensing Law

- **Focus Topics**

- Exhaustion and Post-Sale Restrictions
- Understanding Patent Misuse
- No Challenge Provisions in IP Licenses
- Non-Assistance Provisions
- License Interpretation: State Law or Federal Common Law?

Exhaustion and Post-Sale Restrictions

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- Patent Exhaustion: “the initial authorized sale of a patented item terminates all patent rights to that item.” *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 625 (2008)
- But what happens when patent owner places contractual restrictions on a product’s use after sale?

Exhaustion and Post-Sale Restrictions

- *Mallinckrodt, Inc. v. Medipart, Inc.* 976 F.2d 700 (Fed. Cir. 1992)
 - Patent owner sold nebulizers with a “single use” contractual restriction, attempting to prohibit refurbishing the nebulizer to allow for more than one use
 - Despite express prohibition via notice on product and in packaging inserts, Medipart developed a business refurbishing the nebulizer and reselling to hospitals
 - Mallinckrodt sued for patent infringement; Medipart argued exhaustion doctrine has extinguished the patent rights since the initial sale of the nebulizer to the hospital was authorized

Exhaustion and Post-Sale Restrictions

- *Lexmark Int’l, Inc. v. Impression Products, Inc.*, 816 F. 3d 721 (Fed. Cir. 2016) confirmed the *Mallinckrodt* rule and held that as long as use restrictions are “communicated to the buyer at the time of sale,” the patent owner’s rights are not exhausted, and the owner may continue to control use post-sale.
- *Impression Products v. Lexmark International*, 137 S.Ct. 1523 (2017)
 - All eight voting justices (Justice Gorsuch abstained) agreed that a domestic first sale exhausts the patent owner’s rights. Quoting *United States v. Univis Lens Co.*, 316 U. S. 241, 250 (1942), the Supreme Court held that a patent holder “may not, ‘by virtue of his patent, control the use or disposition’ of the product after ownership passes to the purchaser.”

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