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## FEDERAL CIRCUIT CASES

### **Federal Circuit Affirms its pre-*Quanta* and *Kirtsaeng* Precedent on Patent Exhaustion for Restricted Domestic Sales and Foreign Sales**

In a long-awaited en banc decision, the Federal Circuit ruled that the patent exhaustion doctrine does not apply to (1) initial sales with a single-use/no-resale restriction, or (2) foreign sales, whether restricted or not. In doing so, the court found that the Supreme Court's *Quanta* and *Kirtsaeng* decisions did not overrule Federal Circuit precedent.

Lexmark sold its printer cartridges in the U.S. and abroad. Some of the foreign-sold cartridges and all of the U.S.-sold cartridges were sold subject to a "single-use/no-resale restriction." Impression acquired and modified Lexmark's cartridges for resale in violation of the Lexmark restriction. Impression not only resold the U.S. cartridges but imported the foreign-sold Lexmark cartridges for resale in the U.S.

In the face of a patent infringement claim, Impression contested liability on the basis that Lexmark had exhausted its U.S. patent rights in the cartridges by its initial sales of them. Impression also argued that the Supreme Court's recent decisions had made *Mallinckrodt* and *Jazz Photo* no longer good law. See *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992) (rejecting exhaustion defense where a patentee sold a patented article subject to an otherwise-unobjectionable single-use restriction); *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001) (holding that an initial authorized sale of a patented product outside the U.S. would not exhaust the patent rights of the patent holder).

On the first issue, the court held that "a patentee may preserve its § 271 rights when itself selling a patented article, through clearly communicated, otherwise-lawful restrictions, as it may do when contracting out the manufacturing and sale." (Slip Op. at 38.) The court found that under Supreme Court precedent, a patentee may preserve its § 271 rights through such restrictions when licensing others to make and sell patented articles.

On the second issue, the court held that "[a] U.S. patentee, simply by making or authorizing a foreign sale of an article, does not waive its U.S. rights to exclude regarding that article, either conclusively (no matter how clear the reservation of U.S. rights) or only presumptively (subject to sufficiently clear preservation of U.S. rights)." (Slip Op. at 71.) The court found that the *Kirtsaeng* decision, a copyright case, was not controlling and did not undermine the no-exhaustion conclusion of *Jazz Photo*.

The court also considered the "real-world consequences," noting the possibility of unintended infringement by buyers of goods in foreign countries who bring them into the United States. The court explained that such a possibility was limited by the availability of an implied-license defense from the circumstances of a sale.

*Lexmark Int'l, Inc. v. Impression Prods., Inc.*, 2014-1617, 2014-1619 (Fed Cir. Feb. 12, 2016).

[Taranto (Opinion), Prost, Newman, Lourie, Moore, O'Malley, Reyna, Wallach, Chen, Stoll, Dyk (Dissent), Hughes (joining Dissent)]

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### **If There's Knowledge of the Patent Application, Laches Starts to Run When Patent Issues**

In a precedential opinion, the Federal Circuit affirmed the district court's order granting summary judgment that the doctrine of laches barred the plaintiff's inventorship claim. This is the third appellate decision since *SCA Hygiene Products v. First Baby Products* involving laches. In *SCA Hygiene Products*, the Federal Circuit *en banc* reaffirmed laches as a defense to patent suits.

Laches is an equitable defense to patent infringement when a patentee delays bringing an infringement suit. As background, the plaintiff filed a complaint against the defendants, requesting correction of inventorship of a U.S. patent, which was assigned to the defendants. The plaintiff initially developed the invention claimed in the U.S. patent. He then disclosed the details of the invention to the defendants. The defendants subsequently filed a German application and a PCT patent application from which the U.S. patent issued, but did not name him as an inventor in either application. After the plaintiff discovered the PCT patent application during its pendency, he initiated litigation against the defendants in both German and European courts to correct inventorship. After losing his claims abroad, the plaintiff filed the present litigation against the defendants in the U.S.

The plaintiff argued that he did not delay in filing the complaint because he had been diligently seeking to vindicate this inventorship rights overseas. The Federal Circuit summarily rejected this argument, because the relevant inquiry for the laches presumption does not depend on diligence. Rather, the proper inquiry is whether more than six years passed between the time when the inventor knew or should have known of the subject patent and the time the inventor initiated litigation. Here, the subject patent issued more than ten years before the plaintiff filed the complaint. The plaintiff also knew of the patent while it was still pending. Accordingly, the plaintiff should have pursued the inventorship claim within six years after the subject patent issued. Because the plaintiff had waited four additional years beyond this six-year critical date to do so, laches barred the plaintiff from bringing the present litigation.

*Lismont v. Alexander Binzel Corp. et al.* (Fed. Cir. February 16, 2016) (Lourie, Reyna & Chen, JJ.).

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## DISTRICT COURT CASES

### Delaware Court Grants in Part a Summary Judgment Motion of Noninfringement

In a February 11, 2016, decision, Judge Andrews of the District of Delaware granted in part and denied in part a summary judgment motion of noninfringement filed by Defendant Micron Technology, Inc. Plaintiff HSM Portfolio sued Micron over patents relating to image sensors. Specifically, U.S. Patent No. 5,030,853 requires that each inverter in a chain increase in size by “less than a predetermined factor times the width of the N-channel of the immediately preceding inverter stage.” The court found that the patentee intended to use a specific equation in the specification to calculate the “predetermined factor.” Since Plaintiff relied on a different equation for the limitation, the court found that there is no literal infringement. Further, the court concluded that the specification expressly identifies a role for the claim limitation—using the specific equation to calculate the predetermined factor. Thus, the court held that Plaintiff cannot use the doctrine of equivalents to capture the subject matter based on a different equation.

After concluding that Defendant does not literally infringe certain claims of U.S. Patent No. 5,247,212, the court examined infringement under the doctrine of equivalents. The claims require a “clock input signal” and a “complementary FET inverter.” Defendant contended that the doctrine of equivalents did not apply because the patentee dedicated the disclosed but unclaimed subject matter to the public. But the court found that the specification does not identify the “unclaimed” subject matter as an alternative to any limitation in the claims. Thus, the disclosure-dedication rule does not apply, and the court denied Defendant’s motion for summary judgment of non-infringement under the doctrine of equivalents.

*HSM Portfolio LLC & Tech. Props. Ltd. LLC v. Elpida Memory Inc.*, Civil Action No. 11-770-RGA, Dkt. No. 1205 (D. Del. Feb. 11, 2016).

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