

Refilling Printer Cartridges Gets Messy at the Federal Circuit

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March 23, 2016

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Lexmark, a manufacturer of printers and printer cartridges, has pushed the boundaries of IP law for years in its quest to limit the sale of third-party printer cartridges. In ***Lexmark v. Impression Products, Inc.***, a recent decision by the Federal Circuit, Lexmark was ruled to have maintained patent rights to foreign-sold cartridges that were imported into the US without Lexmark's authorization and cartridges sold in the US under single-use/no-resale restrictions.

In its latest efforts to curtail the resale and refilling of used printer cartridges, Lexmark sold certain printer cartridges under the Lexmark Return Program (the "Program"). The Program offered cartridges to customers at a reduced price in exchange for the customers' agreement to only use the cartridge once and return it exclusively to Lexmark. Impression Products, Inc., a reseller of ink cartridges, acquired used Lexmark cartridges that were originally purchased under the Program from a third-party who had modified the single-use cartridges to enable their re-use. Impression also acquired unrestricted "regular" Lexmark cartridges, as well as printer cartridges that Lexmark had sold overseas, some of which were sold under the express single-use/no-resale restriction and some of which were not.

Lexmark sued Impression for direct infringement of patents covering the cartridges, as well as contributory patent infringement of the patents that could only be directly infringed by the purchasers of the refilled cartridges. Lexmark did not include the domestically sold unrestricted cartridges in its infringement allegations, rather limiting suit to the restricted-use cartridges sold in the US and all of the foreign-sold cartridges (regular and restricted), since Lexmark did not grant permission to import the foreign-sold cartridges into the US. Impression contested liability for infringement on the ground that Lexmark had "exhausted its U.S. patent rights in the cartridges by its initial sales of them." Patent exhaustion, also called the first sale doctrine, is a long-standing U.S. common law patent doctrine whereby a patent holder's exclusive rights to control the use and sale of an article are "exhausted" pending the authorized sale of that article. Thus patent holders cannot assert their patents against bona fide purchasers of patented articles who use or resell that patented article, included parties downstream of the bona fide purchasers.

Contrary to Impression's assertion that Lexmark's patent rights had been exhausted, the Federal Circuit ruled in favor of Lexmark. Specifically, the court opined that Lexmark's patent rights were not exhausted regarding foreign-sold cartridges that were imported into the US without Lexmark's authorization as well as domestically-sold cartridges that were sold with single-use/no-resale restrictions. Given that the Federal Circuit ruling may contradict state laws regarding domestic sales and commercial transactions, this case and the issues it presents may ultimately find their way to the Supreme Court. In the meantime, the Federal Circuit's decision gives patent holders reason to consider preventing patent exhaustion by restricting the sale of patented articles with single-use/no-resale restrictions.

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