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Federal Circuit Patent Bulletin: *Helferich Patent Licensing, LLC v. New York Times Co.*

February 10, 2015

"The doctrine [of patent exhaustion] has never applied unless, at a minimum, the patentee's allegations of infringement, whether direct or indirect, entail infringement of the asserted claims by authorized acquirers—either because they are parties accused of infringement or because they are the ones allegedly committing the direct infringement required by the indirect infringement charged against other parties."

On February 10, 2015, in *Helferich Patent Licensing, LLC v. New York Times Co.*, the U.S. Court of Appeals for the Federal Circuit (Taranto,* Bryson, Chen) reversed the district court's summary judgment that defendants New York Times Co., G4 Media LLC, CBS Corporation, Bravo Media LLC, and J.C. Penney Corporation, Inc., did not infringe U.S. Patents No. 7,280,838, No. 7,499,716, No. 7,835,757, No. 8,107,601, No. 8,116,741, No. 8,134,450, and No. 7,155,241, which related to systems and methods for handling information and providing it to wireless devices such as mobile-phone handsets, based on the doctrine of patent exhaustion. The Federal Circuit stated:

[T]he premise of defendants' exhaustion defense is that all handsets in the United States are licensed and that the asserted claims contemplate a use of handsets by handset owners/possessors, one that does not necessarily practice any of Helferich's claims. Standing on that simple ground enables defendants to urge across-the-board exhaustion, without differentiation among asserted content claims. We judge the exhaustion defense on the basis presented to us. We conclude that the exhaustion defense, as framed by defendants here, does not bar Helferich's claims. Based on the record and arguments presented to us, these cases raise an exhaustion question in the context of multiple related and separately patentable inventions. The situation, to simplify, involves a single inventor's coming up with two inventions presumed to be separately patentable, one invention to be practiced by one group of users, the other invention by another group, where each invention tends to make the other more useful when thus separately practiced. Defendants here rely on the reciprocal enhancement of utility to argue that the patentee's licensing of the first group terminates the patentee's rights against the second group for practicing the second invention, when practicing the second invention in some way contemplates the first group's use of a product made under the license (even if not actually embodying the first invention). But the exhaustion doctrine's lifting of patent-law restrictions on a licensed product has never been applied to terminate patent rights in such complementary activities or goods

in these circumstances. And we do not think that this judicially fashioned doctrine should be extended to do so in the present cases.

Exhaustion protects an authorized acquirer's freedom from the legal restrictions imposed by the patent statute. The statute grants a patentee the right to exclude others from, e.g., making or using or selling a patented invention, 35 U.S.C. § 154(a)(1), and it then imposes concomitant legal restrictions on acts that violate the exclusivity right by defining, in closely related terms, what it means for a person to "infringe" the right, § 271. Patent exhaustion removes those legal restrictions on certain persons in certain circumstances: it eliminates the legal restrictions on what authorized acquirers "can do with an article embodying or containing an invention" whose initial sale (or comparable transfer) the patentee authorized. Specifically, once there has been an authorized sale of a patented item, that sale "'confers on the purchaser, or any subsequent owner, 'the right to use [or] sell' the thing as he sees fit." [T]he doctrine's protection against infringement allegations has, apparently, always remained within a limit that reflects the core notion that exhaustion lifts legal restrictions on an authorized acquirer. The doctrine has never applied unless, at a minimum, the patentee's allegations of infringement, whether direct or indirect, entail infringement of the asserted claims by authorized acquirers—either because they are parties accused of infringement or because they are the ones allegedly committing the direct infringement required by the indirect infringement charged against other parties. Here, as noted, that is not so, because infringement of the content claims has not been asserted or shown to require that handset acquirers are practicing those claims. . . .

The role that the exhaustion doctrine has played to date—avoiding re-imposition of section 271 constraints on an authorized acquirer—reflects the doctrine's origin in common-law rules limiting servitudes, and specifically alienability restrictions, on personal property. . . . Defendants' focus on practical enhanced utility for the authorized acquirer as a basis for limiting a patentee's rights against other persons proves too much. As defendants acknowledged at oral argument, that rationale would sometimes apply to allow invocation of exhaustion to bar the patentee from enforcing a patent claim against the making, selling, and using of new, patentee-unauthorized copies of an article covered by the claim. For example, suppose that buyer A's enjoyment of a walkie-talkie bought with the patentee's authorization would be impaired unless other people (B, C, and D) also had their own copies of the same patented walkie-talkie required for communication with A. Under defendants' rationale, exhaustion could be invoked to bar the patentee's enforcement of the patent to prevent the unauthorized making of copies for, or their sale to or use by, B, C, and D. The inquiry, under defendants' rationale, would be how much A would benefit from being able to communicate with B, C, and D.

That approach would extend exhaustion far beyond the doctrine's traditional scope, and it does not lie within a sensible range of judicial elaboration pursuant to implied congressional authority. The economic implication would be dramatic. . . . In the walkie-talkie example, the patentee would have to demand an exorbitant, likely unachievable, price for the first item if selling it terminated patent rights as to other potential users. Subjecting patentees to such impracticable limits could be expected to have a depressing effect on investments in innovation in many areas. . . .

The only issue before us is patent exhaustion. We have decided the issue as it has been framed by the record and arguments in these cases. We reject the defense for the combination of reasons set forth. We need not rule more broadly to indicate which reasons would be sufficient, without others, for rejection of an exhaustion defense framed more narrowly. In particular, we do not foreclose an exhaustion defense that is tied to particular handset claims and targets particular content claims; that establishes premises for such particular claims not asserted or established in the broad-brush defense before us—such as the presence of essentially the same inventive features in paired handset-content claims, as determined under a standard grounded in the statute, and the necessity that someone practice a handset claim for an asserted content claim to be practiced; and that tries to address the other issues we have identified in rejecting the defense presented to us. We express no view on the merits of any such narrower defenses, which are not before us.