NOTE: AN EXHAUSTING IDEA: APPLYING THE DOCTRINE OF FIRST SALE TO PURELY INTERNATIONAL TRANSACTIONS

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I. INTRODUCTION

When participating in a transaction, one normally exchanges currency for goods and services.\(^1\) This sale or transaction, in turn, passes title from the seller to the buyer.\(^2\) Intuitively, the item which was the subject of the sale is now the personal property of the buyer and not the seller.\(^3\) From this idea of the passage of ownership came the doctrine of patent exhaustion.\(^4\) The doctrine essentially states that, although a patent holder has exclusive rights to a patented idea or item, once sold, those rights cannot be exercised again on the singular item that has been sold.\(^5\) The doctrine has existed as far back as the 17th century. Lord Edward Coke wrote:

[If] a man be possessed of . . . a horse, or of any other chattel . . . and give or sell his whole interest . . . therein upon condition that the Donee or Vendee shall not alien[ate] the same, the [condition] is voi[d], because his whole interest . . . is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traff[i], and bargaining and contracting betwee[n] man and man: and it is within the reason of our Author that it should ouster him of all power given to him.\(^6\)

Once patents became a fixture of American law,\(^7\) the courts needed to determine how to treat a patented item that had been purchased via a legal transaction.\(^8\) Accordingly, the Court established the exhaustion doctrine for patents.\(^9\) As the years progressed, problems arose regarding international sales of patented items, specifically regarding whether the exhaustion doctrine applies to these sales.\(^10\)

The most recent court decision on this matter states that patented objects which are the object of purely international sales do not trigger

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\(^1\) See U.C.C. § 2-106(1) (2012).
\(^2\) Id.
\(^3\) See id. This is generally done using standard contract theory.
\(^4\) See Bloomer v. McQuewan, 55 U.S. (14 How.) 539, 549 (1852).
\(^5\) Id.
\(^7\) See U.S. CONST. art. I, § 8, cl. 8.
\(^8\) See e.g., Bloomer, 55 U.S. at 550.
\(^9\) See id. at 549.
patent exhaustion. However, since the decision, the world has changed both in law and in culture. This change in global culture and economy increases the likelihood that an absurd legal result will occur from not applying the exhaustion doctrine to such sales. As such, new legal precedent has emerged subjecting copyrighted items sold in a purely international transaction to the exhaustion doctrine. Accordingly, this same principle should be applied to patented items as well. Triggering exhaustion for international sales would avoid an absurd result, thus protecting the consumer, and it would also further the principles and purpose of modern patent law.

II. BACKGROUND

A. The History of Patent Law and Patent Exhaustion

The Constitution gives Congress the power to make laws “to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Using this power, Congress has since created the patent system, which, despite some modifications, is still in use today. A patent is essentially an exclusive license to make, sell, or use the patented invention. Since the patent owner solely has this right, he may limit or exclude how the invention is used or sold, thus excluding other entities from making, using, or selling the invention at his own discretion. If someone makes, uses or sells the invention without the patentee’s consent, that person has infringed on the patent.

The purpose of the patent system is simple: by granting an exclusive license to make, use, or sell an invention, the government provides an

\[11\] See Lexmark Int’l, Inc. v. Impression Prods., 816 F.3d 721, 773–74 (Fed. Cir. 2016)(en banc); see also Jazz Photo, 264 F.3d at 1094.
\[13\] See discussion infra Section III.A.
\[14\] See discussion infra Section III.A.
\[15\] See generally Kirtsaeng, 133 S.Ct. at 1351 (holding that a purely international sale of a copyrighted work triggers copyright exhaustion).
\[16\] Id. at 1355–56.
\[17\] See infra Section III.A.
\[18\] See infra Section III.
\[19\] U.S. CONST. art. I, § 8, cl. 8.
\[23\] See id.
incentive for a person to innovate.25 Obtaining a patent provides the patentee exclusive access to and control of a niche market for twenty years.26 If a patentable invention is useful to society, this invention could be very profitable for the patent holder.27 Additionally, this provides an incentive for competition. If Company A and Company B both sell tires, but Company B has a patent on a certain polymer that makes the tires more durable, Company A cannot use the same polymer. Company A will then likely need to work to invent a better polymer and patent, thus benefiting both the Company and society to stay in business.

From this concept came the doctrine of patent exhaustion, also known as the doctrine of first sale.28 The Supreme Court first noted this idea in Bloomer v. McQuewan.29 In that case, the original patentee assigned the rights to McQuewan to use the machine on which he held the patent.30 McQuewan then assigned the rights to Bloomer.31 This license was originally supposed to run until after the end of the statutory patent time period, but Congress extended this period by seven years for all patents.32 At that point, McQuewan sought to use the invention until the end of the new patent term, whereas the patentee hoped to reclaim sole exclusionary use of the invention.33

The Supreme Court addressed this issue by introducing the doctrine of patent exhaustion.34 It held that when an invention “passes to the hands of the purchaser, it is no longer within the limits of the monopoly.”35 Thus, by selling or licensing a patented implement, the patentee gives up the exclusive rights that he or she retains on that one singular implement, as it becomes the personal and private property of the licensee or buyer.36 This principle, that the first sale of an individual item distinguishes that item from the patent “monopoly,” is the basis upon which the doctrine of patent exhaustion is based.37

27 See Kitch, supra note 25.
28 See infra Section II.A.
29 55 U.S. (14 How.) 539 (1852).
30 Id. at 540.
31 Id. at 540–41.
32 See id. at 539–40.
33 Id. at 548.
34 See id. at 549–50.
35 Id. at 549.
36 Id. at 550.
B. The International Scope of Patent Law

As transportation has become more accessible, international legal standards have needed to adapt. The reasoning behind these adaptations is simple: society is no longer geographically limited by mountains or oceans. Humanity is, for all intents and purposes, free to travel where it wills, giving rise to an international legal landscape.

One of the first instances of the Supreme Court examining issues related to the international implications of patent law occurred in 1856.38 Here, the plaintiff, an American citizen, held a patent on a screw propeller, which was a machine used on ships.39 This propeller was very commonly used and “almost necessary” for the use of certain types of vessels.40 One such vessel was in port lawfully in the United States, and the plaintiff sued for infringement.41 The Court held that the defendant was not subject to U.S. patent law.42 The Court reasoned that the right to grant a patent was given to Congress, and their jurisdiction begins and ends with the United States.43 Foreign entities should therefore not be subject to American laws such as patent law.

Shortly thereafter, the U.S. and other nations attempted to standardize intellectual property law amongst themselves with the Paris Convention for the Protection of Intellectual Property (the “Paris Convention”) enacted in 1883.44 While standardizing patent law was one of the aims of this treaty, it also set forth laws governing trademarks and unfair competition. In general, the convention allows for the same protections for all member states.45 In addition, the convention provides that if a patent is granted in one member country, another member country is not necessarily required to grant that same patent.46

This, among many other attempts to standardize patent law across the world, shows glaring inconsistencies between each individual country. Thus, it is oftentimes unclear whether a certain doctrine

39 Id. at 184.
40 Id.
41 Id. at 194.
42 Id. at 195 (“The power thus granted is domestic in its character, and necessarily confined within the limits of the United States.”).
43 Id.
46 WORLD INTELL. PROP. ORG., supra note 44.
governing intellectual property applies when looking beyond United States’ borders. From this general look at the beginnings of the United States’ involvement in international intellectual property law, we turn to more contemporary decisions made on the subject, specifically with regard to the doctrine of first sale.

In 1890, *Boesch v. Graff*, came before the Supreme Court regarding the doctrine of patent exhaustion. This case is a bit different from other cases examined in this paper; there was no United States patent issued on the innovation at issue. The Court here held that, among other things, United States patent laws did not apply to an object that was patented solely by a foreign entity.

C. Implications from Jazz Photo

In *Jazz Photo*50, the Federal Circuit made the most recent significant ruling on patent exhaustion in the context of an international sale.51 The appellant, Jazz Photo Corporation, a camera manufacturing company, appealed the International Trade Commission’s holding that the appellants’ resale of refurbished – rather than repaired – cameras constituted patent infringement. This particular type of camera had a patented design that was “relatively simple”53 and likely could be refurbished or rebuilt using some sort of reverse engineering. They were marketed as “single use” cameras.54 Despite this, however, Jazz Photo had been refurbishing and selling these single use cameras for additional uses overseas. The patent holder, Fuji Photo Film, determined that it did not want the camera to be resold. Fuji overcame its initial burden of proof and showed infringement.55 Thus, the Commission held that the appellants technically infringed on the patent.56

In its discussion, the Court first examined the idea of the Law of Permissible Repair as opposed to the Law of Prohibited Reconstruction.57 These laws rely on the principle that “[t]he purchaser of a patented article has the rights of any owner of personal property,

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47 133 U.S. 697, 697 (1890).
48 *Id.* at 697–98.
49 See *id.* at 701–03.
50 Jazz Photo v. Int’l Trade Com’n, 264 F.3d 1094, 1094 (Fed. Cir. 2001).
51 *Id.* at 1098.
52 *Id.*
53 *Id.* at 1099.
54 *Id.* at 1107.
55 *Id.* at 1102.
56 *Id.* at 1098.
57 See *id.* at 1102–03.
including the right to use it, repair it, modify it, discard it, or resell it, subject only to overriding conditions of the sale.” \(^{58}\) Therefore, regardless of whether one owns a patent on something, once he or she acquires it, that singular invention is his or her own personal property to do with as he or she pleases.\(^{59}\) One of these rights includes the right to preserve the usefulness of the originally purchased invention.\(^{60}\) To put things into perspective, it helps to look at the following scenario. Company A holds a patent on Object X. A sells a singular iteration of X to Consumer B. X is now B’s private personal property, and he may take necessary steps to preserve this particular iteration of X. If, however, he damages X beyond repair, he does not have the right to create an altogether new iteration of X.\(^{61}\) The preservation would be known as permissible repair, whereas the re-creation would be known as prohibited reconstruction.\(^{62}\) To reconstruct a patented item out of unpatented parts without infringing, one must reconstruct the item in such a way that it creates an entirely new article.\(^{63}\)

The Court correctly reasoned that these principles have underlying implications relating to patent exhaustion.\(^{64}\) This is the same principle that a legally acquired item is generally one’s personal property to do with as one pleases.\(^{65}\) Additionally, extending an analysis back to the basic principles of patent law, the first sale doctrine, (and this the Repair/Reconstruction doctrine) may only be invoked if the patent holder has received some kind of award for his patented item.\(^{66}\) This theory stands to reason that if an inventor does not receive some sort of compensation for his invention, then there appears to be no reason to innovate at all. Put simply, if someone can use your creation without you being rewarded for it, then there is little to no extrinsic motivation to innovate. Accordingly, society would not benefit from as many new inventions. The same argument has been made time and time again when talking about pirated media such as music or movies.

Eventually, the Court found that Jazz Photo had not reconstructed the camera, because it did not replace any patented piece of the device.\(^{67}\) Essentially, it did not matter that Fuji wished for the cameras to be used

\(^{58}\) Id. at 1102.
\(^{59}\) Id.
\(^{60}\) Id.
\(^{61}\) Id.
\(^{62}\) Id.
\(^{63}\) Id. at 1103. See also U.S. v. Aluminum Co. of Am., 148 F.2d 416 (2d Cir. 1945).
\(^{64}\) Jazz Photo, 264 F.3d at 1105.
\(^{65}\) Id. at 1102.
\(^{66}\) Id. at 1105.
\(^{67}\) Id. at 1107.
only once, it simply mattered that Jazz had not reconstructed an entirely new patented item.\(^{68}\) The important part of this opinion was the fact that the Court held that a purely international sale of an item patented in the United States would not trigger patent exhaustion.\(^{69}\)

D. *Quanta v. LG*: How the Supreme Court Looks at Exhaustion

The Supreme Court has not heard many cases dealing with patent exhaustion in recent years. In fact, most appeals have been heard by the Federal Circuit since its establishment in 1982.\(^{70}\) It did, however, hear *Quanta Computers, Inc. v. LG Electronics, Inc.* in 2008, which limited protections for patent holders by expanding the exhaustion doctrine.\(^{71}\) The issue in that case involved the potential exhaustion of method patents,\(^{72}\) essentially a subset of utility patents, which describe the process for making a new or useful invention.\(^{73}\)

LG had a patent on a technology to make microprocessors.\(^{74}\) It licensed Intel, a popular computer microprocessor manufacturer, to make and sell microprocessors using LG technology.\(^{75}\) LG required Intel to notify customers that they were not infringing by purchasing the chips and processors, but the non-infringement protection did not extend to items that customers made with the product.\(^{76}\)

Other computer manufacturers, such as Quanta, purchased items from Intel, and thus received the notice from Intel.\(^{77}\) Quanta did not heed the warning and continued to make computers with Intel parts combined with non-Intel parts.\(^{78}\) LG subsequently filed suit, claiming this computer construction infringed on its patent.\(^{79}\) The district court granted a limited summary judgment in favor of Quanta, stating that

\(^{68}\) See id. at 1107–08.

\(^{69}\) Id. at 1105. See also Boesch v. Graff, 133 U.S. 697, 701–03, (1890) (holding that a lawful foreign purchase does not obviate the need for license from the United States patentee before importation into, and sale in the United States).

\(^{70}\) See e.g., Jazz Photo v. Int’l Trade Comm’n, 264 F.3d 1094 (Fed. Cir. 2001).

\(^{71}\) 553 U.S. 617 (2008).

\(^{72}\) Id. at 621.


\(^{74}\) Quanta Comput., Inc., 553 U.S. at 623.

\(^{75}\) Id.

\(^{76}\) Id. at 623–24 (“[T]he license ‘does not extend, expressly or by implication, to any product that you make by combining an Intel product with any non-Intel product.’”).

\(^{77}\) Id. at 624.

\(^{78}\) Id.

\(^{79}\) Id.
exhaustion did apply in this case. The Court of Appeals disagreed, stating that the doctrine of patent exhaustion should not apply to method patents.

The Supreme Court subsequently held that the first sale doctrine applies to method patents. In his opinion, Justice Thomas stated that disallowing patent exhaustion for method patents would “seriously undermine the exhaustion doctrine.” The Court relied on prior holdings regarding method patents, and there seemed to be no reason to accept LG’s argument. The primary purpose of U.S. patent law “is not the creation of private fortunes for the owners of patents but is ‘to promote the progress of science and useful arts.’” As such, the court here is trying to slightly extend the doctrine of patent exhaustion. It appears to want to ensure that the doctrine helps to further advancement in science and the arts, rather than ensure that patent holders get rich.

E. Today: Kitstsaeng and Lexmark

The Court again looked at the first sale doctrine as it applies to intellectual property in 2013. This case, however, did not involve patents; instead, it involved issues of copyright. In Kitstsaeng, the respondent was a publisher of academic textbooks. This company licensed a wholly owned foreign subsidiary in Asia, where the subsidiary was able to publish, print, and sell. Each foreign edition of a textbook that this company sold contained explicit language saying that the textbook was only to be sold in a certain country.

In 1997, Supap Kitstsaeng moved from Thailand to the United States in order to study mathematics. He noticed that textbook prices in the United States seemed entirely too high, especially compared to the

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80 Id.
81 Id.
82 See id. at 629–30.
83 Id. at 629.
84 Id. at 629 (“This Court has repeatedly held that method patents were exhausted by the sale of an item that embodied the method.”).
85 Id. at 630.
86 Id. at 626 (quoting Motion Picture Patents Co., v. Universal Film Mfg. Co., 243 U.S. 502, 509 (1917)).
87 See id.
89 See id.
90 Id. at 1356.
91 Id.
92 Id.
93 Id.
prices in Thailand. As a result, Kirtsaeng contacted family members, who would buy textbooks from the respondent in Thailand and send them to him at a reduced rate. Not surprisingly, once Wiley found out about this, it brought suit against Kirtsaeng, claiming that his scheme infringed on Wiley’s copyrights.

In his defense, Kirtsaeng asserted protection under the first sale doctrine, but the District Court did not agree with his argument. It instead held that there was no protection for items manufactured and sold outside the United States. The decision was subsequently upheld on appeal by the Second Circuit.

Upon granting certiorari, the Supreme Court held that the doctrine of first sale should apply to items manufactured and sold outside of the United States. The Court first looked at the plain language of the statutory authority regarding the effects of transferring the particular copyrighted material. The language did not mention any sort of geographical bounds. Showing stricter statutory interpretation, the Court stated that one should infer that Congress intended for these laws to apply to copyrighted material outside of the United States.

Next, the Court looked at the first sale doctrine not just as a statute, but as a statutory codification of a previously recognized common law doctrine. This doctrine eliminates the need for courts to enforce restrictions on certain goods, such as those that are difficult to trace. The doctrine is therefore crucial to the principles of copyright law. Subsequently, the Court noted that the doctrine had no geographical limits, and a straightforward reading would likely not preclude copies made overseas from the doctrine of first sale. Therefore, the Court

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94 Id.
95 Id.
96 See id. at 1357 (“Wiley claimed that Kirtsaeng’s unauthorized importation of its books and his later resale of those books amounted to an infringement of Wiley’s § 106(3) exclusive right to distribute as well as § 602’s related import prohibition.”).
97 This principle is also applicable to copyrights.
99 Id.
100 See id. (”[I]n the majority’s view, this language means that the “first sale” doctrine does not apply to copies of American copyrighted works manufactured abroad.”).
101 Id. at 1358.
102 Id. at 1358–60.
103 Id. at 1359.
104 Id. at 1360.
105 Id. at 1363.
106 Id.
107 See id.
108 Id. at 1363–64.
held that the first sale doctrine did apply to the textbooks purchased by Kirtsaeng.\(^{109}\)

Most recently, the Federal Circuit held \textit{en banc} that a patent holder may still retain exclusive rights to a patented product after a purely international sale.\(^{110}\) The Court reasons that, despite being a very similar issue, \textit{Kirtsaeng} is distinguishable because the Supreme Court’s ruling is based partially on a statute that does not apply to patents.\(^{111}\) As noted by the dissent, however, the Court seemingly overlooks a large body of common law and how it applies to the exhaustion issue in the present day.\(^{112}\) Should the Supreme Court grant certiorari on this issue, it would be an immense oversight if the Court glossed over these issues as the majority did in the Federal Circuit.\(^{113}\)

\section*{III. Analysis}

The doctrine of first sale has many uses, which inherently affect the way that producers conduct business with consumers. If, for example, the doctrine did not exist, each individual consumer would likely need to obtain a license from Company A in order to use patented item X.\(^{114}\) However, as it stands from \textit{Jazz Photo}, the doctrine is, for all intents and purposes, unusable when a product subject to an American patent is sold on a purely international level.\(^{115}\) Due to the changing global economy, the Supreme Court’s recent treatment of exhaustion rights, and the Federal Circuit’s holding in \textit{Kirtsaeng},\(^{116}\) one would be hard pressed to not overturn the \textit{Jazz Photo} decision and apply patent exhaustion to all international sales of domestically patented innovations.

\footnotesize
\(^{109}\) \textit{Id.} at 1364.
\(^{110}\) See Lexmark Int’l, Inc. v. Impression Prods., 816 F.3d 721, 773–74 (Fed. Cir. 2016) (\textit{en banc}).
\(^{111}\) \textit{Id.} at 756.
\(^{112}\) See \textit{id.} at 780–84 (Dyk, J., dissenting).
\(^{113}\) At the time of the writing of this article, the Supreme Court had not yet decided whether to grant certiorari.
\(^{114}\) Company A and Consumer B would likely achieve this through a contractual agreement. This is still a practice that is widely followed, especially in the software industry, but is generally meant to ensure that the use of the product is limited. When a patent holder does not necessarily wish to limit the use of the item, they will simply sell individual products, and this is when the exhaustion doctrine comes into play.
\(^{115}\) See \textit{Jazz Photo} v. Int’l Trade Com’n, 264 F.3d 1094, 1105 (Fed. Cir. 2001).
A. How the Global Economy has Changed

“Time and changes in the condition and constitution of society may require occasional and corresponding modifications.”117 This principle, made famous by Thomas Jefferson,118 should likely apply in the case of patent exhaustion. Indeed, one of the intrinsic realities of the patent system is that inventors will continue to create new and useful inventions.119 Following this principle,120 as technology advances, along with the global economy, one must, when necessary, adapt laws to serve the needs of society.

The first prong of this argument relies on the stark contrast between how the global economy operates now as compared to in 2001, when Jazz Photo was decided.121 Over the past fifteen years, the global economy has changed quite drastically.122 Technological advances in both transportation and communication now allow for a more complex international economy in which capital flows more freely throughout the world.123

In the time since Jazz Photo was decided, companies have outsourced millions of jobs to China and elsewhere.124 As such, United States manufacturing has declined significantly over this time period.125 In a ten-year period between 1998 and 2008, the amount of manufacturing plants in the United States declined by a staggering 12.5% of plants.126 Due to this sharp increase in outsourcing of labor and manufacturing,127 one thing is abundantly clear: more products are being produced overseas than ever before. American-designed products are thus getting more exposure in foreign markets, and are gaining

118 Id.
119 See U.S. CONST. art. I, § 8, cl. 8.
120 Letter from Thomas Jefferson, supra note 117.
121 Jazz Photo v. Int’l Trade Com’n, 264 F.3d 1094, 1102 (Fed. Cir. 2001).
125 Id.
126 Id. About 50,000 plants were lost over 10 years.
127 Id.
popularity. Therefore, the availability of American-made products is becoming more and more widely available in other countries from overseas manufacturers and distributors. For example, Apple and Nike are both companies that conduct business worldwide, and the majority of their manufacturing takes place outside the United States. A Chinese citizen could therefore, purchase an Apple iPhone in China, thus satisfying the requirements for a purely international sale of a patented product.

Additionally, increased international air travel and the growth of businesses across boarders have led people to move to other countries. As such, it is not a stretch to assume that more and more people will not just be traveling internationally, but relocating internationally as well. People are moving and traveling more freely than they have in the past, and it appears as though the sky is the limit for global travel and relocation.

As established above, the global economy has changed insomuch as that American companies are now manufacturing their products heavily in foreign countries. People are also traveling and relocating more. People therefore will have more access to U.S. products manufactured and sold overseas. These items may or may not have a U.S. Patent.

Consequently, there has been a quite significant “change in times,” as Jefferson may have put it. The change in technology has paved the way for people to purchase items in a purely foreign transaction and subsequently bring them to the United States, where they may be sued for patent infringement. By ignoring Jefferson’s advice and changing the law with the times, the Court could likely undermine the original purposes of patent law and the doctrines of patent exhaustion,
thus coming to an absurd result. 138

B. Applying Exhaustion to Purely International Sales Furthers the Purpose of United States Patent Laws

If the doctrine of exhaustion does not apply to international sales, a problem therefore arises. 139 Consider the following scenario: if Company A 140 manufactures item X 141 via manufacturer C 142 in China, it can likely then be bought by Consumer B in China. This would be a purely international sale. 143 Now, B decides to visit, or potentially even move to the United States, from China. In doing so, he brings with him to the United States item X. Under current law, Company A could sue for infringement, and would likely win based on the decision in Jazz Photo. 144

This scenario, similar to that seen in Kirtsaeng, 145 brings about what is known as an absurd result. 146 The Supreme Court, on numerous occasions, has discussed the absurdity doctrine, stating once that “[u]nquestionably the courts, in interpreting a statute, have some ‘scope for adopting a restricted rather than a literal or usual meaning of its words where acceptance of that meaning would lead to absurd results.’” 147 The absurd result in this case would be that, under current law, B could technically still be liable for infringement even though he objectively has done nothing wrong. He lawfully purchased X from a licensed vendor B, and simply relocated to the United States.

The Courts have a bit of leeway in adopting a different view on a law or doctrine, especially when it brings about such an absurd result as it does here. 148 In doing so, however, the Court first looks to the intent

138 See infra Section III.B.
139 See supra text accompanying notes 140–42.
140 Assume Company A is an American company that has subsidiaries and manufacturers abroad.
141 Assume X is subject to a U.S. patent.
142 Assume C is either a subsidiary of A or is, at the very least, licensed to manufacture and sell item X.
143 See Ponder, supra note 132.
144 See Jazz Photo v. Int’l Trade Com’n, 264 F.3d 1094 (Fed. Cir. 2001).
145 See generally Kirtsaeng v. John Wiley & Sons, Inc., 133 S.Ct. 1351 (2013) (analyzing when copyrighted items were legally purchased abroad from a subsidiary of the copyright owner).
146 See Crooks v. Harrelson, 282 U.S. 49, 51 (1930) (“Laws enacted with good intention, when put to the test, frequently, and to the surprise of the law maker himself, turn out to be mischievous, absurd or otherwise objectionable. But in such case the remedy lies with the law making authority, and not with the courts.”).
148 Id.
of the governing law or statute.\textsuperscript{149} In the case of any patent law, it is imperative to look at the intent and theory behind patents. The idea, under United States law, of a patent was included in our Constitution in order to “promote the Progress of Science and useful Arts.”\textsuperscript{150}

There are many theories\textsuperscript{151} regarding how a patent promotes progress. Edmund Kitch theorized in 1977 what has become known today as the “Prospect Function” of patent law.\textsuperscript{152} This theory provides socioeconomic justification for the utilization of intellectual property law, and more specifically, patent law, because it incentivizes an inventor “to make investments to maximize the value of the patent without fear that the fruits of the investment will produce unpatentable information appropriable by competitors.”\textsuperscript{153} While highly controversial and widely debated, this theory has “become a standard part of the law-and-economics literature on patent law.”\textsuperscript{154} Essentially, the goal of patent law is two-fold. It serves to protect the investments of inventors, as well as incentivize others to invent new and more useful inventions.\textsuperscript{155} Out of this general purpose comes the exhaustion doctrine, which essentially eliminates the exclusive patent rights on patented items sold via a commercial transaction.\textsuperscript{156} The purpose of the exhaustion doctrine is essentially also two-fold. First, it looks to avoid post-sale restrictions on patented items.\textsuperscript{157} This protects the consumers\textsuperscript{158} by preventing patent owners from imposing additional fees each time the item is resold.\textsuperscript{159} The second purpose of the doctrine is to ensure that the patent holder is fairly compensated for the sale of each individual item, in order to incentivize innovation.\textsuperscript{160}

Abiding by these principles, the Supreme Court held that the doctrine of exhaustion applied to method patents.\textsuperscript{161} In doing so, it restricted patent rights\textsuperscript{162} as allowed\textsuperscript{163} in order to avoid an absurd result.

\textsuperscript{149} \textit{Id.} at 572 (looking to the intent of Congress when interpreting a statute).
\textsuperscript{150} U.S. CONST. art. I, § 8, cl. 8.
\textsuperscript{152} See Kitch, \textit{supra} note 25, at 268.
\textsuperscript{153} \textit{Id.} at 276.
\textsuperscript{154} Duffy, \textit{supra} note 155, at 441.
\textsuperscript{155} See \textit{id}.
\textsuperscript{156} See Bloomer v. McQuewan, 55 U.S. (14 How.) 539, 549 (1853).
\textsuperscript{157} LifeScan Scotland, Ltd. v. Shasta Technologies, LLC, 734 F.3d 1361, 1377 (Fed. Cir. 2013).
\textsuperscript{158} See \textit{id}.
\textsuperscript{159} See Quanta Comput., Inc. v. LG Elecs., Inc., 553 U.S. 617, 626 (2008).
\textsuperscript{160} Jazz Photo Corp. v. ITC, 264 F.3d 1094, 1105 (Fed. Cir. 2001).
\textsuperscript{161} See generally \textit{Quanta}, 553 U.S. at 617 (2008).
\textsuperscript{162} Thus expanding the exhaustion doctrine.
\textsuperscript{163} E.g., Comm’r v. Brown, 380 U.S. 563, 571 (1965).
and not undermine the principles of patent law and the exhaustion doctrine.\(^\text{164}\) It is imperative to note that the Supreme Court did not place a caveat on the exhaustion doctrine in *Quanta*. In fact, any authorized sale “prevents the patent holder from invoking patent law to control post-sale use.”\(^\text{165}\) Allowing a patentee to assert such post-sale restraints would be in direct conflict in general common law, and would cast a “cloud of uncertainty”\(^\text{166}\) every time a customer attempts to purchase a product that has a valid U.S. Patent.\(^\text{167}\)

The same reasoning should apply to international sales of patented products, for this would restrict patent law as necessary to avoid an absurd result. The first step in this analysis is to find the absurd result, which is illustrated above.\(^\text{168}\) After identifying the absurd result which is likely unintended by law, the courts will then look to the purpose of the applicable law.\(^\text{169}\) In this case, the basic purpose of patent law is to promote progress in technology.\(^\text{170}\) In doing so, the doctrine of exhaustion was established by courts in order to both protect consumers while still incentivizing Americans to innovate.\(^\text{171}\)

Subjecting international sales to exhaustion would correct the absurd result that permits fees to the patent owner after the first sale only when the good is sold internationally and brought into the United States.\(^\text{172}\) The question then hinges on whether the same restriction would support the intent driving current patent law.\(^\text{173}\) The short answer, in this case, is yes. The exhaustion doctrine functions not only to protect consumers, but also to ensure that inventors are fairly compensated for their innovations.\(^\text{174}\)

If not extended to international sales, this doctrine would put consumers at a severe disadvantage by leaving them open to suit from the patent holder.\(^\text{175}\) As such, it would pave the way for the patent holder to be compensated multiple times for multiple sales of the same individual item, thus helping to create an unfair “fortune”\(^\text{176}\) for a patent.

\(^\text{164}\) *Quanta*, 553 U.S. at 629.

\(^\text{165}\) Id. at 638; *see also* Lexmark Int’l, Inc. v. Impression Prods., Inc., 816 F.3d 721, 778 (Fed. Cir. 2016) (Dyk, J., dissenting).

\(^\text{166}\) Tessera, Inc. v. Int’l Trade Comm’n, 646 F.3d 1357, 1370 (Fed. Cir. 2011).

\(^\text{167}\) Lexmark Int’l, Inc. v. Impression Prods. 816 F.3d 721, 779 (Fed. Cir. 2016) (Dyk, J., dissenting).

\(^\text{168}\) See *supra* text accompanying notes 140–44.


\(^\text{170}\) U.S. CONST. art. I, § 8, cl. 8; *Quanta*, 553 U.S. at 626.

\(^\text{171}\) See *supra* text accompanying notes 155–159.


\(^\text{173}\) See *Brown*, 380 U.S. at 572.

\(^\text{174}\) See *supra* text accompanying notes 136–143.

\(^\text{175}\) See *supra* text accompanying notes 145-149.

holder.

Both of these outcomes\textsuperscript{177} would actually work contrary to the purpose of the exhaustion doctrine laid out by the courts.\textsuperscript{178} Thus, restricting patent rights in an effort to avoid an absurd result would likely further the principles of the exhaustion doctrine.\textsuperscript{179}

C. Applying \textit{Kirtsaeng}

While pertaining to copyright law, \textit{Kirtsaeng} is still applicable in that it raises some very important points about exhaustion as it applies to intellectual property law as a whole.\textsuperscript{180} In applying this decision to patent law, one must first compare copyright laws to patent laws. In doing so, one will find many striking similarities.\textsuperscript{181}

Congress’s grant of authority to make laws governing patent and copyright law comes from the same clause of the constitution.\textsuperscript{182} The main difference between patentable and copyrightable subject matter is that patents generally govern a new and useful process, machine, etc.,\textsuperscript{183} whereas copyrights govern works of authorship fixed in a tangible medium.\textsuperscript{184}

In general, however, copyrighted works enjoy more of a protection than patented ideas, as copyrighted protections normally extend seventy years after the death of the author,\textsuperscript{185} while patent protections only extend twenty years after filing.\textsuperscript{186}

In this manner, even though the purpose and grant of authority for the two types of intellectual property are essentially the same,\textsuperscript{187} copyrighted material enjoys some extended protections on its exclusive rights.\textsuperscript{188} Copyright and patent law also differ slightly when referring to the exhaustion doctrine. While Congress has codified the exhaustion

\textsuperscript{177} The outcomes of disadvantaging consumers and creating extreme wealth for patent holders are not mutually exclusive. In fact, under this view, they would likely coincide quite often.

\textsuperscript{178} See Quanta, 553 U.S. at 626. See also LifeScan Scotland, Ltd. v. Shasta Technologies, Inc., 734 F.3d 1361, 1377 (Fed. Cir. 2013).


\textsuperscript{180} See id.

\textsuperscript{181} See infra Section III.C.

\textsuperscript{182} U.S. CONST. art. I, § 8, cl. 8. (“To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”).

\textsuperscript{183} An invention or innovation.


\textsuperscript{185} 17 U.S.C. § 302(a) (2012).


\textsuperscript{187} See U.S. CONST. art I, § 8, cl. 8.

principle into statute for copyrights,\(^{189}\) patent exhaustion remains a judicially implemented doctrine.\(^{190}\)

In its analysis of *Kirtsaeng*, the Supreme Court looked first to the statutory grant of the exhaustion doctrine.\(^{191}\) Its main question was to determine whether the phrase “lawfully made under this title”\(^{192}\) restricted the geographical scope of the first sale doctrine.\(^{193}\) It noted that the language of the statute says nothing regarding geography.\(^{194}\) The Court then examined congressional intent behind the statute,\(^{195}\) and eventually moved on to its common law basis.\(^{196}\)

Since the 17th century, the doctrine of exhaustion has served many important societal purposes.\(^{197}\) It both allows consumers to compete in the free market\(^{198}\) and relieves the court of “the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods.”\(^{199}\) These objectives would actually be more difficult to achieve if there was a restricted geographical scope to the exhaustion doctrine.\(^{200}\)

The Court also points out how absurd it is that Kirtsaeng could be liable for copyright infringement.\(^{201}\) It is believed that “the practical problems that petitioner\(^{202}\) and his amici have described are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant—particularly in light of the ever-growing importance of foreign trade to America.”\(^{203}\) This change in global economy\(^{204}\) noted by the court helps support the argument that the exhaustion doctrine should not be geographically restricted.\(^{205}\)

While copyright law has a statutory grant for exhaustion, the same

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\(^{191}\) *Kirtsaeng*, 133 S. Ct. at 1357–58.


\(^{193}\) *Kirtsaeng*, 133 S. Ct. at 1357.

\(^{194}\) Id. at 1358.

\(^{195}\) See id. at 1360–62.

\(^{196}\) Id. at 1363–64.

\(^{197}\) See id. at 1363.

\(^{198}\) Specifically, competition within the context of the resale or other disposition of goods. *Id.*

\(^{199}\) *Id.*

\(^{200}\) See *id.*

\(^{201}\) See *id.* at 1367.

\(^{202}\) Kirtsaeng was the petitioner in this case.

\(^{203}\) *Id.*

\(^{204}\) See *supra* Section III.A.

\(^{205}\) See Kirtsaeng, 133 S. Ct. at 1367.
reasoning used in *Kirtsaeng* can be fashioned in order to support the current issue of whether an international sale triggers exhaustion.\(^{206}\) Considering they have the same statutory grant of authority,\(^ {207}\) the purpose behind protecting these two types of intellectual property are virtually the same.\(^{208}\) In order to coincide with the overall purpose of copyright law, the Court actually restricted the scope of the law by interpreting the doctrine of first sale to have no geographical restrictions.\(^{209}\)

In turn, the Court should extend the scope of that same doctrine in the case of patents. Especially considering that, in some aspects,\(^ {210}\) copyrighted materials receive more protection than patented innovations,\(^ {211}\) it would make little sense to treat the general doctrine of exhaustion differently for one type of intellectual property as compared to the other.

### IV. CONCLUSION

With the increasing globalization of today’s society, buying and selling products outside the United States is an increasing reality.\(^ {212}\) Accordingly, the likelihood of traveling or relocating to the United States is also increasing with each passing day.\(^ {213}\) This brings about an exaggerated chance that someone legally purchase a patented product abroad and bring it into the U.S.\(^ {214}\)

While this concept may not seem outrageous, the current policy laid out by the Federal Circuit does not necessarily take this into account.\(^ {215}\) In fact, if followed strictly, a person who participates in a purely international sale of a patented item and subsequently brings that item to the U.S. will have infringed upon the U.S. patent for that particular item.\(^ {216}\) This result, which would likely increase due to the globalized economy,\(^ {217}\) could threaten any foreign consumer wishing to travel to the United States.

As decided under *Jazz Photo*, the aforementioned situation would

\(^{206}\) See id.
\(^{207}\) U.S. CONST. art. I, § 8, cl. 8.
\(^{208}\) See * supra* text accompanying notes 185-86.
\(^{209}\) See *Kirtsaeng*, 133 S.Ct. at 1367.
\(^{211}\) Id.
\(^{212}\) See * supra* Section III.A.
\(^{213}\) See * supra* text accompanying notes 126-28.
\(^{214}\) See * supra* Section III.A.
\(^{215}\) See *Jazz Photo* v. Int’l Trade Comm’n, 264 F.3d 1094 (Fed. Cir. 2001).
\(^{216}\) Id.
\(^{217}\) See * supra* Section III.A.
not further the purpose of patent law, but could actually reverse some of the desired effects. The main principle of promoting progress for arts and science within the country is vital to the economy. The promotion of progress through patent rights is, however, slightly limited by the exhaustion doctrine, which establishes some base-level consumer protections while still ensuring that the patent holder can profit off of the invention. As such, patent holders may sell inventions to consumers to make money, and consumers are sure that they will not be sued for infringement for using or re-selling the product.

By disallowing these protections for consumers, if the item is sold internationally, the holding in Jazz Photo allows the patentee to profit off every sale and use of the same individual item. The outcome is quite obviously bad for consumers and paves the way for the patentee to establish his own personal fortune, which is not one of the main purposes of patent law today.

The Supreme Court recognized and addressed this exact same issue in the case of copyrights. In looking at the statutory language, as well as the intent behind the doctrine, it held that there should be no geographical scope associated with the copyright exhaustion doctrine. Considering the strikingly similar origins of patent and copyright law, combined with the fact that the exhaustion doctrine derives from the same principles, there should be no geographical scope to the doctrine of patent law exhaustion.

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218 See supra Section III.B.
219 See U.S. Const. art. I, § 8, cl. 8.
220 See supra text accompanying notes 157–59.
221 See supra Section III.B.
222 See Jazz Photo Corp. v. Int’l Trade Comm’n, 264 F.3d 1094 (Fed. Cir. 2001).
223 See Section III.A. (explaining the absurd outcomes for consumers).
226 Id. at 1358–1360.
227 See supra Section III.C.