

Stanford Law School

Exhaustion, Implied Licenses and Reach-Through Claims

Barbara A. Caulfield, Dewey LeBoeuf LLP

Robin Feldman, UC Hastings College of the Law

David W. Hight, Becton, Dickinson and Company

Moderator: Nader Mousavi, WilmerHale

Agenda

- Background
- Example Fact Patterns
- “Solutions”
- Looking Ahead

Background: LG v. Quanta

Patent Holder



Intel



Quanta

Fact Pattern #1 – Sale

- Product is a patented Syringe
- Sold by patentee for use in Field A, not Field B
- Buyer uses in Field B
- Buyer resells and subsequent buyer uses in Field B



Fact Pattern #2 – License limited by field

- Patentee licenses Manufacturer to make/sell Syringe for use in Field A, not Field B
- Patentee has patents on Syringe and use in each Field
- Manufacturer sells Syringe and Buyer uses in Field B



Fact Pattern #3 – License limited by patents

- Same facts as #2 above, except:
- Patentee grants license only under
 - patent #1 covering Syringe
 - patent #2 covering use of Syringe in Field A
- License excludes grant under patent #3 covering use in Field B



“Solutions”

- Include express conditions
- Trigger contractual remedies upon excess use
- Impose contractual remedies on downstream
- License for sale only to “authorized” buyers
- License only under patents necessary for field
- Prosecute patents accordingly (by field)
- License at highest value point in distribution chain
- Covenants not to sue?
- Terminate CNS/license upon adverse judgment
- Parse statutory patent rights (e.g., make or use, not sale)
- Indemnification

Selected Case Citations

- LG Electronics v. Quanta Computer, 128 S.Ct. 2109 (2008)
- Transcore v. Elec. Trans., 2009 WL 929033 at *1 (Fed. Cir. Apr. 8, 2009)
- LG Electronics v. Hitachi, 2009 WL 667232 at *1 (N.D. Cal. Mar. 13, 2009)
- Static Control v. Lexmark, 2009 WL 891811 at *1 (E.D. Ky. Mar. 31, 2009)
- Mallinckrodt v. Medipart, 976 F.2d 700 (Fed. Cir. 1992)
- Monsanto Co. v. Scruggs, 459 F.3d 1328 (Fed. Cir. 2006)
- Monsanto v. McFarling, 302 F.3d 1291, . 1299 (Fed. Cir. 2002)
- United States v. Univis Lens Co., 316 U.S. 241 (1942)
- General Talking Pictures Corp. v. Western Electric, 305 U.S. 124 (1938)