IP Musings with Learned Paw & Percy the Lizard
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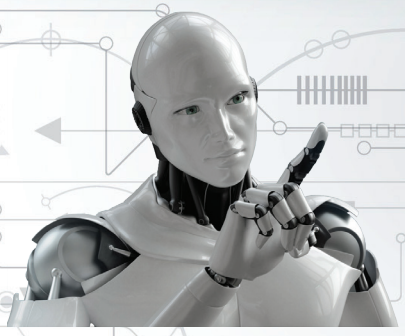

Nano Briefs For June

TC Heartland LLC v. Kraft Food Group Brands LLC (May 2017) 28 U.S.C. § 1400(b) is the patent venue statute. Prior to *TC Heartland*, the Federal Circuit interpreted the term "residence" in the statute to include any district in which the defendant is subject to personal jurisdiction. In interpreting the statute, the Federal Circuit had imported the meaning of the term "residence" as defined in § 1391(c) into § 1400(b). The Supreme Court reversed, ruling that the term "residence" means only the state in which a company is incorporated and does not have the meaning the term has under § 1391(c).

In the past, the Federal Circuit's reading of the statute led plaintiffs to file more than one-third of U.S. patent cases at the Eastern District of Texas, widely considered as a pro-plaintiff patent venue. After *TC Heartland*, patent cases will be brought in districts in states where the defendants incorporated, infringed, or established a place of business, thus significantly reducing the number of suits filed in the Eastern District of Texas.

Impression Products, Inc. v. Lexmark International, Inc. (May 2017). Impression Products purchased empty Lexmark printer toner cartridges (which had been previously sold by Lexmark), refilled the cartridges with ink, and resold the cartridges at a discount price. Lexmark sued Impression Products, alleging that Impression Products infringed Lexmark's patents on the cartridges.

In reversing the Federal Circuit, the Supreme Court ruled that when a patentee sells a patented item, the patentee exhausts all of its patent rights on the item, regardless of any restrictions the patentee attempts to impose or the location of the sale. The Supreme Court indicated that when an item passes into commerce, it should not be shaded by legal cloud on title as it moves through the marketplace. Slip Op. at 11.

Prior to *Impression Products*, the Federal Circuit held that a patent owner could sell portions of its patent rights. The rights that the owner did not sell along with the product could then be enforced during downstream sales because the first purchaser never acquired the full set of rights. Accordingly, under the court's rationale, Lexmark could restrict Impression Product's use of Lexmark toner cartridges.

Under the Supreme Court's ruling, all patent rights are extinguished at the first sale of the patented item, and Lexmark cannot place a single-use restriction on its toner cartridges. Should Lexmark wish to place restrictions on the use of cartridges, Lexmark would need to rely on contractual agreements instead of patent law.

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