No. 12-552

IN THE
Supreme Court of the United States

NINESTAR TECHNOLOGY CO., LTD.,
NINESTAR TECHNOLOGY COMPANY, LTD.,
AND TOWN SKY, INC.,

Petitioners,

v.

INTERNATIONAL TRADE COMMISSION,
EPSON PORTLAND INC., EPSON AMERICA, INC.,
AND SEIKO EPSON CORPORATION,

Respondents,

On Petition for a Writ Of Certiorari

BRIEF OF *AMICUS CURIAE* KNOWLEDGE ECOLOGY INTERNATIONAL IN SUPPORT OF PETITIONERS' PETITION FOR WRIT OF CERTIORARI

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INTEREST OF AMICUS CURIAE[1]

Knowledge Ecology International ("KEI") is an international non-profit organization that searches for better outcomes, including new solutions, to the management of knowledge resources. In particular, KEI is focused on the management of these resources in the context of social justice. KEI is drawn to areas where current business models and practices by businesses, governments or other actors fail to adequately address social needs or where there are opportunities for substantial improvements. Among other areas, KEI has expertise in access to medical technologies and access to knowledge issues.

KEI is concerned about the implications of the Federal Circuit decision in the present case because limiting the patent exhaustion doctrine to those goods manufactured or sold domestically will impact market competition and encourage manufacturers to send jobs abroad.

SUMMARY OF THE ARGUMENT

The patent exhaustion doctrine is a common law tradition that has existed in the United States

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[1] The parties have consented to the filing of this brief. Both Petitioner's consent to the filing of this brief as well as Respondent's consent have been filed with the Clerk of Court. Counsel of record for all parties received notice at least 10 days prior to the due date of the amicus curiae's intention to file this brief. No counsel representing any party to the case authored this brief, in whole or in part, and no counsel or party made any monetary contribution to the preparation or submission of the brief.

for over 150 years. This doctrine, analogous to the statutorily codified "first sale" doctrine of Copyright Law, limits the patent owner's control to the first sale of the technology. Once the first authorized sale occurs, the patent owner's right to the invention are considered exhausted.

This Court's precedent has long found that the first authorized sale, regardless of the place of manufacture or location of sale, exhausts the patent owner's rights to control future downstream sales. The Federal Circuit's recent decisions run contrary to this Court's longstanding history.

As a general rule, KEI favors international patent exhaustion, a rule that stood in the United States until the Federal Circuit's decision in 2001. Where desirable public policy favors limitations on international exhaustion, Congress is capable of providing such limitations through other laws or regulatory processes.

ARGUMENT

I. THIS COURT'S PRECEDENT APPLIES PATENT EXHAUSTION TO THE FIRST AUTHORIZED SALE OF PATENTED GOODS REGARDLESS OF PLACE OF MANUFACTURE OR LOCATION OF SALE

This Court has long applied a robust patent exhaustion doctrine, limiting the patent owner's rights to the first authorized sale of the item. Patent exhaustion serves to ensure that a patent owner

receives a single reward for his intellectual property, but does not "double dip." This doctrine also serves to provide certainty for downstream markets, permitting resale of patented goods. For over 150 years, this Court has applied the patent exhaustion doctrine and the Federal Circuit's decision against international exhaustion of rights in patented goods goes against this Court's precedent.

A. The Purpose of the Patent System is to Promote the Progress of Science and Useful Arts and Must Take Into Account the Public Interest

The Constitution expresses the rationale of the patent system to "promote the Progress of Science and useful Arts." U.S. CONST., art. 1, §8, cl. 8. The "embarrassment of an exclusive patent" is justified only because such limited time monopolies serve the "benefit of society." *Graham v. John Deere Co.*, 338 U.S. 1, 7-10 (1966) (*quoting* Thomas Jefferson).

The patent system must therefore be carefully balanced between promoting the progress of science, while also benefiting society. *See id.* at 5. As this Court has reminded, "the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents, but is 'to promote the progress of science and useful arts." *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1916); *see also United States v. Masonite Corp.*, 316 U.S. 265 (1942) (finding that patent rights "must be strictly construed so as not to derogate from the

general law beyond the necessary requirements of the patent statute); *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 329 (1858) (noting that "Whilst the remuneration of genius and useful ingenuity is a duty incumbent upon the public, the rights and welfare of the community must be fairly dealt with and effectually guarded."). Thus, the primary purpose of our patent system is for the benefit of society.

The doctrine of patent exhaustion has long been applied to limit patent rights and ensure protection of society, including the purchasers and users of patented technology. Nothing in this Court's precedent supports the Federal Circuit's limitation of the patent exhaustion to domestic manufacture sales.

B. The Federal Circuit's Opinion Limiting the First Sale Doctrine Violates the "Single-Reward" Principle and Inexplicably Disregards this Court's Patent Exhaustion Precedent

This Court has long applied a strong common law patent exhaustion doctrine, also known as the first sale doctrine, providing that after an authorized sale of a patented invention, the patent holder's rights terminate. The purchaser of the patented invention can, thereafter, use or resell the technology without seeking permission of the patent holder. This doctrine serves to protect the patent holder's interest in the patent by providing him with a single reward for his efforts, but also to protect the public

interest by increasing market competition and providing certainty in downstream, secondary markets.

For over 150 years, this Court has held that a patent holder's rights are exhausted after the first authorized sale. In 1853, this Court stated that the purchasers of patented items could be used "in ordinary pursuits of life" and after the technology "passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection" of the patent. *Bloomer v. McQuewan*, 14 How. 539, 549 (1853). This concept has been reaffirmed on numerous occasions.

Twenty years after *Bloomer*, this Court noted that once a sale is made, the patent owner "parts with the right to restrict that use." *Adams v. Burke*, 17 Wall. 453, 455 (1873). Further, the consequences of not applying a strong exhaustion would cause "inconvenience and annoyance to the public [that] are too obvious to require illustration." *Keeler v. Standard Folding Bed Co.*, 147 U.S. 659, 667 (1895). This Court has continually applied the patent exhaustion principle, limiting the patent holder to a single reward and preventing "double-dipping." *See United States v. Univis Lens Co.*, 316 U.S. 241 (1942); *Motion Picture Patents Co. v. Universal Film Mfg.*, 243 U.S. 502, 516 (1917) (finding that "the right to vend is exhausted by a single, unconditional sale, the article sold being thereby carried outside the monopoly of the patent law and rendered free of every restriction which the vendor may attempt to put upon it.").

Most recently, this Court continued to apply strong patent exhaustion principles in *Quanta Computer Inc. v. LG Electronics, Inc.* 553 U.S. 617, 631 (2008). There, this Court applied the patent exhaustion doctrine in the context of method patents but also suggested in a footnote that it rejected the argument that sales abroad do not exhaust United States patent rights. *Id.* at n. 6 ("LGE suggests that the Intel Products would not infringe its patents if they were sold overseas . . . But *Univis* teaches that the question is whether the products is 'capable of use only in *practicing* the patent,' not whether those uses are infringing . . . Whether outside the country or functioning as replacement parts, the Intel Products would still be *practicing* the patent, even if not infringing it.").

This Court's reasoning in applying a strong patent exhaustion doctrine is a practical one, permitting the patent owner to obtain a single reward for his efforts, but not allowing him to extract a toll for each subsequent sale. Additionally, the patent exhaustion doctrine protects against the concerns that "innocent purchasers will face too many restrictions; judicial enforcement of complex restrictions will be expensive and difficult; and traditional expectations regarding property ownership will be upset." Amelia Smith Rinehart, *Contract Patents: A Modern Patent Exhaustion Doctrine*, 23 HARVARD J. LAW & TECH. 483, 492 (2010). This Court has also established an unwillingness to categorically exclude certain claims from the doctrine of patent exhaustion and should

not seek to do so for goods manufactured and sold abroad. *See Quanta* at 622.

Lower courts in the United States have generally applied strong exhaustion principles, even where the article is manufactured or sold abroad. The Second Circuit, for example, found specifically in favor of international exhaustion and that purchasers abroad "acquires an unrestricted ownership in the article, and can use or sell it in this country." *Dickerson v. Matheson*, 57 F.524, 527 (2d Cir. 1893); *see also Curtiss Aeroplane & Motor Corp. v. United Aircraft Eng'g Corp.*, 266 F. 71, 78 (2d Cir. 1920). Similarly, the Sixth Circuit found that provided that a sale is not encumbered by contractual limits, "neither the patentee nor its licensee may exercise future control" over the patented products even where the goods were manufactured abroad. *Becton, Dickinson & Co. v. Eisele & Co.*, 86 F.2d 267, 268-70 (6th Cir. 1936). The Eight Circuit similarly indicated "that one who buys a patented article without restriction in a foreign country from the owner of the United States patent has the right to use and vend it in this country." *Dickerson v. Tinling*, 84 F. 192, 194-95 (8th Cir. 1897). Numerous district court decisions have followed this line of reasoning. *See* John A. Rothchild, *Exhausting Extraterritoriality*, 51 SANTA CLARA L. REV. 101, 118-24 (2011) (discussing the long history of applying international exhaustion); *Kabushibi Kaisha Hattori Seiko v. Refac Technology Development Corp.*, 690 F. Supp. 1339 (S.D. N.Y. 1988) ("In general, the first sale of a product by a patentee or licensee exhausts the patent monopoly, and deprives the holder of patent rights of any

further control over resale of the product. This principle applies to an authorized first sale abroad by a patentee or licensee who also has the right to sell in the United States. Following such a sale, the holder of United States patent rights is barred from preventing resale in the United States or from collecting a royalty when the foreign customer resells the article here.")

The common underlying theme in applying a strong patent exhaustion doctrine is to permit the patent owner one bite at the apple, that is to receive a single reward for his efforts. Thus, this Court's precedent:

> uniformly recognize[s] that the purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward for the use of his invention by the sale of the article, and that once that purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold. *United States v. Univis Lens Co.* 316 U.S. 241, 250-51 (1942).

In essence, the common law doctrine has long limited a patent holder to a single reward. Once that reward has been realized through an authorized sale, the patent holder relinquishes future rights to the article and cannot extract future tolls for subsequent sales. This principle should be applied regardless of place of manufacture or sale of the good, provided that the

patent holder has authorized the sale and, therefore, received his reward.

Until the Federal Circuit's decision in *Jazz Photo Corp. v. Int'l Trade Commission*, 264 F.3d 1094 (Fed. Cir. 2001), this robust doctrine of patent exhaustion—regardless of place of manufacture or sale of the patented good—remained the law in the United States. *See* Donald S. Chisum, 5 CHISUM ON PATENTS §16.05[3][a][ii] (1997) (noting that the United States applied a system of international exhaustion and that exhaust "occur[s] if a sale in a foreign country is unrestricted and the seller holds the patent rights to sell the United States as well as in the foreign country."). The *Jazz Photo* court found against international exhaustion by relying on this Court's decision in *Boesch v. Graff*, 133 U.S. 697, 701-03 (1890). Although *Boesch* stood for the proposition that where foreign sales are completed *without authorization* from the United States patent holder does not exhaust his rights, the Federal Circuit grossly misinterprets this holding. This Court reaffirmed that "[e]xhaustion is triggered only by a sale authorized by the patent holder." *Quanta Computer Inc. v. LG Electronics, Inc.* 553 U.S. 617 (2008).

The Federal Circuit cited *Boesch* for the proposition 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." *Jazz Photo*, 264 F.3d at 1105. In its holding in *Jazz Photo*, the Federal Circuit erroneously relies on *Boesch*, a case that is clearly distinguishable because that case involved sales that

were *never* authorized by the United States patent holder. Additionally, the *Jazz Photo* decision ignores the long line of other common law precedent supporting international exhaustion. The Federal Circuit's decisions in both *Jazz Photo* and the present case go against 150 years of precedent, without any accurate basis for doing so. Furthermore, in so holding, patent holders would be eligible for at least two rewards—once in a foreign country and at least once in the United States—violating the longstanding "single reward" principle. John A. Rothchild, *Exhausting Extraterritoriality*, 51 SANTA CLARA L. REV. 101, 129 (2011).

II. THE FEDERAL CIRCUIT'S LIMITATIONS ON THE PATENT EXHAUSTION DOCTRINE CAN HAVE NEGATIVE AND UNINTENDED IMPACTS FOR THE UNITED STATES ECONOMY AND THE UNITED STATES

A. The Federal Circuit Decision Regarding Foreign Manufactured Goods Can Produce Absurd Results by Providing Greater Patent Protection to Goods Manufactured in a Foreign Country

The Federal Circuit decision in the present case relies on its earlier decision in *Jazz Photo Corp. v. U.S. Int'l Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001). In the opinion below, the Federal Circuit quotes the *Jazz Photo* decision: "United States patent rights are not exhausted by the products of foreign provenance. To invoke the protection of the

first sale doctrine, the authorized first sale must have occurred under the United States patent." *Id.* at 1105. In fact, the opinion below in the present case may actually have expanded the *Jazz Photo* holding because it summarized that case's holding as follows: "United States patents are not exhausted as to products that are *manufactured* and sold in a foreign country, and that importation of such products may violate United States patents." *Ninestar Tech. Co. v. Int'l Trade Comm'n.*, 667 F.3d 1373 (Fed. Cir. 2012) (emphasis added). Thus, according to the Federal Circuit's most recent opinion regarding international exhaustion, limitations on the first sale doctrine apply both to goods manufactured and sold outside the United States.

The result of the Federal Circuit's limitation on patent exhaustion provides greater protections for those goods manufactured and sold abroad. In the United States, once a product is lawfully sold, the patent holder has received his reward and thus relinquishes future control over that object. By contrast, according to the Federal Circuit, simply by manufacturing and selling goods abroad, the patent holder can retain his rights over that object. If the Federal Circuit's decision applies to goods merely manufactured in a foreign country, as implied in the decision below, then the patent holder will retain indefinite rights to extract royalties for future sales of the patented product. The decision results in greater rights for foreign made goods, providing an incentive to manufacture abroad.

This Court has never reviewed the *Jazz Photo* holding and, given the Federal Circuit's continued reliance on that decision, this case presents an opportunity to revisit the application of the patent exhaustion doctrine to patented goods sold abroad.

B. Eliminating International Exhaustion for Foreign Made Goods Likely Results in Harm to the United States Economy

Applying national exhaustion rather than international exhaustion could result in harm businesses in the United States. National exhaustion creates the undesirable result that foreign made goods may have greater protection that domestically manufactured goods. If the rule applies to goods manufactured abroad, the patent holder will never lose its rights over the product during the period of patent protection, even if he authorizes a sale within the United States. Regardless of how many times the patented good has changed hands, the patent holder would still have the right to seek royalties or prevent the use of the patented object. Thus, secondary markets would be eliminated for all goods manufactured abroad. Absurdly, this right to retain indefinite control over the patented object would apply only to foreign manufactured goods and not to domestically manufactured products. As a result, patent holders would have an incentive to move manufacture abroad.

Encouraging foreign manufacture harms the United States economy and domestic manufacturers will see a loss of jobs. Essentially, if the Federal

Circuit's opinion is permitted to stand, patent holders in the United States will have an incentive to move manufacturing jobs—and thus employment—to foreign countries in order to retain greater rights over the patented object and escape exhaustion of rights.

Even if the rule applies only to foreign sales of patented goods, rather than manufacture and sales, negative consequences to United States business interests may still result. Patents cover a wide range of products, many of which businesses in the United States depend upon in order to operate. The present case involves the exhaustion over patents on ink cartridges and, from a policy perspective, it would be wise to consider how whether businesses in the United States should pay more for ink than their competitors in foreign economies. The question applies more broadly and this Court should consider how elimination of international exhaustion affects domestic businesses in a global economy.

The opinion below therefore results in harm to the United States economy, both by encouraging businesses to manufacture patented goods abroad, but also by forcing domestic companies to pay higher prices than their competitors in other countries.

C. Eliminating International Exhaustion for Foreign Made Goods Likely Results in Harm to United States Consumers

Another obvious consequence of applying national rather than international exhaustion is the

price discrimination against United States consumers:

> It appears that at least some parallel importing is spurred by price discrimination against United States consumers. Parallel imports can play an important role in neutralizing that discrimination, and undercutting any retailer or wholesaler collusion that may have precipitated. Moreover, even in the absence of price discrimination, as such, parallel imports may provide beneficial price competition that may lead to lower prices for consumers and prompt patentees and their licensees to find ways to manufacture and distribute patented goods more efficiently. Margreth Barrett, *The United States' Doctrine of Exhaustion: Parallel Imports of Patented Goods*, 27 N. KY. L. REV. 911, 976 (2000).

Consumers in the United States are often the target of price discrimination, forced to pay higher prices for patented goods than in other countries.

The Federal Circuit decision not only implicates the prices of those goods purchased in retail stores, but also eliminates competition of secondary, downstream markets, such as secondhand stores, garage sales, eBay and Craigslist where the goods sold are patented and manufactured or sold in a foreign country. If the opinion below indeed applies to goods manufactured abroad, the patent

holder could retain the rights to all future sales of the product during the period of patent protection even after an authorized domestic sale. Thus, the patent holder can prevent resell of its products that it manufactures abroad. Elimination of secondary markets ultimately serves to keep prices even higher by reducing the ability for consumers to purchase used goods at lower prices. As a result, consumers in the United States will likely pay higher prices and no longer have alternative options, such as the purchase of used goods in secondary markets.

D. The Federal Circuit's Decision Rejecting Application of Patent Exhaustion to Foreign Sales Provides an Unworkable Standard

Even if the Federal Circuit's rejection of the patent exhaustion doctrine applies only to foreign sales of works, as noted in *Jazz Photo*, rather than sales and manufacture, as suggested in the present case, such application is still unwarranted.

First, limitation of the patent exhaustion doctrine to the first authorized sale within the United States creates a difficult standard with which to comply, particularly for downstream users. Where a downstream consumer purchases a patented product domestically, if national exhaustion principles apply, he must independently verify that a first authorized sale occurred within the United States. He must do so even if he does not intend to re-sell the patented item because the very use of the good may infringe the patent if no authorized sale occurred.

Where re-sale does occur, the current possessor of the patented item is unlikely to have a record of the chain of title and it is unlikely that he will be able to accurately determine whether an authorized first sale took place. For example, a consumer purchasing a patented good through a downstream market, such as Craigslist or eBay, may have no way of knowing whether the first sale was an authorized first sale that occurred within the United States. Some objects contain multiple products that may be protected by patents, increasing the difficulty in ascertaining full chain of title and assuring that use and re-sale does not infringe on any patent rights.

E. In the Limited Circumstances Where Reasonable Policy Grounds Exist to Limit Parallel Importation of Goods, Congress Has Demonstrated Its Ability to Provide Such Limitations

As a general rule, KEI supports application of international patent exhaustion because of the harms otherwise caused to domestic consumers and businesses. However, KEI recognizes that in limited circumstances, valid public policy reasons may exist favoring national patent exhaustion.

For example, in the case of pharmaceutical drugs, it may be desirable to limit parallel importation. Those living in developing countries

cannot pay the high—often unjustifiably so[2]—monopoly prices for medicines paid in the United States. In order to promote access to life-saving medicines in developing countries, it may be necessary to provide assurances to patent holders that providing low-priced pharmaceutical drugs in other countries will not harm their pricing models in high-income countries.

In 1988, Congress passed the Prescription Drug Marketing Act of 1987, amending the Federal Food, Drug and Cosmetic Act (FDCA), which included an explicit ban on re-importation of medicines. Prescription Drug Marketing Act of 1987, Pub. L. 100-293, H.R. 1207 (100th Cong., Apr. 22, 1988). Section 3 of this Act specifically addresses re-importation of prescription drugs noting the

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[2] We note that there have been examples of abusive pricing schemes within the United States by large pharmaceutical companies. For example, the price of the HIV/AIDS drug, ritonavir is priced between four and ten times higher than the price in other high-income countries. It may, therefore, be appropriate to consider whether, where restrictions are in place to limit parallel importation, good public policy supports permitting parallel importation of goods amongst countries of similar economic levels, such as the United States with other high-income countries. More information regarding this issue of abusive pricing of medicines invented using federal funding is available in the march-in petition submitted by four public health groups on October 25, 2012. Request for March-In on Abbott Patents for Ritonavir on Grounds that Abbott Private Sector Prices are Higher in USA than in Other High Income Countries, and Abbott's Refusal to License Patents for Non-Abbott Fixed Dose Combinations of HIV Drugs (Oct. 25, 2012), *available at* http://keionline.org/sites/default/files/2012_Oct25_Ritionavir_march_in_complaint.pdf

following amendments to Section 801 of the FDCA, codified at 21 U.S.C §381:

> (d)(1) Except as provided in paragraph (2), no drug subject to section 503(b) which is manufactured in a State and exported may be imported into the United States unless the drug is imported by the person who manufactured the drug.
>
> (2) The Secretary may authorize the importation of a drug the importation of which is prohibited by paragraph (1) if the drug is required for emergency medical care.

While the patent exhaustion doctrine limits patent rights, the FDCA provides manufacturers of drugs an additional importation right not subject to the same limitations on patent rights. Thus, where desirable public policy supports limitations on international patent exhaustion in certain circumstances, Congress can provide such limitations through mechanisms outside the Patent Act.

III. INTERNATIONAL LAW EXPLICITLY PERMITS SYSTEMS OF INTERNATIONAL EXHAUSTION AND NUMEROUS COUNTRIES PERMIT PARALLEL IMPORTATION OF PATENTED GOODS

Permitting a system of international exhaustion and allowing parallel importation of

patented goods complies with standards of international law. The World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) explicitly leaves to each member states the freedom to address exhaustion of intellectual property. TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994), at Art. 6. Each country can therefore determine whether to apply a system of national exhaustion or to apply international exhaustion. A World Intellectual Property Organization (WIPO) report in 2010 confirmed:

> Article 6 of the TRIPS Agreement does not establish which level of exhaustion (i.e., national, regional or international) members shall adopt, subject to its provisions on national treatment and most-favored-nation treatment. The decision about the level of exhaustion that is appropriate for a given country is a matter of policy consideration, in which some elements are not IP related, but based on certain market situations. WIPO Committee on Development and Intellectual Property (CDIP), *Patent Related Flexibilities in the Multilateral Legal Framework and Their Legislative Implementation at the*

National and Regional Levels, (5th Sess.), CDIP/5/4 (Mar. 1, 2010) at ¶59 [hereinafter WIPO CDIP Report].

According to the WIPO CDIP Report, a number of countries contain international exhaustion provisions in their laws. The report provides a list of countries with statutory international exhaustion provisions, including: Andorra, Antigua and Barbuda, Argentina, Armenia, China, Costa Rica, Dominican Republic, Egypt, Guatemala, Honduras, India, Jordan, Kenya, Nicaragua, Pakistan, Paraguay, Philippines (for drugs and medicines), Singapore (with the exception of pharmaceutical products under certain conditions) South Africa, Uruguay, and Vietnam. WIPO CDIP Report at ¶58 and Annex II(2). Japan, like the United States does not have a statutory provision regarding patent exhaustion. Japan's case law, however, does apply international exhaustion principles, absent any contractual restrictions. Nanao Naoko, et. al., *Decisions on Parallel Imports of Patented Goods*, 36 IDEA: J.L. & TECH. 567, 568 (1996); WIPO CDIP Report at ¶60, n.66. ("In Japan, a recent decision of the Supreme Court seems to point to an international level of exhaustion (*Recycle Assist, Co. Ltd. V. Canon, Inc.*, Japan Supreme Court, Heisei 18 (jyu) 826)). New Zealand, a country not covered by the WIPO survey, also applies international exhaustion to patented goods. T. Syddall, *Parallel Imports get Go-Ahead in New Zealand*, MANAGING INTELLECTUAL PROPERTY (Oct. 1998).

Numerous countries that do not apply international exhaustion, including those in the European Union or the Andean Community, provide for systems of regional exhaustion. WIPO CDIP Report at Annex II(2).

National exhaustion is more frequently used "in African countries, such as Ghana, Liberia, Madagascar, Morocco, Mozambique, Namibia, Tunisia, Uganda, and a certain number of Asian countries, such as the Philippines." Marco Aleman, *WIPO Regional Seminar on the Effective Implementation and Use of Several Patent-Related Flexibilities, Patent Exhaustion* (2011), *available at* http://www.wipo.int/edocs/mdocs/patent_policy/en/wipo_ip_bkk_11/wipo_ip_bkk_11_ref_topic14.pdf.

Permitting international exhaustion of rights is a clear flexibility reserved to countries under international law. Relatively few countries favor national exhaustion regimes and systems of regional or international exhaustion of rights are more frequently used. Applying international exhaustion therefore would not upset any international obligations under the TRIPS Agreement, nor would it violate any prevailing international standards.

IV. THIS CASE PROVIDES AN APPROPRIATE VEHICLE TO CONSIDER APPLICATION OF THE PATENT EXHAUSTION DOCTRINE TO FOREIGN MADE PRODUCTS

The Federal Circuit's inexplicable reversal of the longstanding precedent of international patent

exhaustion has no basis. The continued reliance on its faulty reasoning in *Jazz Photo*, such as in the present case, ignores this Court's precedent. The present case provides an appropriate vehicle for this Court to consider application of the patent exhaustion doctrine to foreign made goods because this case presents clear questions of law. More than ten years after the Federal Circuit refused to apply patent exhaustion to foreign made works, it is time for this Court to review the unjustified *Jazz Photo* result and provide certainty in the area of patent exhaustion.

In the alternative, we support Petitioners' request that this Court hold this case until determinations are made in the pending cases of *Kirtsaeng v. John Wiley & Sons*, No. 11-697 (cert. granted Apr. 16, 2012) and *Bowman v. Monsanto*, No. 11-796 (cert. granted Oct. 5, 2012). The *Kirtsaeng* case presents analogous considerations in the copyright context. While the first sale doctrine under copyright law is statutorily codified while patent exhaustion is a common law doctrine, both are grounded in the same public policy of providing a single reward to the intellectual property right holder. The decision and reasoning in *Kirtsaeng* is likely to have an impact on the present case. Furthermore, the *Bowman v. Monsanto* case presents a question directly related to patent exhaustion. Although that case involves domestic goods and a question of self-replicating technology rather than international exhaustion of rights, dicta and reasoning of this Court in that case may similarly affect the general application of patent exhaustion. It would therefore be appropriate for

this Court to hold the present case until decisions are made in the other exhaustion of rights cases currently before this Court.

CONCLUSION

For the reasons stated above, KEI supports the Petitioners' petition for writ of certiorari. In the alternative, KEI supports Petitioners' request that this Court hold this case until opinions are issued in the currently pending cases before this Court of *Kirtsaeng v. John Wiley & Sons* and *Bowman v. Monsanto*.

Respectfully submitted,

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