No. 15-1189

In the Supreme Court of the United States

IMPRESSION PRODUCTS, INC.,
Petitioner,

v.

LEXMARK INTERNATIONAL, INC.,
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR DOLBY LABORATORIES, INC. AS AMICUS CURIAE IN SUPPORT OF RESPONDENT

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BRIEF FOR DOLBY LABORATORIES, INC. AS AMICUS CURIAE SUPPORTING RESPONDENT

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INTEREST OF AMICUS CURIAE

Since its founding in 1965, Dolby Laboratories, Inc. ("Dolby Labs") has dedicated itself to research and innovations that have revolutionized consumers' enjoyment of audio and audio-visual entertainment. Among the many innovations and technologies Dolby Labs has developed are noise reduction systems and methods employed by the recording and cinema industries, including surround sound technology used in cinema and home entertainment systems. Most recently, Dolby Labs has developed Dolby Vision™, a pioneering imaging technology for home and cinema applications. Dolby Labs focuses on the development of cutting-edge technology for audio/video storage, delivery and playback, and creates audio/video systems that are incorporated into products worldwide. As a result of its cutting-edge inventions, Dolby Labs has been awarded and owns numerous patents.[1]

Dolby Labs widely licenses its unique technology to hundreds of companies around the globe, including through industry-wide patent pools, to provide the solutions, services and support these licensees use to create engaging products and content and premium

[1] Pursuant to Rule 37.6, Dolby Labs affirms that no counsel for a party authored this brief in whole or in part, and that no person other than amicus or its counsel contributed any money to fund its preparation or submission. All parties have consented to the filing of this amicus brief.

audio/visual experiences for consumers. As a developer and licensor of innovative technology, Dolby Labs has a strong interest in the correct and consistent application of the patent laws that allow it and others to innovate and achieve fair value for their investment in research and development.

SUMMARY OF ARGUMENT

I. The Constitution provides Congress the power to "promote the progress of science and useful arts," U.S. Const. art. I, § 8, cl. 8, and to that end Congress enacted the Patent Act, which provides inventors who are granted patents exclusive rights to make, use, sell or import their inventions, or to license others to do so, for a limited time. See 35 U.S.C. § 154(a). Nothing in the Patent Act requires a patentee to license its invention to others, and there is no statutory requirement that a license, if granted, must authorize the licensee to perform every act within the patent grant. The doctrine of patent exhaustion is not to the contrary. Put simply, patent exhaustion means that once a patentee has authorized others to perform all the exclusive rights granted to the patentee, the patentee cannot thereafter seek to control the use of the patented article within the scope of the authorization that has been granted. On the other hand, patentees and licensees are free to define the scope of their licenses within the scope of the patent. Indeed, some licensees may not require each of the freedoms to make, use and/or sell, and may not wish to pay for rights they do not need. Rights never granted are not authorized and cannot be subject to exhaustion. Hence, a lawful restriction on the scope of a license or limited authorization in a sale or license grant should be upheld.

To prevent inefficiencies, patentees and licensees should not be forced to include in a transaction—and, it follows, in the price—rights neither party wishes to have conveyed. Numerous patentees use the current patent exhaustion framework to tailor their licenses in ways that are beneficial to innovation and consumer choice. Requiring patentees to license all rights or none at all through application of a rigid exhaustion rule, or requiring licensees to pay for the value of all rights or receive none at all, will result in less efficient licensing and less innovation.

II. Similarly, the Court should not overrule the long-standing rule that a foreign sale does not exhaust U.S. patent rights. The court of appeals' holding is fully consistent with the territorial limits of U.S. patent law, U.S. patent policy and concerns regarding patent enforcement in foreign jurisdictions. *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), which addressed the statutory first-sale rule applicable to copyrighted works, is not analogous and does not call for a different outcome. Rather, maintaining international exhaustion encourages innovation by allowing patent holders to price patented technology according to the country of sale. Patentees can always opt-in to international exhaustion through contract when appropriate—indeed, many already do.

ARGUMENT

I. THE COURT SHOULD UPHOLD THE RIGHT OF PATENT HOLDERS TO GRANT LIMITED AUTHORIZATIONS TO LICENSEES AND PURCHASERS.

A. This Court Has Consistently Upheld the Right of Patentees to Grant Limited Authorizations and Its Decision in *Quanta* Did Not Change that Rule.

1. This Court, for nearly 150 years, has expressly affirmed patent holders' ability to license or authorize less than the full set of rights provided to patentees under the patent grant. See *Gen. Talking Pictures Corp.* v. *Western Electric Co.*, 304 U.S. 175 (*GTP I*), *aff'd on reh'g*, 305 U.S. 124, 126 (1938) (*GTP II*) (holding that "where a patented invention is applicable to different uses, the owner of the patent may legally restrict a licensee to a particular field and exclude him from others"); *United States* v. *Gen. Elec. Co.*, 272 U.S. 476, 489 (1926) (noting a patentee's right to grant limited licenses and impose "any condition the performance of which is reasonably within the reward which the patentee by the grant of the patent is entitled to secure"); *E. Bement & Sons* v. *Nat'l Harrow Co.*, 186 U.S. 70, 91 (1902) ("[T]he rule is, with few exceptions, that any conditions which are not in their very nature illegal . . . , imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the article, will be upheld by the courts."); *Mitchell* v. *Hawley*, 83 U.S. 544, 547-50 (1872); *Providence Rubber Co.* v. *Goodyear*, 76 U.S. (9 Wall.) 788, 799-800 (1870).

In *Quanta Computer, Inc.* v. *LG Electronics, Inc.*, 553 U.S. 617 (2008), the Court did not disturb the principles set forth in the foregoing decisions. The Court had no occasion to address post-sale restrictions on use because the sales at issue in *Quanta* imposed no such restrictions. *Id.* at 636 ("Nothing in the License Agreement restricts Intel's right to sell its microprocessors and chipsets to purchasers who intend to combine them with non-Intel parts.").

While Petitioner does not dispute that an unauthorized sale by a licensee cannot give rise to exhaustion under the rule in *General Talking Pictures*, Petitioner argues that the holding does not permit any "post-sale" restrictions on use. Pet. Br. 40. That distinction makes no sense: if a patentee may in the proper exercise of its rights limit which sales may be "authorized" by a licensee based on a product's intended use, the same patentee should be able to make a sale in which the authorized uses are limited. As an economic and practical matter a sale and a license are the same. See Glen O. Robinson, *Personal Property Servitudes*, 71 U. Chi. L. Rev. 1449, 1469 (2004) (lauding the Federal Circuit's "elimination of the formalistic distinction between sale and licensing" in *Mallinckrodt, Inc.* v. *Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992)). A contrary rule merely adds unnecessary transactional complication, such as patentees dividing their product sales and licensing business to accomplish the same ends.

2. The reason this Court, the court of appeals and the district courts have consistently upheld contractual limitations is grounded in the basic policy objective of patent law—appropriately rewarding inventors for their development of the useful arts through the grant of time-limited periods during which others may not practice an invention absent authorization. It follows from a patentee's exclusive rights that a patentee

may choose to make or not make, use or not use, and sell or not sell embodiments of the patent, and may, similarly, limit the forms such embodiments may take or the fields in which they may be used by others. See *E. Bement & Sons*, 186 U.S. at 90-91. Likewise, the patentee may authorize others to do anything the patentee could do through a license, and may limit that license just as a patentee may limit its own activities. *GTP I*, 304 U.S. at 181 ("Patent owners may grant licenses extending to all uses or limited to use in a defined field."); *cf.* 35 U.S.C. § 271(d)(4). And, as the Federal Circuit noted in *Princo Corp.* v. *International Trade Commission*, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (en banc), with a "conditional sale or license . . . it is more reasonable to infer that [the] negotiated price reflects only the value of the 'use' rights conferred by the patentee." In other words, to reflect economic reality the rights expressly granted for an agreed price should determine whether such rights have been "exhausted."

B. The Court of Appeals' Ruling Is Further Supported by the Goals of the Patent Act.

1. Upholding the ruling below is consistent with the objectives of patent law, including encouraging licensing and the free flow of patented goods. Petitioner and its amici raise the common-law rule against restraints on alienation as a justification for broadening the scope of the patent exhaustion doctrine to override conditions or restrictions agreed to in license contracts. See Pet. Br. 13; see also, *e.g.*, Br. Intellectual Prop. Professors and Am. Antitrust Inst. in Support of Pet. 3-7. This attempt to circumscribe patentees' rights is based on a series of misapprehensions

about how transactions involving patent rights occur in the real world.

As Congress has made clear, patent law gives patent holders a time-limited monopoly over their inventions, including the right to "refuse[] to license or use *any* rights to the patent." 35 U.S.C. § 271(d)(4) (emphasis added). In contrast, the putative concern over restraints is based on a speculative assumption that has no basis in the facts of this case. As set out in the Federal Circuit's opinion, Lexmark chooses to sell its patented printer cartridges as *either* single-use or multi-use at different price points with unambiguous terms alerting purchasers as to the authorized use. Pet. App. 10a-11a; see Pet. Br. 3-4 (describing both types of Lexmark cartridges).

There is no evidence of any consumer confusion or that any purchasers believed the single-use cartridges at issue were, in fact, sold as refillable multi-use cartridges; customers were able to make informed choices and pay only for what they required. Consequently, there is no reason to limit the freedom to contract of both Lexmark *and* consumers to require that Lexmark sell only multi-use cartridges as a matter of law. Removing end-user choice in the guise of end-user protection would be perverse and harmful.

2. More broadly, using patent exhaustion as a blunt tool to provide transactional certainty is unnecessary. The holdings of *General Talking Pictures* and the Federal Circuit below do not weaken transaction certainty because the patent holder or licensee must, at a minimum, provide adequate notice of any limitations on the patentee's authorization to the purchaser. See Pet. App. 60a (describing "the specific scenario we are addressing today" as one in which "the accused infringer had adequate notice at the time of purchase"

of "a single-use/no-resale restriction"); *Hewlett-Packard Co.* v. *Repeat-O-Type Stencil Mfg. Co.*, 123 F.3d 1445, 1453 (Fed. Cir. 1997) ("[A] seller's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product."); *Mallinckrodt*, 976 F.2d at 701, 709; see also Mark R. Patterson, *Must Licenses Be Contracts? Consent and Notice in Intellectual Property*, 40 Fla. St. U. L. Rev. 105, 116 (2012) (noting licensing and sales restrictions on patented goods generally must meet requirements of contract law to be enforceable). Thus, to the extent that the patent exhaustion doctrine is intended to protect consumers and take products that have been purchased for use in the ordinary pursuits of life beyond the control of the patent holder, contract law and the requirement of adequate notice are sufficient to achieve that goal.

The danger of end users purchasing a product sold outside the permissible scope allowed under a license from an unscrupulous infringing seller are, of course, similar to the risks inherent in any purchase of a potentially patented article, and are overstated by Petitioner. See Pet. App. 60a. To the extent that issue requires a consumer protection remedy, the patent exhaustion doctrine is an overly blunt tool that would neither fully address the issue nor adequately account for countervailing concerns. See Innovation Act, H.R. 9, 114th Cong. § 5 (2015) (proposing a customer-suit exception that provides certain actions against a customer may be stayed so long as the customer agrees to be bound by the results of the suit against the manufacturer).

3. Further, overruling the conditional sales rule may negatively impact technology developers' ability

to contract with various parties in a production chain and drastically alter existing licensing practices and expectations. In today's environment of ubiquitous technology, patented inventions often derive their commercial value from a combination of complementary factors, including "manufacturing and distribution facilities, workforces, advertising and other items of intellectual property." Simone A. Rose, *Patent "Monopolyphobia": A Means of Extinguishing the Fountainhead?*, 49 Case W. Res. L. Rev. 509, 518 (1999). The monetary value attached to different patent rights by various participants in the production chain may diverge considerably, and it will not be the optimal solution in every case that a single link in the production chain should bear the entire cost of all rights granted by a patent.

To the contrary, and particularly in sophisticated high-technology products involving multiple actors producing components and inputs, the ability of patentees and their licensees to appropriately divide patent rights among different actors in the production chain so that each pays a proportionate royalty commensurate with the value each actor receives—instead of a total royalty charged to only one party—can be efficient and ensure that no one party in the production process bears the entire cost. See Anne Layne-Farrar, *An Economic Defense of Flexibility in IPR Licensing: Contracting Around First Sale in Multilevel Production Settings*, 51 Santa Clara L. Rev. 1149, 1176 (2011). Economic efficiencies can be achieved by permitting the market to determine pricing based on the value each participant derives from the specific patent rights. *Id.*; see *Princo*, 616 F.3d at 1328. On the other hand, using patent exhaustion as a policy tool to *require* that patent licenses take only one form—a full grant exhausting all rights—will necessarily lead to inefficiencies and limit market solutions and choices.

Additionally, enabling patent holders and licensees to "divide" licensing fees among various users of the rights inherent in the patent grant can help ensure that technology developers are fairly rewarded for their investment by reducing underreporting and increasing transparency and fairness in licensing. Layne-Farrar, *An Economic Defense of Flexibility*, *supra*, at 1164. In particular, when patent holders can divide licensing fees among users, individual fees become lower, providing less incentive for licensees to underreport. *Id.* at 1166. Patent holders can also choose the point or points in the production chain whose sales are most accurately tracked, thereby increasing transparency and fairness. *Id.* at 1164-65.

In light of these economic realities, numerous "real world" patentees and licensees recognize the efficiencies in limited licenses and have contractually agreed to limited patent licenses based, in part, on the *General Talking Pictures* and *Malinckrodt* rule. For example, the present amicus, Dolby Labs, participates in a number of industry-wide standard licensing programs offered through patent pooling. One of these, the AVC/H.264 video codec pool offered by MPEG LA, LLC ("MPEG LA"), provides licenses to the patent portfolio in two ways. MPEG LA first licenses the manufacture and sale of products that encode and decode video using the patented codec. MPEG LA, *AVC Patent Portfolio License Briefing* 8 (2016), http://www.mpegla.com/main/programs/AVC/Documents/avcweb.pdf. This license includes the right for end users to use purchased products in non-commercial contexts. MPEG LA also separately licenses others for commercial contexts. *Id.* This allows MPEG LA to charge a lower total royalty to those licensees who obtain lower remuneration from use of the licensed technology. This license structure allows MPEG LA to apportion "reasonable royalties . . . throughout the AVC/H.264 value chain" in a way that "align[s] with the real-world flow of AVC/H.264 commerce." *AVC/H.264 Introduction*, MPEG LA, http://www.mpegla.com/main/programs/AVC/Pages/Intro.aspx. More than 1400 licensees have taken an MPEG LA license, reflecting the practice and logic of allowing licensees to pay only for what they need and use. *AVC/H.264 Licensees*, MPEG LA, http://www.mpegla.com/main/programs/AVC/Pages/Licensees.aspx. This Court should maintain the current flexibility in the law and not disturb common industry practice, which would increase transactional costs and, ultimately, costs to consumers.

II. THE COURT SHOULD UPHOLD THE COURT OF APPEALS' RULING "THAT THERE IS NO LEGAL RULE THAT U.S. [PATENT] RIGHTS ARE WAIVED . . . SIMPLY BY VIRTUE OF A FOREIGN SALE."

A. Patent Law Is Territorial and Should Not Be Subject to a Rule of International Exhaustion.

1. Patent law is territorial in nature. See 35 U.S.C. § 154(a)(1) (patent grants exclusive rights "throughout the United States"); *id.* § 271(a) (defining infringement based on conduct "within the United States" or importation "into the United States"). Thus, "[t]he presumption that United States law governs domestically but does not rule the world applies

with particular force in patent law." *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 454-55 (2007).

The inherently territorial nature of U.S. patent law mandated the ruling below, in which the court of appeals adhered to its prior conclusion "that there is no legal rule that U.S. [patent] rights are waived, either conclusively or presumptively, simply by virtue of a foreign sale." Pet. App. 64a (citing *Jazz Photo Corp.* v. *Int'l Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001)).

This Court's decision in *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), which addressed the statutory first-sale doctrine under the Copyright Act, does not alter the rule that U.S. patent law "does not rule the world" or suggest that U.S. patents should be exhausted by foreign sales without authorization of the patentee. To the contrary, because U.S. patents, like patents in foreign jurisdictions, are creations of the domestic government, the exclusivity they provide is limited to the territorial purview of the granting government. (Similarly, rights granted under foreign patents cannot affect or abridge rights granted by U.S. patents.) Such inherently domestic rights cannot be exhausted by foreign sales that do not purport to grant any authorization to make, use or sell in the United States or import into the United States.

2. In addition to the textual differences between domestic copyright and patent laws, there also are significant differences in the international regimes that exist for protecting copyrighted works and patents that militate in favor of preserving the rule against extraterritorial exhaustion in the patent context. Although there are some similarities in national patent laws, differences remain, and inventions patentable in one nation may not be protected in another

or may receive a different level of protection. Moreover, a significant and complex system exists to allow a patent applicant to select those nations in which it seeks to protect its innovations. The patchwork system of international patent protection stands in stark contrast to the long-standing international regime for copyright in which the same "work," as opposed to potentially different patent claims, defines the scope of protection.

The international community has attempted to harmonize national patent laws but with far less success than in the copyright field, and for good reasons. The Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"), a product of the World Trade Organization, is the leading agreement on international patent protection, and requires each WTO member's national laws to provide certain minimum substantive patent rights. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 (1994) [hereinafter TRIPS]; see *Voda* v. *Cordis Corp.*, 476 F.3d 887, 899 (Fed. Cir. 2007) (discussing TRIPS). Unlike the global protection afforded to copyrighted works under the Berne Convention for the Protection of Artistic and Literary Works, Sept. 9, 1886, S. Treaty Doc. No. 99-27, there is no global system of protecting patented inventions. See *How Can Patents Be Obtained Worldwide?*, Question addressed in *Frequently Asked Questions: Patents*, World Intellectual Property Organization, http://www.wipo.int/patents/en/faq_patents.html ("At present, you cannot obtain a universal 'world patent' or 'international patent[.'] Patents are territorial rights."). Inventors must apply for patent protection in the various countries and regions where they seek to preserve exclusivity over their inventions. See *Voda*, 476 F.3d at 899 ("[N]othing in the [Patent Cooperation Treaty] or [TRIPS] contemplates or allows one jurisdiction to adjudicate patents of another.")

Moreover, there remain great divides on the substantive aspects of national patent laws, such as patentable subject matter, prior art, novelty, and nonobviousness. See, *e.g.*, David J. Kappos, *Patent Law Harmonization: The Time Is Now*, Landslide, July/August 2011, at 16, 17; Margaret A. Boulware *et al.*, *An Overview of Intellectual Property Rights Abroad*, 16 Hous. J. Int'l L. 441, 450 (1994) (noting some utility model patents and industrial design patents available in foreign countries need only be novel); *Procedures for Obtaining a Patent Right*, Japan Patent Office, http://www.jpo.go.jp/cgi/linke.cgi?url=/tetuzuki_e/t_gaiyo_e/pa_right.htm (substantive examination of patentability includes determination of whether "the claimed invention is liable to contravene public order and morality"). Indeed, it was only recently with the passage of the Leahy–Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), that the United States harmonized such matters as the "first-to-file" principle with general practice in the rest of the world. See *Madstad Eng'g, Inc.* v. *U.S. Patent & Trademark Office*, 756 F.3d 1366, 1368 (Fed. Cir. 2014) (discussing adoption of first-to-file rule). In part, the lack of success in harmonizing national patent laws is due to the varying national views on the objectives of patent law. Patent laws implicate complex policy concerns upon which nations do not fully agree.

3. Where a patentee lacks or has more limited rights in a foreign jurisdiction, including due to dif-

ferences in law or enforcement mechanisms, the sale of a patented article in that jurisdiction should not exhaust the patentee's U.S. patent rights where there is no indication that the patentee intended to relinquish U.S. rights through a foreign transaction. To hold otherwise would work injustice on many U.S. patentees that have reasonably relied on the national exhaustion rule and, prospectively, would diminish the public benefits of the national and international patent regimes both in foreign jurisdictions where such transactions may occur (where a patentee might choose to cease sales to avoid redirection of goods to the United States) and in the United States (where innovation would be devalued by a lack of ability to protect against grey market importation).

In contrast, maintaining a national exhaustion rule enhances incentives for innovation by allowing patent holders to license or price patented technology according to the country of sale. As numerous economists have noted, a rule of international exhaustion, whereby sales in one country will exhaust the patentee's exclusive rights in another, can force patentees to elevate the price of products or licenses in lower-income nations (or withdraw completely from lower-income markets) to prevent others from profiting in the price differential between lower-income and higher-income countries. See, *e.g.*, Kamal Saggi, *Market Power in the Global Economy: The Exhaustion and Protection of Intellectual Property*, 123 Econ. J. 131, 135 (2013). The end result is to "average out" the market price so that patentees (or their licensees) will make fewer sales overall and certain consumers in lower-income countries will lose the ability to purchase and use the patented good. *Id.*

While a mandatory international exhaustion rule could result in short-term benefits to certain consumers in wealthier nations through a reduction in prices, such consumers would also face a long-term cost in the form of a reduction in the incentive to innovate. In all events, a fine balancing of policy considerations and off-setting welfare gains and losses nationally and internationally is appropriately left to the legislative and executive branches of government.

The implications of adopting an international exhaustion rule are not merely a matter for academic debate. The issue was hotly contested by trade representatives in TRIPS negotiations, who ultimately agreed to disagree, with the TRIPS agreement stating: "[N]othing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights." TRIPS, *supra*, at art. 6; see Vincent Chiappetta, *The Desirability of Agreeing to Disagree: The WTO, Trips, International IPR Exhaustion and a Few Other Things*, 21 Mich. J. Int'l L. 333, 346 (2000).

More recently, reports on the negotiation of the Trans-Pacific Partnership Agreement ("TPP") have noted that "the United States has opposed a rule of international exhaustion." Sarah R. Wasserman Rajec, *Free Trade in Patented Goods: International Exhaustion for Patents*, 29 Berkeley Tech. L.J. 317, 356 (2014). The lack of consensus on the wisdom of adopting a regime of international exhaustion—and the U.S. government's rejection of the rule in international negotiations—strongly counsels against imposing a sweeping change through judicial action. *Cf. Kirtsaeng*, 133 S. Ct. at 1385 (Ginsburg, J., dissenting) (noting that the Court's ruling "risks undermining the United States' credibility on the world stage" when "the Government has urged our trading partners to refrain from adopting international-exhaustion regimes").[2]

B. A Rule of National Exhaustion Does Not Limit the Ability of Parties to Contract for International Exhaustion.

In the brief of the United States as amicus curiae, the government proposes that the court of appeals' decision should be overruled to the extent that it adopts the presumption that foreign sales do not exhaust U.S. rights. Br. United States as Amicus Curiae 20. The government proposes that the default rule should be international exhaustion, with parties able to limit the application of the rule by contract. *Id.* That proposal is inconsistent with existing law, see *supra* pp. 11-14, and the settled expectations of U.S. patentees. (And to the extent that the government favors such a rule for policy reasons, that is a matter for Congress, not the courts.)

Unlike the government's proposal, if the default rule remains national exhaustion, buyers and sellers of articles sold abroad and intended for foreign markets will have no need to change their practices to

[2] Petitioner argues that "the international community is moving toward international exhaustion," noting that "[a]t least 24 countries have adopted rules of international patent exhaustion." Pet. Br. 55 (citing World Intellectual Property Organization Committee on Development and Intellectual Property, *Patent Related Flexibilities in the Multilateral Legal Framework and Their Legislative Implementation at the National and Regional Levels* Annex II (2010)). The United States is not among those countries. Nor are numerous other major market economies such as Japan, Germany, the United Kingdom, France, and Brazil.

avoid the risk of grey market importation. Likewise, in circumstances where goods are sold or licensed abroad with the expectation that the goods may reach the United States, parties may manifest their intentions by contracting to authorize such sales under any applicable U.S. patents, and the courts have repeatedly recognized the validity of such arrangements. See *Tessera, Inc.* v. *Int'l Trade Comm'n*, 646 F.3d 1357, 1369-71 (Fed. Cir. 2011) (holding that Tessera's unconditional licenses to foreign firms exhausted Tessera's U.S. patent rights); *San Disk Corp.* v. *Round Rock Research LLC*, No. 11-5243, 2014 WL 2700583, *3-*4 (N.D. Cal. June 13, 2014) (distinguishing *Jazz Photo* where worldwide license demonstrated that the patentee had already bargained for and received compensation for the right to make and sell the patented technology worldwide); *Multimedia Patent Trust* v. *Apple Inc.*, No. 10-CV-2618, 2012 WL 6863471, at *5 (S.D. Cal. Nov. 9, 2012) (same).

As noted above, the present amicus participates in a number of industry-wide standard licensing programs offered through patent pooling. Many, if not all, of those programs are designed to provide licensees with global "coverage" by providing inclusive licenses in all countries in which the patent-holder licensor holds patents relating to the relevant technology. See, *e.g.*, *AVC/H.264 FAQ*, MPEG LA, http://www.mpegla.com/main/programs/AVC/Pages/FAQ.aspx (noting that MPEG LA grants "worldwide, non-exclusive sublicenses"). There is no need to alter the existing scope of patent exhaustion doctrine when market participants currently can freely bargain for international exhaustion through contracts.

Further, because international transactions in goods generally require a greater degree of documentation for customs and trade purposes—and international sales or licenses encompassing a worldwide market can be expected to encompass a higher volume of articles—permitting parties to opt-in to international exhaustion, rather than requiring opt-out for transactions intended to be solely domestic, is more sensible as a practical matter and consistent with "real world" solutions that businesses have adopted.

The market-driven adoption of the "opt-in" model for international exhaustion recognized by lower court case law highlights that the potential benefits of "international exhaustion" in appropriate circumstances are already available where needed. This too further counsels against adopting a new rule that would alter settled expectations with uncertain consequences in the United States and internationally.

CONCLUSION

The judgment below should be affirmed.

Respectfully submitted.

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