

# THE EXHAUSTION DOCTRINE REVIVED? ASSESSING THE SCOPE AND POSSIBLE EFFECTS OF THE SUPREME COURT'S *QUANTA* DECISION

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In *Quanta Computer, Inc. v. LG Electronics, Inc.*, the Supreme Court addressed the common law doctrine of patent exhaustion for the first time in more than sixty years.<sup>1</sup> The unanimous opinion rejected a categorical rule exempting method patents from exhaustion<sup>2</sup> and held that a product need only substantially embody an invention for its sale to trigger exhaustion.<sup>3</sup> But the Court passed on an opportunity to comment broadly on post-sale restrictions used to circumvent exhaustion, engaging instead in a fact-intensive analysis of the restrictions at issue that invites narrow interpretation by lower courts.<sup>4</sup> Nonetheless, *Quanta* signals Supreme Court disapproval of attempts to marginalize the exhaustion doctrine, and the opinion's practical effects may therefore reach beyond its limited holding.

This Note examines *Quanta* in the larger context of judicial decisions that have shaped the exhaustion doctrine. Part I considers the origins of first sale principles, traces the exhaustion doctrine's development in patent law, and explores the various limits courts have placed on the doctrine. Part II describes the facts and history of the *Quanta* litigation, and Part III describes the Supreme Court's three major holdings. First, the Court forcefully overturned the Federal Circuit's poorly supported categorical rule that had exempted method claims from exhaustion. Second, the Court held that the sale of even an incomplete product can exhaust claims to the finished article, reasserting and significantly clarifying its own standard for applying exhaustion to unfinished products. Third, and perhaps most significantly, the Court held the asserted claims exhausted because LG Electronics (LGE) technically failed to impose any effective restrictions on *Quanta*'s purchases. Although the opinion thus reserved significant questions regarding whether or how patentees may preserve post-sale patent

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1. 128 S.Ct. 2109 (2008).
2. *Id.* at 2117-18.
3. *Id.* at 2119-21.
4. *See id.* at 2121-22.