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 to the United States Court of Appeals for the Federal Circuit

SUPPLEMENTAL BRIEF FOR PETITIONERS

CHARLES A. ROTHFELD
Counsel of Record
GARY M. HNATH
PAUL W. HUGHES
Mayer Brown LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000
crothfeld@mayerbrown.com

Counsel for Petitioners

SUPPLEMENTAL BRIEF FOR PETITIONERS

In light of the Court's decision in *Kirtsaeng* v. *John Wiley & Sons, Inc.*, No. 11-697, petitioners submit that the Court should grant plenary review in this case. In the alternative, the Court should grant the petition, vacate the decision below, and remand the matter for reconsideration in light of *Kirtsaeng*.[1]

Kirtsaeng confirms that the Federal Circuit's approach to international patent exhaustion—as stated in *Jazz Photo Corp.* v. *International Trade Commission*, 264 F.3d 1094, 1105 (Fed. Cir. 2001), and subsequent decisions—is plainly incorrect.

First, in construing the text of the Copyright Act, the Court in *Kirtsaeng* looked to the Act's common law origin. Slip op. at 17-18. Examining "the common law's refusal to permit restraints on the alienation of chattels," the Court explained that "[t]he 'first sale' doctrine is a common-law doctrine with an impeccable historic pedigree." *Id.* at 17. Ultimately, the Court concluded that "[t]he common-law doctrine makes no geographical distinctions." *Id.* at 18. While the Court used this understanding of the common law as an interpretative guide to the statutory framework at issue in *Kirtsaeng*, it is necessarily

[1] In the petition, we explained that the Court should hold the matter not only for *Kirtsaeng* but also for *Bowman* v. *Monsanto Co.*, No. 11-796. See Pet. 26-27. Because *Kirtsaeng* confirms that the decision below is wrong, we submit that it is appropriate for the Court to grant the petition or remand the matter at this time. To the extent that any doubt remains, however, the Court may wish to hold the petition pending the decision in *Bowman*.

controlling here, as patent exhaustion is strictly a common-law doctrine. See Pet. 10-15, 20.

Second, *Kirtsaeng* puts to rest any contention that the territorial limitations of the Patent Act bear on the question of international patent exhaustion. Cf. Epson Opp. 16-17. Notwithstanding this Court's prior analysis in *Quality King Distributors, Inc.* v. *L'anza Research International, Inc.*, 523 U.S. 135, 145 n.14 (1998), the Federal Circuit has justified its rejection of international patent exhaustion by reasoning that "foreign sales can never occur under a United States patent because the United States patent system does not provide for extraterritorial effect." *Fujifilm Film Co.* v. *Jazz Photo Corp*, 394 F.3d 1368, 1376 (Fed. Cir. 2010). *Kirtsaeng*, however, makes clear that a foreign sale may be in lawful compliance with the Copyright Act, even though the protections of that Act do not apply abroad. Slip op. at 10-11. In just the same way, a U.S. patent holder may authorize a sale abroad and thus exhaust U.S. patent rights, even though the Patent Act does not itself provide protections to foreign goods. See Pet. 17 n.7.

Third, *Kirtsaeng* squarely supports the policy rationale underlying international patent exhaustion. In embracing the parallel copyright doctrine, the Court noted that the "practical problems" of subjecting lawful purchases abroad to copyright claims "are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant—particularly in light of the ever-growing importance of foreign trade to America." Slip op. at 24. Those considerations apply fully to patent claims. See Pet. 21-23. And because manufacturers often protect their products through both patent and copyright,

there is a substantial basis to reconcile these mirror doctrines. See *id.* at 26. Likewise, *Kirtsaeng* rejects Epson's policy argument that U.S. law should be interpreted to permit manufacturers to engage in international price discrimination. Epson Opp. 21-22. The Court "concede[d]" that its decision "will make it difficult, perhaps impossible" for copyright holders "to divide foreign and domestic markets." Slip op. at 31. Reviewing the Copyright Clause of the Constitution, the Court concluded that it "nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain." *Id.* at 32. So, too, with respect to patent rights.

For these reasons, the *Jazz Photo* rule barring international patent exhaustion is flatly incompatible with *Kirtsaeng*. As Professor Dennis Crouch has explained, "[a]lthough the [*Kirtsaeng*] decision does not mention patent law," it nonetheless "has obvious implications for patent law by weakening the ability of a patentee to legally enforce country-by-country market segmentation." Dennis Crouch, *First-Sale Doctrine: Authorized Foreign Sales Exhaust US Copyrights [and US Patents]*, Patently-O (Mar. 19, 2013), at http://tinyurl.com/cwncul5. *Kirtsaeng* thus "strongly challenges the Federal Circuit's precedent in cases such as *Jazz Photo* that reject the notion of international exhaustion." *Ibid.* Accordingly, "[t]he patent case most directly impacted is *Ninestar Tech. v. ITC* that is pending," as it "asks the exact parallel question of 'Whether the initial authorized sale outside the United States of a patented item terminates all patent rights to that item.'" *Ibid.*

In light of *Kirtsaeng*, the Court should grant the petition for certiorari and set this matter for plenary review. Previously, notwithstanding this Court's guidance in *Quanta Computer, Inc.* v. *LG Electronics, Inc.*, 553 U.S. 617 (2008), the Federal Circuit continued its adherence to *Jazz Photo*. See *Fujifilm Corp.* v. *Benum*, 605 F.3d 1366, 1371-1372 (Fed. Cir. 2010). Because *Kirtsaeng* turns directly on copyright exhaustion, rather than the closely related doctrine of patent exhaustion, it is important for this Court to resolve definitively whether authorized sales abroad exhaust U.S. patent rights.

Alternatively, the Court should remand the matter to the court below for further consideration in light of *Kirtsaeng*.

CONCLUSION

The Court should grant the petition for certiorari. Alternatively, the Court should grant the petition, vacate the decision of the Federal Circuit, and remand for reconsideration in light of *Kirtsaeng*.

Respectfully submitted.

CHARLES A. ROTHFELD
Counsel of Record
GARY M. HNATH
PAUL W. HUGHES
Mayer Brown LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000
crothfeld@mayerbrown.com

Counsel for Petitioners

MARCH 2013