

Avoiding patent exhaustion may require filing multiple patent applications

Courts have long held that once a patented item has been lawfully made and sold with the authority of the patent owner, the patent owner can no longer impose restrictions on its use.¹ This principle is known as “patent exhaustion.” However, the recent decision by the Court of Appeals for the Federal Circuit in *Keurig, Inc. v. Sturm Foods, Inc.*² holds that the patent exhaustion doctrine applies to all claims in a given patent, even if the patent owner has made and sold an item that is covered by only some of the claims. This means that for many inventions it will be necessary to file multiple patent applications covering different aspects of the invention in order to obtain effective protection.

The Keurig case involved two patents on single serve coffee brewers and the beverage cartridges that are used in those brewers. Keurig’s brewers are designed for use with removable cartridges that produce one cup of coffee or other beverages. Keurig’s brewers will work with one-time use disposable cartridges that are punctured at the time of use as well as reusable cartridges that can be refilled. Keurig holds two patents that cover its brewing devices and also their methods of use. Keurig has only a design patent on its disposable beverage cartridges.

Sturm manufactures and sells cartridges that can be used in Keurig’s brewing devices. Sturm does not make or sell coffee brewers.

Keurig sued Sturm for infringing its patents. Keurig asserted the method claims in the patents that cover the steps that are carried out by a user of a Keurig device in producing a beverage using the Sturm cartridges. Because Sturm’s cartridges were used in Keurig’s brewers by end users who had purchased those brewers from Keurig, such end users were impliedly licensed

under Keurig’s patents to use the brewers that they purchased. Therefore, the end users who owned Keurig brewing devices and used Sturm’s cartridges could not be guilty of infringement.

However, Keurig sued Sturm for contributory infringement and inducement of infringement of the method claims in the Keurig patents. The method claims cover methods of brewing beverages using a disposable cartridge. Keurig argued that Sturm, by providing its disposable cartridges which were specifically designed to be used in a way that was covered by Keurig’s method claims, violated Keurig’s rights.

The District Court held that Keurig had exhausted its rights under its patents by selling its brewers to its end user customers. The court held that by making sales to the end users, Keurig waived any claim based on how those end users of its brewing devices used those devices. Keurig appealed. On appeal Keurig argued that the District Court failed to apply the appropriate test for patent exhaustion. Keurig pointed out that in *Quanta Computer*³, the U.S. Supreme

Court held that method claims in patents are exhausted when a patent holder sells an unpatented item to a third party that has no reasonable intended use other than to practice a method covered by a patent owned by the seller. Keurig argued that its brewing machines could be used with both one time use disposable cartridges like those sold by Sturm, as well as reusable cartridges (the use of which would not be covered by the method claims in Keurig’s patents). Keurig argued that under the Supreme Court test it had not exhausted its rights because the brewers sold by Keurig could be used for purposes other than producing beverages from disposable cartridges in accordance with the method claims that Sturm was accused of infringing. In other words, the Keurig brewers had reasonable intended uses other than to practice Keurig’s patented methods.

The Federal Circuit rejected Keurig’s arguments. The court held that the Supreme Court test in *Quanta Computer* and similar cases only applies in situations where an unpatented item is sold which has no reasonable intended use other than to



practice a patented method. The court noted that this case was fundamentally different because the brewer that had been sold by Keurig was patented. As Keurig had sold its patented brewing devices to end users, it could not impose restrictions on how those end users could use the devices. The court found no merit in Keurig's assertions that the owners of Keurig brewers would infringe the method claims in Keurig's patents when they carried out those methods using one of Sturm's cartridges.

The court further rejected Keurig's arguments that each of its patent claims in its patents provides rights that can be separately asserted against infringers. Keurig had argued that even though it may have exhausted its rights under those patent claims which cover its brewing devices, exhaustion of its rights to those claims did not exhaust its rights under its method claims. The Federal Circuit rejected this argument holding that Keurig's decision to have both apparatus and method claims in a single patent meant that if patent exhaustion applied to one of the claims, it applied to all of the claims in the patent. As a result, because Keurig had exhausted its rights to the apparatus claims that cover its brewers in the two patents asserted against Sturm, Keurig had also exhausted its rights to all the other claims in the patents including all the method claims.

Judge O'Malley of the Federal Circuit wrote a concurring opinion. Judge O'Malley agreed that in this case Keurig had exhausted its patent rights and could not bring a claim against Sturm for contributory or inducement of infringement. She dissented from the majority opinion and disagreed that if patent exhaustion applies to one claim in a patent, it applies to all the other claims. Judge O'Malley would reserve the right to evaluate exhaustion principles on a claim by claim basis in future cases. However, Judge O'Malley's view was rejected by the other judges who decided the case.

This holding by the Federal Circuit that

patent exhaustion applies on a patent by patent basis may present costly challenges for inventors and companies that need to protect multiple aspects of an innovation. Many inventions involve multiple components, some of which are disposable or must be replaced frequently during the course of use. These situations are often referred to as the "razor and the blade" type situations as they involve some components that last a long time and others that are used once and/or must be replaced frequently.⁴

What would the Federal Circuit have held if one of Keurig's patents had claims that covered the brewing device as well as claims that independently separately covered the disposable brewing cartridges? In that scenario, Sturm would have been directly infringing Keurig's patents because Sturm would have been making, selling and offering to sell, brewing cartridges directly covered by the patent claims. Nonetheless, under the reasoning of the Federal Circuit, because Keurig exhausted its patent claims covering the brewing device by having sold such devices to users, Keurig would have no claim against Sturm for directly infringing the claims separately covering the cartridges because exhaustion of one claim exhausts all of the claims in the patent.

Under the Federal Circuit's decision, Keurig would need to not only have separate claims to the disposable cartridges, but these claims would need to be included in a separate patent from the claims that cover the Keurig brewing device. Using this approach, the fact that Keurig sold brewing devices that exhausted all the patent claims directed to such brewing devices (and all other claims) in its one patent would not impact Keurig's ability to argue infringement of its brewing cartridge claims in a separate patent.

What the Federal Circuit has done is to require inventors and companies to file for separate patents to cover different aspects of the same invention. After *Keurig*, greater consideration must be given

whether there may be a need to assert method claims, apparatus claims or other types of patent claims against different entities and include those claims in separate patents. Thus, for example, claims to a "razor and blade" combination would have to be included in one patent, while claims directed solely to the "blade" would need to be included in a separate patent in order to effectively stop a third party from making replacement blades.

The Federal Circuit's holding creates undue burden and additional costs for inventors and companies who need to protect their innovations. Obtaining patents is expensive and is becoming more expensive all the time. The Patent Office continues to increase its fees, particularly maintenance fees. Companies should have the right to include claims directed to different aspects of the same invention in a single patent application to avoid the cost of multiple filing, issue and maintenance fees.

The *Keurig* decision also presents another trap for unsuspecting inventors and their attorneys. Carefully crafting claims to avoid arguments concerning exhaustion, as well as making sure that separate patent applications include claims that can be enforced directly against entities who copy disposable or frequently replaced components or perform activities covered by method claims, will present challenges and require additional expense to adequately protect many innovations. ♦

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Endnotes

- ¹ *Adams v. Burke*, 84 U.S. 453 (1873).
- ² *Keurig, Incorporated v. Sturm Foods, Inc.*, Case No. 2013-1072 Fed. Cir. (Oct. 17, 2013).
- ³ *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008).
- ⁴ For another recent case in which the Federal Circuit found patent rights to have been exhausted, see *Lifescan Products, LTD, et al v. Shasta Technologies, LLC, et al.* Case No. 2013-1271 (Fed. Cir. Nov. 3, 2013). In that case, the court held that a patent including method claims had been exhausted because the patent owner had given away or sold a device that included "essential elements" of the method claims.