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## “Tip of the Month”

### Exhaustion – When Does It End?

The exhaustion doctrine, also referred to as the first sale doctrine, applies to the intellectual property rights granted to the owners of patents, trademarks, and copyrights. As it relates to patents, the exhaustion doctrine limits the extent to which the patentee can control the use and sale of a patented article after an authorized first sale of that article.

Recall that a patent grants to the patentee an exclusive right to make, use, sell, offer for sale, and import articles within the scope of the patent. This right lasts for the life of the patent. When a patented article is sold to a purchaser in an authorized sale, however, the patentee no longer can control the use or disposition of the article. The first unrestricted sale authorized by the patent holder terminates the patentee’s exclusive rights to that particular article and the purchaser is free to use, resell, and repair or modify the article without infringing the patent.

Determining whether the first sale is a sale authorized by the patentee may seem straight forward, but it can be complicated in some cases. For example, a manufacturer may license the patent with rights to sell a patented article only in certain geographic regions or only in certain markets. If the article in question was sold in violation of that license, then the sale was not an authorized sale. Hence, the unauthorized sale does not trigger the exhaustion doctrine and the purchaser can still be subject to the patentee’s exclusive right to use and sell the article.

In the case of software, the manufacturer may sell a license to the purchaser to use the software, where the license restricts the purchaser from resale or transfer of the software to another owner. In this case, the patent is likely directed to a method rather than a tangible product.

The exhaustion doctrine also applies to the sale of incomplete products. When the article by itself is not within the scope of the patent until combined with additional standard parts, courts have held that an authorized sale of the incomplete article triggers the exhaustion doctrine if the article’s only intended and reasonable use is to practice the patent, and if the article embodies the essential features of the patented invention.

For example, a patent may claim a method embodied in a microprocessor chip. Performing all of the steps of the method does not occur until the chip is combined with memory and other standard computer components. In this case, the chip has the only reasonable and intended use of being combined and used with the additional computer components. Also, the essential steps of the patented method are embodied in the chip, but require adding standard parts in order to perform the patented method.

The exhaustion doctrine similarly applies to copyrights and trademarks, although with some differences due to the different rights conveyed.

If you have questions about the exhaustion doctrine or other IP-related questions, contact the attorneys at Mesmer & Deleault, today at (603) 668-1971 or send an email to [mailbox@biz-patlaw.com](mailto:mailbox@biz-patlaw.com).

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