“ALL NEPALESE RHODODENDRONS:” AN ARGUMENT FOR THE UNIFORM APPLICATION OF INTERNATIONAL EXHAUSTION TO PATENT LAW FOLLOWING KIRTSANG V. JOHN WILEY & SONS, INC.

Isabelle A. Fabian*

I. INTRODUCTION

The circumstances of an American senior citizen taking periodic bus trips to Canada to purchase lower-priced prescription drugs1 and Supap Kirtsang, a young Thai immigrant purchasing American-language textbooks manufactured specifically for sale in Thailand and reselling them in the United States,2 converge and diverge at the same point: the exhaustion doctrine. The exhaustion doctrine, an affirmative defense to infringement, limits the scope of the exclusive right to distribute by preventing the intellectual property right holder from controlling or reaping monetary reward from the sale, transfer, or disposition of the article embodying the intellectual property right following the first sale of the article.3 As American drug prices rose, senior citizens began partaking in illegal pharmaceutical arbitrage by purchasing prescription drugs in Canada or purchasing those drugs through online pharmacies and having them imported into the United States.4 Although not often enforced, Congress expressly restricts

---

1 J.D., 2015, Seton Hall University School of Law; B.A., 2011, Hamilton College. The author would like to thank Professor Gaia Bernstein for providing the inspiration for this Comment, Eric Suggs for his diligent editing, and her family for their support throughout the writing process. Brian Logan Beine & Michael Tucker, Reimportation of Canadian Prescription Drugs into the United States: Regulatory, Economic, and Policy Implications, 10 MICH. ST. U. J. MED. & L. 491, 491 (2006).
4 So You Want to Buy Prescription Drugs in Canada, FRONTLINE, http://www.pbs.org/wgbh/pages/frontline/shows/other/etc/so.html (last visited Feb. 22, 2015). Beginning in 1997, the practice of pharmaceutical arbitrage from Canada to the United States consisted primarily of senior citizen bus trips. Id. With increased accessibility to the Internet, however, Canadian-American pharmaceutical arbitrage blossomed into a one billion dollar industry, with Internet pharmacies providing the bulk of prescription drugs to over one million consumers. See generally Int'l Prescription Drug Parity: Are Americans Being Protected or Gouged?: Hearing Before the Subcomm. on
importation of pharmaceuticals to importation by the manufacturer.\(^5\)

Such restrictions on trade create an implicit national exhaustion regime, rendering importation, even after the first sale in Canada, illegal.\(^6\)

Conversely, due to the Supreme Court’s recent decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, Supap Kirtsaeng’s textbook arbitrage no longer qualifies as copyright infringement.\(^7\) Following the *Kirtsaeng* decision, a non-geographic interpretation of the first sale doctrine, international exhaustion, is now the law applicable to copyright. Patent law, embodied by the Canadian-American illegal pharmaceutical arbitrage example, however, currently stands at odds with copyright law.\(^8\) Following the Federal Circuit Court of Appeals’ decision in *Jazz Photo Corp. v. International Trade Commission*,\(^9\) the exclusive right to distribute items patented under United States patents but first sold outside the United States is not extinguished until the first sale within the geographic confines of the United States.\(^10\)

This Comment argues that, given the Supreme Court’s recent holding in *Kirtsaeng* that international exhaustion applies as an affirmative defense to copyright infringement, the Supreme Court should overturn *Jazz Photo* and hold that international exhaustion replaces national exhaustion as an affirmative defense to patent infringement. Ultimately, this Comment argues that the removal of the geographic language in section 102(a) of the America Invents Act,

\(^5\) 21 U.S.C. § 381(d)(1) (2012) (“[N]o drug subject to section 353(b) of this title . . . which is manufactured in a State and exported may be imported into the United States unless the drug is imported by the manufacturer of the drug.”).

\(^6\) Cline E. Barfield & Mark A. Groombridge, *Parallel Trade in the Pharmaceutical Industry: Implications for Innovation, Consumer Welfare, and Health Policy*, 10 *Fordham Intell. Prop. Media & Ent. L.J.* 185, 185 (1999). Under a national exhaustion regime, such as the one instituted under section 381(d)(1) of the Federal Food and Drug Cosmetic Act (FDCA), parallel importation is illegal, allowing pharmaceutical manufacturers to create substantial price disparities between countries that regulate their drug prices, such as Canada, and countries such as the United States that do not. See John R. Graham, *Perils of Parallel Trade: Reimporting Prescription Drugs From Canada to the US in Innovation and the Pharmaceutical Industry* 184 (Hugo Tristam Englehardt, ed., 2008).

\(^7\) *Kirtsaeng* 133 S. Ct. at 1358.

\(^8\) See *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094, 1105 (Fed. Cir. 2001) (holding that “United States patent rights are not exhausted by products of foreign provenance. To invoke protection of the first sale doctrine, the authorized sale must have occurred under the United States patent.”).

\(^9\) 264 F.3d 1094 (Fed. Cir. 2001).

\(^10\) *Id.*
and the shared constitutional foundation of copyright and patent law, set the stage for the Supreme Court to overturn *Jazz Photo* and adopt the international exhaustion defense in patent law.\textsuperscript{11} The need to maintain the tenuous balance between incentivizing creation and invention through limited monopolies and providing access to information benefitting the public welfare, mandated by the Intellectual Property Clause, provides further impetus to do so.\textsuperscript{12}

Part II of this Comment provides a brief overview of the exhaustion doctrine in copyright and patent law. Part III analyzes the recent Supreme Court decision in *Kirtsaeng* and discusses the public policy implications of the *Kirtsaeng*holding on copyright law. Part IV argues that international exhaustion should be adopted as an affirmative defense in patent law. In doing so, Part IV discusses the shared constitutional foundations of copyright and patent, the tendency for courts to rely on copyright doctrine to establish patent doctrine and vice versa, and the current movement in patent law to remove geographic barriers as evidenced by reform to the novelty requirements under the America Invents Act. Finally, Part V concludes.

II. OVERVIEW OF THE ROLE OF GEOGRAPHIC BOUNDARIES IN COPYRIGHT AND PATENT LAW

Patent and copyright owners receive a bundle of rights under the umbrella of intellectual property protection.\textsuperscript{13} The bundle of rights consists primarily of negative rights, allowing the copyright or patent holder to prevent others from exercising power over their intellectual property prior to the first sale of the good or service embodying the intellectual property right.\textsuperscript{14} Those rights include the right to manufacture, distribute and sell the article embodying the rights holder’s rights.\textsuperscript{15} Most pertinent to this Comment, the exclusive right

\textsuperscript{11} See infra Part IV.

\textsuperscript{12} See, e.g., Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932) (“The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of the authors.”).


\textsuperscript{15} 17 U.S.C. § 106 (2012) (granting copyright holders the exclusive right to reproduce, prepare derivative works, distribute, perform the copyrighted work publicly, and display the copyrighted work publicly); 35 U.S.C. § 271 (2012) (giving patentees the right to exclude others from manufacturing, offering for sale, selling, or using the protected article).
to distribute confers on the rights holder the ability to control the manufacture and sale of the product embodying her rights. The exhaustion doctrine, an affirmative defense to infringement, limits the scope of the exclusive right to distribute by preventing the rights holder from controlling or reaping monetary reward from the sale, transfer, or disposition of the article embodying the intellectual property right following the first sale of the article.\textsuperscript{16} When a copyright or patent holder authorizes the sale of the article embodying her intellectual property right, she receives the monetary benefit and her exclusive right to distribute is exhausted.\textsuperscript{17} Once the first sale occurs, the exhaustion doctrine extinguishes the copyright or patent holder’s ability to control the downstream sale, transfer, or disposal of the specific article embodying her right.\textsuperscript{18}

The exhaustion doctrine embodies three iterations: national exhaustion, regional exhaustion, and international exhaustion.\textsuperscript{19} Under a system of national exhaustion, the rights holder’s exclusive right to distribute is exhausted after the first sale of the article within the United States.\textsuperscript{20} Sale of the article outside the United States does not exhaust the rights holder’s exclusive distribution right.\textsuperscript{21} As a result, national exhaustion provides the broadest protection of intellectual property rights.\textsuperscript{22} Regional exhaustion, primarily adopted in the European Union, calls for exhaustion of the rights holder’s exclusive right to distribute once the first sale occurs in any country within a certain geographic area.\textsuperscript{23} Conversely, international exhaustion substantially limits rights holders’ exclusive right to

\textsuperscript{16} Pope, supra note 3, at 206.
\textsuperscript{17} Id. at 206-07.
\textsuperscript{18} See, e.g., United States v. Masonite Corp., 316 U.S. 265, 278 (1942) (“Whether or not there has been such a disposition of the article that it may fairly be said that the patentee has received his reward for use of the article.”); Jazz Photo Corp. v. Int’l Trade Comm’n, 264 F.3d 1094, 1105 (Fed. Cir. 2001) (“The unrestricted sale of a patented article, by or with the authority of the patentee, exhausts the patentee’s right to control further sale and use of that article by enforcing the patent under which it was first sold.”) (internal quotation marks omitted).
\textsuperscript{19} ABBOTT, supra note 14, at 5. The national or international exhaustion defense only works to free the specific good from further claims by the rights holder. Vincent Chiappetta, The Desirability of Agreeng to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things, 21 MICH. INT’L L. 335, 341, n.32 (2000). The exhaustion defense does not implicate the overarching validity of the copyrighted or patented good. Id.
\textsuperscript{20} ABBOTT, supra note 14, at 5.
\textsuperscript{21} Id.
\textsuperscript{22} See Pope, supra note 3, at 207 (describing national exhaustion as favoring strong intellectual property rights).
\textsuperscript{23} Id.
distribute. Under an international exhaustion regime, once the article has been sold anywhere in the world, regardless of whether or not it was manufactured within the United States, the rights holder reaps her financial reward and her exclusive right is extinguished.

A. Geographic Exhaustion in Patent Law

While the first sale doctrine in copyright derived from the common law and was later codified in the Copyright Act of 1909, the exhaustion doctrine in patent law has yet to be codified. The geographic parameters of patent exhaustion developed through continuous judicial interpretation of the federal common law. Many historical cases depict the evolution of patent exhaustion; however, in *Jazz Photo Corp. v. International Trade Commission*, the Federal Circuit held out *Boesch v. Graff* as the seminal case laying the groundwork for the adoption of national exhaustion. In *Jazz Photo*, the Federal Circuit relied solely on *Boesch* to hold that the first sale in a foreign country

---

21 See Abbott, supra note 14, at 5 (describing an intellectual property right holders’ right as being extinguished when the good is put into the market anywhere in the world).

22 Id.


24 268 F.3d 1094 (2011). *Jazz Photo* arose out of a dispute between Fuji Photo Film Company and several companies that imported refurbished disposable cameras into the United States after purchasing them from foreign remanufacturers. Id. at 1098. Fuji, the patentee, claimed that the disposable cameras were created for single use, and alleged infringement of 15 patents. Id. The crux of the issue lay in whether the remanufacturers engaged in infringing reconstruction of the cameras or whether they simply repaired the cameras. Id. The court explained that reconstruction, regardless of whether it occurs after the first sale, infringes on the patentee’s right to make articles embodying the patent. Id.

25 133 U.S. 697 (1890).

26 See *Jazz Photo*, 264 F.3d at 1105 (citing *Boesch*, 133 U.S. at 701–03 (“[A] lawful foreign purchase does not obviate the need for license from the United States patentee before importation into and sale in the United States.”)). See also Fuji Photo Film Co., Ltd. v. Jazz Photo Corp., 394 F.3d 1368, 1376 (Fed. Cir. 2005) (citing *Boesch*, 133 U.S. at 701–03.).

27 *Boesch*, 133 U.S. at 698-99, 702 (confronting the issue of whether a dealer residing in the United States can purchase articles patented in another country from an authorized dealer in that country, import them, then sell them in the United States without consent of the United States patent holder). In *Boesch*, the plaintiffs obtained patents in both Germany and the United States for improvements on lamp burners. *Id.* at 698. When defendant purchased the items from an authorized dealer in Germany, imported them into the United States and sold them, plaintiffs brought a suit for infringement. *Id.* at 698-99.
of a foreign-manufactured patented item does not exhaust the United States patent holder’s rights. The first sale doctrine applies only after the first authorized sale in the United States from a United States patent holder. Although the Boesch decision addressed the exhaustion issue in dicta, the Jazz Photo court found that Boesch stood for the principle that an authorized purchase in a foreign country does not obviate the need for a post-sale license from a United States patent holder prior to importation into and sale in the United States. Using this interpretation of Boesch, the Federal Circuit adopted national exhaustion as the applicable exhaustion doctrine iteration to patent law.

Following Jazz Photo, the Federal Circuit continued to bolster the geographic parameters of the exhaustion doctrine. In Fuji Photo Film Co. v. Jazz Photo Corp., a Federal Circuit decision following Jazz Photo, the Fuji Photo court held that the exhaustion doctrine applies to both authorized and unauthorized sales. The court based its expansion of national exhaustion on the prohibition against extraterritorial application of United States law without express congressional intent. According to this argument, foreign sales cannot exhaust a United States patent because patent law does not apply extraterritorially. It is important to note, however, that the Fuji Photo holding may stand on shaky ground following the Kirtsaeng decision. Although the Kirtsaeng Court focused on the copyright context, the Court clarified that “the principle that ‘copyright laws do not have any extraterritorial operation requires some qualification.’” The Copyright Act expressly applies to works published in the United States and nations that have signed a copyright treaty with the United States, while unpublished works are protected without regard to the national origin of the

---

31 Jazz Photo, 264 F.3d at 1105 (holding that the decision applies only to LFP’s for which patent rights were exhausted by first sale in the United States).
32 Id. (“United States patent rights are not exhausted by products of foreign provenance. To invoke protection of the first sale doctrine, the authorized first sale must have occurred under the United States patent.”).
33 Id. (holding that because foreign sales did not exhaust patent rights, the refurbished disposable cameras originating abroad were not protected from infringement claims by the exhaustion doctrine).
34 See Fuji Photo, 394 F.3d at 1376.
35 Id. at 1368.
36 Id. at 1376. (“In Jazz, therefore, this court expressly limited first sales under the exhaustion doctrine to those occurring within the United States.”).
2015]  

COMMENT  

107

author. Because the *Kirstaeng* Court found extraterritoriality is not implicated in the license and foreign manufacture of an object “lawfully made under this title,” the holding will likely undermine the analysis of extraterritoriality in patent law set forth in *Fuji Photo*.

Application of national exhaustion in patent law has not occurred seamlessly, particularly following the Supreme Court’s broadening of the general exhaustion defense in *Quanta Computer, Inc. v. LG Electronics, Inc.* Ninestar Technology Co. v. International Trade Commission, the most recent geographic exhaustion case to appear before the Federal Circuit Court of Appeals, reflects the confusion amongst the circuits due to the tension between the Federal Circuit’s *Jazz Photo* and *Fuji Photo* national exhaustion decisions and the Supreme Court’s discussion of the exhaustion doctrine in *Quanta Computer*. The juxtaposition of the expansion of the exhaustion doctrine in *Quanta Computer* with the narrow geographic interpretation adopted by *Jazz Photo* resulted in a circuit split amongst district courts interpreting the potentially conflicting precedents.

In the Ninth Circuit, the District Court for the Northern District of California interpreted *Quanta Computer* as directly conflicting with the Federal Circuit’s *Jazz Photo* decision. In *LG Electronics, Inc. v. Hitachi*, the court held that interpreting *Quanta Computers* to apply only to authorized domestic sales of products is “incorrect” given the *Quanta Computer* Court’s decision not to expressly limit the holding to national sales. Additionally, the court explained, “district courts may not follow circuit court precedent where a subsequent Supreme Court decision has ‘undercut the theory or reasoning underlying the prior circuit precedent in such a way that the cases are clearly irreconcilable.’” The *Hitachi* court found that *Jazz Photo*’s narrow

---

31 § 109(a).
32 *Kirstaeng* 133 S. Ct. at 1359-60.
33 553 U.S. 617, 638 (2008) (holding that method patents, though they cannot be sold in the same manner as an object, may still be substantially embodied in a product wherein the first sale exhausts the patent holder’s rights, thus prohibiting post-sale restrictions outside the bounds of a licensing agreement on patented products because those restrictions inherently violate the first sale doctrine).
34 667 F.3d 1373 (Fed. Cir. 2012) (discussing the implication of the exhaustion doctrine relating to the importation and sale, in the United States, of infringing printer ink cartridges).
35 *Id.* at 1045.
36 *Id.* at 1046 (citing Miller v. Gammie, 335 F.3d 889, 900 (9th Cir. 2003)).
national exhaustion precedent irreconcilably conflicted with the Supreme Court’s broadening of the general exhaustion doctrine in *Quanta Computer* to include method patents without any reference to the geographic parameters of the doctrine. Conversely, the District of New Jersey discounted the Hitachi court’s analysis of *Quanta Computer* and continued to adhere to the *Jazz Photo* precedent.47

The circuit split derives from the potential implicit geographic parameters to the exhaustion doctrine created by *Quanta Computer*. *Quanta Computer*’s only mention of the geographic aspect of the exhaustion doctrine occurred in dicta in a footnote.48 In discussing the parameters of method patents, the court stated:

LGE suggests that the Intel products would not infringe its patents if they were sold overseas. . . . But *Univis* teaches that the question is whether the product is capable of use only in practicing the patent, not whether those uses are infringing. Whether *outside the country* or functioning as replacement parts, the Intel products would still be practicing the patent, even if not infringing it.49

In *Ninestar Technology Co. v. International Trade Commission*, Ninestar argued before the Federal Circuit that this dictum implicitly overruled *Jazz Photo*.50 Ninestar claimed that by virtue of preserving the exclusive right after the first sale abroad, allowing patent holders to avoid the monopolistic restriction of the first sale doctrine, *Jazz Photo* effectively contradicted the Court’s broadening of the exhaustion doctrine.51 The Federal Circuit refuted the argument, holding that *Quanta Computer*’s expansion of the exhaustion doctrine to method patents neither addressed importation of a foreign-manufactured product into the United States, nor engaged in an explicit discussion of the geographic scope of the exhaustion doctrine.52 Following the Federal Circuit’s decision in *Ninestar*, the Supreme Court denied Ninestar’s petition for certiorari,53 leaving the circuit split intact.

This brief analysis of cases, particularly the *Jazz Photo* and *Fuji Photo* decisions, evidences the Federal Circuit’s somewhat tenuously

---

47 Fujifilm Corp. v. Benun, No. 05-cv-1863, 2009 WL 2232523, at *3 (D.N.J. July 24, 2009) (declining to apply LGE analysis because it was not controlling law).
49 Id. (emphasis added) (internal quotation marks omitted).
52 Ninestar, 667 F.3d at 1378.
supported adoption of national exhaustion in patent law. The weakness of the Boesch precedent in tandem with the recent adoption of international exhaustion in copyright law evidence a need for the Supreme Court to clarify whether jazz Photo and Fuji Photo should be overruled, due to or in spite of tension with the Quanta Computer decision, or whether national exhaustion should remain the iteration of the exhaustion doctrine adopted in patent law.

B. Geographic Exhaustion in Copyright Law

The first sale doctrine,\(^{54}\) codified in section 109 of the Copyright Act of 1976, is one of several restrictions on the exclusive rights granted to copyright holders under section 106.\(^{55}\) Section 106 provides five enumerated exclusive rights to the holder of a copyright: (1) the right to reproduce; (2) the right to prepare derivative works; (3) the right to distribute; (4) the right to perform the copyrighted work publicly; and (5) the right to display the copyrighted work publicly.\(^{56}\) These rights are not absolute; the statute expressly states that the exclusive rights are subject to sections 107–122, which enumerate the restrictions placed on those exclusive rights.\(^{57}\) Section 109(a), the codification of the first sale doctrine, and the relevant restriction to this Comment, serves to limit the copyright holder’s exclusive right to distribute by extinguishing that right following the first sale of the copyrighted article.\(^{58}\)

The Copyright Act of 1909 contained the first codification of the first sale doctrine.\(^{59}\) The language derived from the Supreme Court’s opinion in Bobbs-Merrill Co. v. Strauss (Bobbs-Merrill).\(^{60}\) In Bobbs-Merrill, the Court restricted the “sole right to vend” to the initial sale of The

\(^{54}\) In the body of this Comment, “first sale doctrine” and “exhaustion doctrine” are used interchangeably.


\(^{56}\) Section 106 in pertinent part provides: “Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following . . . (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending . . .” 17 U.S.C. § 106 (2012).

\(^{57}\) Id.

\(^{58}\) § 109(a).

\(^{59}\) The current codification of the first sale doctrine is largely similar to the 1909 codification. See NIMMER, supra note 26, at § 8.12[A] (“[I]t will be seen that section 109(a) is similar but not identical in its terms to the second clause of section 27 of the 1909 Act, which provided that ‘nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work, the possession of which has been lawfully obtained.’”).

\(^{60}\) 210 U.S. 399, 341 (1908).
Castañón, a copyrighted novel. The publisher wished to set a one-dollar minimum price at which the novel had to be sold, but the Court held that although the copyright holder maintained the “sole right to vend,” that right did not confer the right to control future retail sales of the same novel. Once a copy of the novel sold for one dollar, the copyright holder could not control whether the owner of the novel sold the book for a penny, gave it away, or decided to keep it. The first sale doctrine has maintained its codified status throughout the evolution of the Copyright Act, and is now articulated in section 109.

The Supreme Court’s recent decision in *Kirtsaeng* provided clarity to assuage the confusion over the correct interpretation of section 109(a), particularly the “lawfully made under this title” language. Proponents of national exhaustion imbued the phrase with a geographic restriction, while proponents of international exhaustion found the phrase applicable to sales outside the United States. The *Kirtsaeng* decision focused on the tension created by the phrase “lawfully made under this title” in section 109, due to the interplay between section 109(a)’s limitation on the exclusive right to distribute enumerated in section 106(3) and section 602(a)’s right to control importation of copyrighted works.

Section 602(a)(1) of the Copyright Act states that unauthorized importation of a work acquired outside the United States infringes upon the author’s exclusive right to distribute. In *Kirtsaeng*, the Supreme Court had to determine the interplay between section 109(a) and section 602(a)(1), particularly whether applying a non-geographic interpretation to the language in section 109(a) would render the importation restrictions in section 602(a)(1) moot. In doing so, the Court looked to previous judicial analyses of the section 109(a) and section 602(a) construction dichotomy. This Comment analyzes the

---

61 *Id.* at 351.
62 *Id.*
63 § 109(a) (“Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”).
64 *Id.*
65 *Id.*
67 § 602(a)(1) (“Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute... under section 106.”).
68 *Kirtsaeng*, 133 S. Ct. at 1367.
69 See, e.g., *Omega S.A. v. Costco Wholesale Corp.*, 562 U.S. 40 (2010); Quality King
Supreme Court’s decision in *Kirtsaeng*, paying particular attention to the manner in which the Court construes “lawfully made under this title” so as not to obviate the role of section 602(a) (1). The crux of the issue revolved around the circuits’ conflicting interpretations of section 109(a)’s effect on the copyright owner’s right to control importation under section 602(a). Circuits adopting the national exhaustion iteration found that construing section 109(a) to exhaust the copyright holder’s rights after the first sale of an article outside the United States would render section 602(a) “virtually meaningless.”

In the Supreme Court’s *Quality King* decision, however, the Court attempted to reconcile section 109(a)’s limitation on the exclusive right to distribute and section 602(a)’s right to control importation. The Court held that section 602(a)’s restriction on importation applied only in cases where the importation violated one of the copyright holder’s section 106(3)’s exclusive rights. Section 106 explicitly states that sections 107–122 limit the exclusive right to distribute. Following that logic, the first sale doctrine must also limit section 602, as an extension of section 106’s exclusive right to distribute. While interpreting the interplay between sections 106, 109, and 602, the Court reiterated the congressional intent behind the

---


§ § 109(a).

See discussion infra Part III.


CBS, Inc., 569 F. Supp. at 49. See also Nimmer, supra note 26, at § 8.12(B)(6).

*Quality King* 523 U.S. at 135. In *Quality King*, the plaintiff, L’Anza, held a copyright on the labels affixed to hair product bottles manufactured in the United States. *Id.* at 138–40. L’Anza sold its products exclusively to distributors who agreed to resell the products within specific geographic limits to protect L’Anza’s market segmentation strategies. *Id.* Quality King imported and resold several tons of L’Anza’s products, manufactured for foreign sale, to unauthorized retailers in the United States for below market prices. *Id.* at 138.

*Id.* at 145. In dicta the Court stated: “the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad.” *Id.* at n.14 (emphasis added).

§ 106 (noting that this section is “subject to sections 107 through 122.”).

*Quality King* 523 U.S. at 144. See also Pope, supra note 3, at 211–14.
statute, particularly the promotion of “the progress of the ‘useful Arts,’ . . . by rewarding creativity.”78 Through application of the limitations enumerated in sections 109(a) through 106(3), Quality King laid the groundwork for the Court’s interpretation of section 109(a) in Kirtsaeng.79

Specifically, in a concurring opinion in Kirtsaeng, Justice Kagan blamed Quality King’s limitation of section 602(a)(1)’s scope (achieved through limiting the importation right with section 109(a)’s first sale doctrine) for limiting section 602(a)(1).80 Justice Kagan explained that section 602(a)(1) allowed market segmentation “not by removing first-sale protection from every copy manufactured abroad . . . but by enabling the copyright holder to control imports even when the first-sale doctrine applies (as Quality King now prevents).”81 Viewed in this manner, Quality King can be interpreted as the Supreme Court’s first step towards adoption of the international exhaustion doctrine.82

III. ANALYSIS OF KIRTSANG V. JOHN WILEY & SONS, INC.83

Supap Kirtsaeng, a Thai citizen, moved to the United States to study math at Cornell University.84 After receiving his degree, Kirtsaeng received his PhD from the University of Southern California

78 Quality King, 523 U.S. at 151 (quoting U.S. CONST. art. I, § 8, cl. 8). In discussing the policy behind the Copyright Clause, the Court explained that protecting and incentivizing creativity is paramount, “rather than ordinary commercial products that use copyrighted material as a marketing aid.” Id.

79 Id. at 154. (Ginsburg, J., concurring) (holding that the Court had not broached the subject of allegedly infringing imports manufactured abroad). See also Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351, 1372 (2013) (Kagan, J., concurring).

80 Kirtsaeng 133 S. Ct. at 1372 (Kagan, J., concurring).

81 Id. at 1373.

82 In 2008, the Supreme Court once again attempted to clarify the interplay between sections 106(3), 109(a) and 602(a). The Supreme Court granted certiorari to Omega S.A. v. Costco Wholesale Corp., a Ninth Circuit case. 541 F.3d 982, 988 (9th Cir. 2008) (holding “[i]n short, copies covered by the phrase ‘lawfully made under [Title 17]’ in § 109(a) are not simply those which are lawfully made by the owner of a U.S. copyright. Something more is required. To us, that ‘something’ is the making of the copies within the United States, where the Copyright Act applies”). The Ninth Circuit relied on its pre-Quality King precedent holding “lawfully made under this title” required a geographic interpretation. Id. On petition for certiorari, an equally divided Court affirmed de facto the Ninth Circuit’s national exhaustion position without issuing a written opinion. Costco Wholesale Corp. v. Omega, S.A., 131 S. Ct. 565 (2010). The precedent did not extend outside the Ninth Circuit, leaving the Supreme Court with solely the Quality King analysis as the basis for the Kirtsaeng decision. See Pope, supra note 3, at 212.

83 133 S. Ct. at 1351.

84 Id. at 1356.
While attending USC, Kirtsaeng asked his family and friends in Thailand to purchase and send to him low-priced copies of foreign-edition English textbooks manufactured and sold in Thailand. These textbooks, published by a wholly-owned foreign subsidiary of John Wiley & Sons, Inc. ("Wiley"), sold for significantly lower prices than their American versions due to differences in textbook design and quality. Kirtsaeng then sold those foreign-manufactured textbooks to people in the United States, reimbursed his family and kept the remaining profits. Wiley brought a federal suit against Kirtsaeng, claiming he violated Wiley’s section 106(3) exclusive right to distribute the textbooks. In order to determine whether Kirtsaeng’s resale of the textbooks violated Wiley’s rights under section 106(3), the Court analyzed the section 109(a) language codifying the first sale doctrine. Particularly, the Court focused on the geographic implications of the language “lawfully made under this title.”

The first sale doctrine applies to works copyrighted and sold in the United States as well as works copyrighted in the United States but licensed for manufacture and sale abroad. In terms of statutory analysis, the Court held that giving a non-geographic interpretation to the phrase “lawfully made under this title” gives each word in the phrase a distinct purpose. “Lawfully made” indicates the statute applies to copies made lawfully as opposed to piratical copies. The Court found “under” may be interpreted as “in accordance with” while “under this title” provides the legal standard. In order to posit a geographic meaning to “under,” as argued by Wiley, the Court would need to engage in significantly more linguistic gymnastics. According to the majority, in order to limit the geographic scope of the phrase, “under this title” must mean “in conformance with the United States

85 Id.
86 Id.
87 John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 212–13 (2nd Cir. 2011).
88 Kirtsaeng 133 S. Ct. at 1956.
89 Id. at 1357. Wiley has many foreign and domestic authors, but Wiley obtained foreign and domestic copyright assignments, licenses and permissions to the point that Wiley is “the relevant American copyright owner.” Id. at 1356.
90 §109(a); Kirtsaeng, 133 S. Ct. at 1357.
91 Kirtsaeng 133 S. Ct. at 1359 (holding that the Copyright Act is applicable to all works manufactured abroad including unauthorized piratical copies, just as a “tariff upon ‘any rhododendron grown in Nepal’ applies to all Nepalese rhododendrons”).
92 Id. at 1358.
93 Id.
94 Id. (internal quotations omitted).
95 Id. (internal quotations omitted).
Copyright Act where the Copyright Act is applicable”—specifically, that the work is only exhausted if the sale occurs in the United States where United States copyright law applies.\(^96\)

Wiley and the dissent set forth four arguments supporting a geographic interpretation of “lawfully under this title”: (1) the Supreme Court’s prior decision in Quality King strongly supports a geographic interpretation;\(^97\) (2) the Copyright Act’s legislative history supports a geographic interpretation;\(^98\) (3) the non-geographic interpretation makes it nearly impossible for publishers to create a division between the foreign and domestic markets;\(^99\) and (4) the non-geographic interpretation launches United States copyright law into an “unprecedented international regime of international exhaustion.”\(^100\)

The Court addressed and refuted each argument in turn. First, Wiley argued that the Supreme Court’s prior decision in Quality King strongly supports a geographic interpretation. The Court cited the Bobbs-Merrill principle, that copyright law is not intended to create a downstream monopoly over a product once “the owner had parted with the title to one who had acquired full dominion over it,”\(^101\) in support of the argument that section 602(a)(1) makes importation in violation of section 106(3)’s exclusive right to distribute subject to the restrictions imposed by the first sale doctrine.\(^102\) As discussed above, the Quality King Court held that section 602(a) did not prohibit a distributor from reselling hair care products with copyrighted labels back into the United States without the manufacturer’s permission.\(^103\) Wiley argued that application of the first sale doctrine to section 602(a) would make the provision obsolete.\(^104\) The Court, however, cited to four situations in which copies lawfully made abroad would still be subject to section 602(a)’s importation restrictions:

1. a foreign publisher operating as a licensee of an American publisher prints copies of a book overseas but, prior to any authorized sale, seeks to send [the copies] to the

\(^96\) Id. at 1358.
\(^97\) Kirtsaeng 133 S. Ct. at 1367.
\(^98\) Id. at 1369.
\(^99\) Id. at 1370.
\(^100\) Id. at 1371 (internal quotations and citation omitted).
\(^101\) Id. at 1367 (quoting Bobbs-Merrill Co. v. Strauss, 210 U.S. 339, 350 (1908)) (internal quotations omitted).
\(^102\) Id.
\(^104\) Kirtsaeng 133 S. Ct. at 1367.
United States; (2) a foreign printer or other manufacturer... [who does not hold the copyright] sought to send copyrighted goods to the United States; (3) a publisher transports copies to a wholesaler and the wholesaler (not yet the owner) sends them to the United States prior to the first sale; or (4) a foreign film distributor, having leased films for distribution, or any other licensee, consignee, or bailee sought to send them to the United States.\footnote{105}

When analyzed in this manner, a geographic interpretation of section 109(a) does not undermine the importance of section 602(a)(1), as the two sections do not overlap entirely.\footnote{106}

Second, Wiley argued that the legislative history of section 602(a)(1) supports a geographic interpretation.\footnote{107} The Court rejected Wiley and the dissent’s legislative history argument because the historical events discussed by Wiley occurred over 10 years prior to the revisions enacted in the 1976 Act, resulting in inconclusive evidence.\footnote{108}

The Court explained that the lack of legislative history discussing the first sale doctrine serves to support the position that a geographic interpretation of section 109(a) does not radically differ from the congressional intent behind section 109(a)’s revision.\footnote{109} Furthermore, the Court held that in the absence of express legislative intent, the judiciary should defer to the common law analysis of the statutory language.\footnote{110}

Third, Wiley argued that the non-geographic interpretation makes it nearly impossible for publishers to create a division between the foreign and domestic markets.\footnote{111} The Court did not refute this argument.\footnote{112} The creation of parallel trade through restrictions on manufacturers’ abilities to engage in market segmentation clearly demonstrates a result of international exhaustion.\footnote{113}

Without market

\footnote{105} \textit{Id.} at 1368 (internal quotations and citations omitted). In the concurring opinion, Justice Kagan, however, refers to the remaining section 602(a)(1) exceptions as "a fairly esoteric set of applications." \textit{Id.} at 1372 (Kagan, J., concurring).
\footnote{106} \textit{Id.} at 1368.
\footnote{107} \textit{Id.} at 1370.
\footnote{108} \textit{Id.}
\footnote{109} \textit{Id.}
\footnote{110} \textit{Kirtsaeng} 133 S. Ct. at 1363 (citing Samantar v. Yousef, 560 U.S. 305, 320 n.13 (2010) (stating that absent express congressional intent, courts must presume Congress intended to abide by substance of underlying common law).
\footnote{111} \textit{Id.} at 1370.
\footnote{112} \textit{Id.}
\footnote{113} \textit{ABBOT, supra} note 14, at 5.
segmentation, a manufacturer will have more difficulty segregating foreign and domestic markets, which impedes its ability to create pricing differentials.\textsuperscript{114} The Copyright Act, however, does not explicitly provide manufacturers with the express right to engage in market segmentation.\textsuperscript{115} Furthermore, the constitutional foundation of the Copyright Act unambiguously provides Congress with the power to “‘secure[e]’ to ‘[a]uthors’ ‘for limited [t]imes’ the ‘exclusive [r]ight to their . . . [w]ritings.”’\textsuperscript{116} The constitutional right to hold a limited monopoly does not imply the right to engage in market segmentation to maximize profits from that limited monopoly.\textsuperscript{117}

Finally, Wiley and various amici argued that the non-geographic interpretation of the exhaustion doctrine launches United States copyright law into an “unprecedented regime of ‘international exhaustion.’”\textsuperscript{118} When pressed at oral argument, the Solicitor General admitted that “perpetual downstream control,” the result of Wiley’s geographic interpretation of the statute, would in fact be worse than the restriction on market segmentation flowing from Kirtsaeng’s non-geographic reading.\textsuperscript{119} Perpetual downstream control would fly in the face of the constitutional requirement for limited monopolies as well as tip the scales in favor of copyright protection over benefit to the public welfare.\textsuperscript{120} Adopting a geographic principle—already weakened due to lack of legislative history, attenuated statutory analysis, and potential for driving manufacturing outside of the United States to exploit intellectual property protection\textsuperscript{121}—would violate public policy and shatter the Constitution’s limited monopoly requirement.

\section{Adoption of International Exhaustion in Copyright Should Result in Adoption of International Exhaustion in Patent Law}

Confusion amongst the circuits pertaining to the geographic

\textsuperscript{114} Kirtsaeng 133 S. Ct. at 1371.
\textsuperscript{115} Id.
\textsuperscript{116} Id. at 1370 (quoting U.S. CONST. art. I, § 8, cl. 8).
\textsuperscript{117} Id. at 1371.
\textsuperscript{118} Id.
\textsuperscript{119} Id.
\textsuperscript{120} See Pfaff v. Well Elecs., Inc., 525 U.S. 55, 63 (1998) (citing Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 151 (1989) (“[T]he patent system represents a carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time.”)).
parameters of the copyright exhaustion doctrine led to the Supreme Court’s decision in *Kirtsaeng*. The same confusion amongst the circuits relating to the geographic parameters of the exhaustion doctrine in patent law calls for an analogous clarification by the Supreme Court. Not only should the Supreme Court provide a definitive answer for the geographic parameters of the doctrine, but the Court should also adopt the same international exhaustion interpretation as *Kirtsaeng*. This Part argues that international exhaustion should be adopted in patent law because (1) copyright and patent laws’ shared constitutional foundation call for analogous evolution of the doctrine in both areas of the law, and (2) the removal of geographic language from the definition of prior art in the America Invents Act evidences a shift in favor of protecting public access in the balancing between incentivizing creation and protecting public access to information. This recalibration sets the stage for adoption of international exhaustion, which produces the same result in the exhaustion field.

Although patent and copyright doctrines share a constitutional foundation, they have taken divergent paths in their evolution, with copyright incentivizing creation and patent incentivizing invention. Yet, courts often look to one body of law to shape the other. For example, in *Sony Corp. of America v. Universal City Studios*, the Court looked to patent law in order to establish a safe-harbor rule in copyright law. The Court found that it is appropriate to refer to patent cases to establish copyright precedent “because of the historic kinship” between patent and copyright law. Although there is a need to exercise caution when borrowing doctrine formulated in one area of law for use in another, applying copyright law’s exhaustion doctrine to patent law is particularly justifiable due to the shared constitutional and common law foundation of their respective exhaustion doctrines.

---

124 *Id.* at 434–35.
125 *Id.* at 439.
126 See, e.g., Fox Film Corp. v. Doyal, 286 U.S. 123, 131 (1932) (finding that the purposes of copyright apply “mutatis mutandis” to patent as well since they are granted under the same constitutional authority); see also Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 936 (2005); United States v. Paramount Pictures, 354 U.S. 131, 157 (1957) (explaining that the enlargement of the copyright monopoly was condemned in reliance on the patent principle which prohibits a patent owner to condition the patented item’s use on purchase or use of patented or unpatented materials); Wheaton v. Peters, 33 U.S. 591, 592 (1834).
A. The Constitution Calls for International Exhaustion

The Constitution calls for the promotion of the “Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Commentators, legal historians, and courts have pored over the meaning of the Intellectual Property Clause (“the Clause”). At its core, the Clause embodies both a grant and restriction of power. It “reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the ‘Progress of Science and useful Arts.’” Monopolies allowed under the Clause repent their monopoly status by providing the public with novel, useful inventions or creative works. The resulting competition promotes the public good by inspiring creation. It does not, however, further extend existing monopolies to entrench what is already protected and stifle competition. The balancing act between promoting the public welfare and incentivizing creation and invention pervades judicial decisions in both patent and copyright law.

Revisiting the Founders’ intent highlights the importance of limiting monopoly rights over intellectual property. Given the abuses worked by excessive monopoly power prior to the adoption of the Statute of Monopolies in England, the United States learned from history’s mistakes, embarking on a path marked by resistance to monopolies in the intellectual property field. During the framing of

128 U.S. CONST. art. 1, § 8, cl. 8 (emphasis added).
129 See Edward C. Walterscheid, To Promote the Progress of Science and Useful Arts: The Anatomy of a Congressional Power, 43 IDEA 1, 5 (2002).
130 Graham v. John Deere Co., 385 U.S. 1, 5–6 (1966). (“Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose . . . . Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must ‘promote the Progress of . . . useful Arts.’”)
131 Bilski v. Kappos, 130 S. Ct. 3218, 3252 (2010) (citing Bonito Boats v. Thunder Craft Boats, 489 U.S. 141, 146 (1989); see Pope, supra note 3, at 226 (citing Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932) (“The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of the authors.”)).
133 See generally Bilski, 130 S. Ct. 3218; Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417 (1984); Graham, 385 U.S. 1; Fox Film Corp., 286 U.S. 123.
134 See Walterscheid, supra note 129, at 1.
135 Merges, supra note 132, at 47.
the Constitution, Thomas Jefferson wrote to James Madison on several occasions expressing his desire to restrict, if not completely eradicate, monopoly power.\[^{136}\] Jefferson wished “to abolish Monopolies in all cases, than not to do it any,” but he acknowledged that entirely precluding limited monopolies for patent and copyright would “lessen the incitements to ingenuity, which is spurred by the hope of a monopoly for a limited time.”\[^{137}\] Even while acknowledging the benefits to the public, such as fostering competition that could arise from limited use of a monopoly, Thomas Jefferson still claimed that the “benefit... is too doubtful to be opposed to that of general suppression.”\[^{138}\] Since the time of the Framers, Congress and the courts have been charged with maintaining this tension between monopolies and promoting the public good in order to avoid the dangerous extension of monopolies that Thomas Jefferson feared.

International exhaustion works to recalibrate the balance between incentivizing the inventor to create and promoting the public welfare through giving the public access to the inventions. As discussed above, international exhaustion results in the uniform application of the exhaustion doctrine, regardless of the location of the first sale.\[^{139}\] Under a national exhaustion regime, the patent holder can control the downstream progress of an item following the first sale if that first sale occurs outside the United States.\[^{140}\] Allowing perpetual downstream control virtually erases the “limited” nature of the constitutionally prescribed limited monopoly, flying in the face of the Framers’ intent and upsetting the balance between incentivizing invention and promoting the public welfare.

In *Quanta Computer,* the Supreme Court reiterated the importance of the exhaustion doctrine, explaining that it prevents patent holders from extending their monopoly to control post-sale use

---

See Walterscheid, supra note 129, at 5-6.


\[^{137}\] Id.

\[^{138}\] See ABBOTT, supra note 14, at 5.


\[^{140}\] See, e.g., Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417, 431 (1984) (explaining that the limitations on the creator’s monopoly “reflects a balance of competing claims upon the public interest”); Fox Film Corp. v. Doyal, 286 U.S. 123, 127–28 (1932) (quoting Kendall v. Winsor, 21 How. 322, 328 (1858) (“A copyright, like a patent, is ‘at once the equivalent given by the public for benefits bestowed by the genius and meditations and skill of individuals, and the incentive to further efforts for the same important objectives.’”).
of the patented article.\textsuperscript{142} In Hitachi,\textsuperscript{143} the district court criticized the adoption of national exhaustion in Jazz Photo for precisely this reason.\textsuperscript{144} The court explained that the Jazz Photo holding allowed patent holders to do “an end-run around”\textsuperscript{145} the first sale doctrine, a doctrine expressly put in place to protect the public welfare against unwarranted extensions of monopoly rights, and allow use or resale of purchased patented articles.\textsuperscript{146}

For example, in Jazz Photo, the Federal Circuit held that manufacturers of refurbished disposable cameras, first manufactured and sold outside the United States, were not entitled to utilize the first sale doctrine as a defense to infringement.\textsuperscript{147} The court held, however, that the identical refurbished disposable cameras manufactured and first sold in the United States were entitled to use the first sale defense.\textsuperscript{148} This provides a clear example of the ability of national exhaustion to extend downstream control after the first sale of a patented item, allowing patent holders to maintain a monopoly over their product following the first sale outside the United States. Conversely, international exhaustion perpetuates restrictions on post-sale control, in tune with the Constitution’s “limited Times”\textsuperscript{149} requirement. This tension between incentives and the public good continues to be weighed and discussed in decisions concerning the expansion or contraction of intellectual property rights.

The tension between the results of the application of international exhaustion and national exhaustion reflect the same tension embodied by the Constitution’s intellectual property clause. As Justice Ginsburg argued in her dissent in Kirtsaeng “[i]nternational exhaustion subjects copyright-protected goods to competition from lower priced imports and, to that extent, benefits consumers. Correspondingly, copyright owners profit from a national-exhaustion

\begin{itemize}
  \item \footnote{142}{Quanta Computer Inc. v. LG Elecs. Inc., 533 U.S. 617, 638 (2008).}
  \item \footnote{143}{LG Elecs., Inc. v. Hitachi, Ltd., 655 F. Supp. 2d 1036 (N.D. Cal. 2009); see also Static Control Components, Inc. v. Lexmark Int’l, Inc., 615 F. Supp. 2d 575, 588 (E.D. Ky. 2009) (holding the court cannot condone post-sale restrictions on subsequent purchasers after the first authorized sale).}
  \item \footnote{144}{Hitachi, 655 F. Supp. 2d at 1046.}
  \item \footnote{145}{Id. at 1044 (quoting Quanta Computer, 553 U.S. at 630 (“This case illustrates the danger of allowing such an end-run around exhaustion.”)).}
  \item \footnote{146}{Brief of Knowledge Ecology International as Amicus Curiae Supporting Petitioners, Petition for Writ of Certiorari at 4, Ninestar Tech. Co. v. Int’l Trade Comm’n, 667 F.3d 1375 (Fed. Cir. 2012) (No. 12-532), 2012 WL 5982918, at *4.}
  \item \footnote{147}{Jazz Photo Corp. v. Int’l Trade Comm’n, 264 F.3d 1094, 1105, 1111 (Fed. Cir. 2001).}
  \item \footnote{148}{Id. at 1105.}
  \item \footnote{149}{U.S. CONST. art. I, § 8, cl. 8.}
\end{itemize}
regime, which also enlarges the monetary incentive to create new copyrightable works.\footnote{Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351, 1384 (2013) (Ginsburg, J., dissenting).} Although arguing against the adoption of international exhaustion, Justice Ginsburg’s reasoning highlights the constitutional dichotomy underlying the decision to adopt national or international exhaustion.\footnote{See supra discussion in notes 126–131.} National exhaustion, with its promotion of market segmentation and the resulting increased profits wrought through pricing differentials in foreign and domestic markets, incentivizes the creator by providing downstream monopoly control and increased profits.\footnote{Abbott, supra note 14, at 5 (explaining that under a national exhaustion regime, producers that place a product in one market at a lower price are able to place the same product in other markets at a higher price without fear of arbitrage).} Conversely, international exhaustion erases the ability of manufacturers to segment foreign and domestic markets, allowing for arbitrage of foreign-manufactured products in the United States, thereby benefiting the consumer through increased competition and lower prices.\footnote{Id. at 6 (arguing international exhaustion’s benefit to consumers through increased competition supports trade liberalization policies).}

A definitive adoption of national exhaustion in copyright would have tipped the scales in favor of monetary incentives over protection of the public welfare. In the patent context, the Jazz Photo court’s adoption of national exhaustion worked the same imbalance, allowing downstream control over patented items after the first sale, flying in the face of the constitutional requirement of limited monopolies. In Kirtsaeng, the Court held that “the Constitution’s language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices... to increase or to maximize gain.”\footnote{Kirtsaeng, 133 S. Ct. at 1370.}

B. The America Invents Act and Removal of Geographic Boundaries

Recalibration of the balance between incentivizing creation and protecting public access to information permeates other facets of patent law involving geographic boundaries. The broad reform and amendments to the 1952 Patent Act worked by the America Invents Act (“AIA”) showcase both a contraction of right holders’ rights and a
removal of geographic barriers to patent protection. The AIA, put into practice March 16, 2013, drastically altered the United States patent system.\textsuperscript{155} The AIA replaced the First to Invent system with the globally-adopted First to File system,\textsuperscript{156} restructured post-issuance patent proceedings, created new patent prosecution proceedings, and altered the definition of prior art.\textsuperscript{157} In doing so, Congress harmonized the United States patent system with the rest of the world,\textsuperscript{158} in part by altering the definition of prior art, expanding its scope, and removing the geographic language from section 102(a) [now section 102(a)(1)].\textsuperscript{159}

In removing the geographic limitations on applicable prior art, section 102(a)(1) expands the scope of prior art, thereby making it more difficult for inventors to receive a patent.\textsuperscript{160} Prior to the adoption of the AIA, actions in a foreign country such as sale, offer for sale, and public use, did not qualify as prior art unless published, featured in a patent, or featured in a patent application.\textsuperscript{161} This definition of prior art left all foreign public knowledge, although solidly ensconced in the public domain, ripe for United States’ patent applicants to patent.\textsuperscript{162} Thus removal of the geographic language has far-reaching consequences in terms of the expansion of prior art.

To create the current section 102(a)(1), Congress struck the “in this country” language.\textsuperscript{163} Former section 102(a) barred patentability

\textsuperscript{157} Matal, supra note 155, at 436.
\textsuperscript{158} Aside from the United States, every industrialized nation with a patent system utilizes a first to file system, giving priority to the first inventor to file a patent application. See Mark Schafer, Note: How the LeahySmith America Invents Act Sought to Harmonize United States Patent Priority with the World, A Comparison with the European Patent Convention, 12 WASH. U. GLOBAL STUD. L. REV. 807, 807 (2013).
\textsuperscript{159} Donald S. Chisum, CHISUM ON PATENTS § 3.3.3.2 (Matthew Bender, ed. 2013).
\textsuperscript{160} Id. See H.R. Rep. No. 11298, at 42–43 (2011) (“Prior art also will no longer have any geographic limitations.”).
\textsuperscript{162} Margo A. Bagley, Patently Unconstitutional: The Geographical Limitation on Prior Art in a Small World, 87 MICH. L. REV. 679, 680 (2009) (discussing the example of the Neem tree, a tree with medicinal and agricultural uses prevalent in India).
\textsuperscript{163} America Invents Act, 35 U.S.C.A. § 102(a)(1) (West 2013); 35 U.S.C. § 102(a)
if “the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country.” 164 Under the AIA, however, Congress removed all geographic language, 165 finding anticipatory prior art if “the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.” 166 The focus instead rests on the public accessibility of the prior art regardless of the geographic origin or location of that art. 167 Focus on public accessibility more closely mirrors the constitutional foundations of patent law because it prevents monopolization of material that already exists in the public domain. 168

Controversy has surrounded the inclusion of geographic parameters to determine what qualifies as anticipatory prior art. 169 In her article, Patently Unconstitutional: The Geographical Limitations on Prior Art in a Small World, Professor Margo Bagley, discusses the history surrounding the introduction of the geographic parameters to the prior art requirement in 1836. 170 Although little legislative history attests to why the language was included, the Court in Gayler v. Wilder explained that

> [I]f the foreign discovery is not patented, nor described in any printed publication, it might be known and used in remote places for ages, and the people of this country would be unable to profit by it... It would be the same thing as if the improvement had never been discovered. 171

As communication technology evolved, the presumption of inaccessibility of foreign public use became tenuous. 172 In 1966, a

---

164 § 102(a) (2006).
165 Schafer, supra note 158, at 818. Geographic restrictions found in §102(g) were also implicitly removed as §102(g) was deleted from the AIA in its entirety. Id.
167 Matal, supra, note 155, at 466.
168 See, e.g., Graham v. John Deere Co., 385 U.S. 1, 5-6 (1966) (holding that Congress does not have the authority to authorize the issuance of patents “whose effects are to remove existing knowledge from the public domain”).
169 See Bagley, supra note 162, at 699 (discussing the legislative history of the geographic parameters in 35 U.S.C. § 102(a)(1) (2006)).
170 Id. at 698.
171 Id. at 699 (quoting Gayler v. Wilder, 51 U.S. 477, 497 (1850)).
172 Id. (citing Donald S. Chisum, Foreign Activity: Its Effect on Patentability Under United States Law, 11 INTL. REV. INDUS. PROP. & COPYRIGHT 26, 36 (1980) (“The exclusion of unpublished foreign uses was based on a convenient presumption of inaccessibility just as the inclusion of published foreign sources was based on a convenient presumption of accessibility.”)
Presidential Commission report called for the removal of the section 102 geographic restrictions, but the bill never became law.\textsuperscript{173} The 1966 Presidential Commission sought removal of the geographic language due to its arbitrary nature, explaining that it would eliminate “the anomaly of excluding, from prior art, public knowledge, use or sale in a border town of Mexico or Canada and including the same kind of disclosure in Alaska or Hawaii . . .\textsuperscript{174}”

The current removal of the geographic restrictions implemented by the AIA reiterate the same argument, acknowledging that in an age of constant communication and connectivity, the presumption of inaccessibility is no longer tenable.\textsuperscript{175} There is minimal current legislative history explaining the reasons behind Congress’s removal of the geographic restriction from section 102(a).\textsuperscript{176} The legislative history focuses primarily on the expansion of the definition of prior art, particularly with regard to the addition of the phrase “available to the public,”\textsuperscript{177} to showcase not only the broad scope of anticipatory prior art, but that the prior art must be publicly available in order to influence the novelty assessment.\textsuperscript{178}

Restriction of patent accessibility, through the expansion of eligible prior art references, promotes a more restrictive application of patent law in tune with the constitutional grant and restraint on power provided by the Clause. In a world pervaded by constant communication and travel between all countries, allowing American inventors to exclude foreign public knowledge from anticipatory prior art allows inventors to monopolize knowledge already existing in the public domain,\textsuperscript{179} clearly tipping the balance against public dissemination of knowledge and in favor of patent monopolies.

Similarly, national exhaustion allows patent holder’s rights to be

\textsuperscript{173} Id. To Promote the Progress of Useful Arts, Report of the President’s Commission on the Patent System, S. Doc. No. 90-5, at 15 (1967) (arguing foreign knowledge, use and sale should be included as prior art).

\textsuperscript{174} Bagley, supra note 162, at 700 (quoting To Promote the Progress of Useful Arts, Report of the President’s Commission on the Patent System, S. Doc. No. 90-5, at 15 (1967)).

\textsuperscript{175} See Bagley, supra note 162, at 687.


\textsuperscript{177} 35 U.S.C.A. § 102(a)(1) (West 2013) (“[T]he claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.”) (emphasis added).

\textsuperscript{178} H.R. Rep. No. 112-98 at 42-43.

\textsuperscript{179} See Bagley, supra note 162, at 460 (illustrating American inventors’ ability to patent invention derived from the Neem tree preparations, which were firmly enconced in the public domain in India).
preserved following the first sale in a foreign country, providing the patentee with both a financial reward\(^\text{180}\) and continued downstream monopolistic control over the product until that product’s first sale in the United States. Not only does this stand in direct contravention to the principles embodied in the Clause, but it also perversely incentivizes manufacturers to leave the United States in order to further extend their monopoly over their patented item.\(^\text{181}\) Viewed in this manner, removal of the geographic language mirrors and supports a movement toward recalibration to restore the balance between incentivizing the patent holder and limiting monopolies to protect the public welfare.\(^\text{182}\) Application of international exhaustion, with its continuity of exhaustion rights regardless of the location of the first sale, works to restore patent monopolies to the limited monopolies supported by the Constitution and better protect the public against downstream exploitation.

V. CONCLUSION

Given the Supreme Court’s recent adoption of international exhaustion in copyright law, the time is right for clarification of the geographic parameters of the exhaustion doctrine in patent law. Adoption of international exhaustion will not only serve to recalibrate the balance between incentivizing inventors to create—through the use of limited monopolies—and promoting the public welfare by restricting the monopolies held by patent holders, but will also bring the exhaustion doctrine in line with the removal of geographic boundaries to the novelty requirements worked by the amendments to the AIA.\(^\text{183}\) Until the Supreme Court reverses the precedent set by *Jazz

\(^{180}\) Brief of Knowledge Ecology International as Amicus Curiae Supporting Petitioners, Petition for Writ of Certiorari at 8, Ninestar Tech. Co. v. Int’l Trade Comm’n, 667 F.3d 1373 (Fed. Cir. 2012) (No. 12-552), 2012 WL 5982618, at *8 (arguing patent holders should receive only one financial reward per patented item.). Once the reward is received, “patent law affords no basis for restraining the use and enjoyment of the thing sold.” *Id.* (quoting United States v. Univis Lens Co., 316 U.S. 241, 251 (1942)). Conversely, national exhaustion results in two rewards, one upon first sale in a foreign country and again upon sale in the United States. Rothchild, *supra* note 37, at 129.


\(^{182}\) See, e.g., Bagley, *supra* note 162, at 698 (quoting Shaw v. Cooper, 32 U.S. 292, 320 (1883)) (“But it was not the intention of this law, to take from the public, that which they were fairly in possession. In the progress of society, the range of discoveries...will be enlarged...[i]t would be extremely impolitic, to retard or embarrass this advance, by withdrawing from the public any useful invention or art, and making it a subject of private monopoly.”).

\textit{Photo}, the balance between patent-holders' monopoly power and protection of the public welfare will remain distorted by the ability of manufacturers to control downstream progress of foreign-manufactured good after the first sale in derogation of the constitutionally-mandated limited monopoly.