



THE EXHAUSTION OF INTELLECTUAL PROPERTY RIGHTS

Welcome to another edition of Protecting Your Creativity by The Livingston Firm. Each edition of Protecting Your Creativity will discuss various aspects of intellectual property law and related business matters. This edition discusses the exhaustion of intellectual property rights.

When does the owner of a patent, trademark, or copyright lose the right to control the use, sale or to be compensated for same?

As a general rule, an owner of intellectual property will lose or “exhaust” certain rights after the first unrestricted or authorized sale of the subject matter covered by the intellectual property. In the area of patents and trademarks, the rule is often referred to as the “Doctrine of Exhaustion” and in copyright law as the “First Sale Doctrine.”

PATENTS

For a patent, the Doctrine of Exhaustion means once a patent owner makes a first sale of an item covered by a patent, the patent owner is not entitled to any additional royalty or compensation for subsequent sales of the same item. The subsequent purchasers have an “implied license” to use the invention. However, like any rule there are exceptions. What if the sale of the patented item was made “out the back door” by a licensee? If such a sale was not an authorized sale and the patent owner did not receive compensation for the sale, the patent owner could sue a purchaser for infringement. Another exception is if a patented item is merely being leased or licensed, then a subsequent sale of that item would not exhaust the owner’s patent rights.

TRADEMARKS

In trademark law, a trademark owner cannot control further sales of a product bearing its trademark after the first sale. Thus, a buyer can resell a product bearing the trademark. Of course, the first sale must be an authorized or unrestricted sale. If the first sale were to someone outside an authorized territory, such as in the case of “gray market” goods, then the trademark rights would not be exhausted.

COPYRIGHTS

Similarly, in copyrights, the “First Sale Doctrine” limits a copyright owner’s ability to collect royalties on a copyrighted work to only the first sale. This doctrine is the reason stores may resell used books and CDs without having to compensate the copyright owner.

CONCLUSION

Therefore, in view of the above doctrines, intellectual property owners should be sure they receive or collect whatever compensation they can on the first sale of a product covered by that intellectual property. Moreover, purchasers of products should be wary of purchasing products being sold unlawfully so they are not held liable for infringement.

The Livingston Firm specializes in all areas of intellectual property law including patents, trademarks, copyrights, trade secrets, franchising, litigation and business law. As the largest full-service intellectual property law firm in Southwest Florida with over forty years of combined experience, The Livingston Firm can be there to assist you from beginning to end with protecting your ideas and inventions and getting those ideas and inventions to market.

Thank you for taking the time to read this edition of Protecting Your Creativity. If you are in need of our services then please contact us to schedule an appointment.

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