

Consumer Product IP: Coffee Isn't the Only Cure for Exhaustion

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Protecting investment in consumer products, especially those sold via a razor/blade sales model, presents unique challenges. Under this model a reusable base component is sold and followed by continuing sales of disposable widgets for use with the base component. But once the base component is in the hands of the customer, what's to stop an interloper from copying the widgets and undercutting these continuing sales? Through the non-statutory patent exhaustion doctrine, which "exhausts" a patentee's patent rights in a product after it has been sold, courts have not made it easy for patent owners to control downstream use of their products.

A recent opinion by the Federal Circuit, *Keurig Inc. v. Sturm Foods, Inc.*,¹ continues this trend (along with *Lifescan Scotland, Ltd. et al. v. Shasta Technologies LLC et al.*)² The court in *Keurig* held a method claim automatically exhausted by the exhaustion of an apparatus claim in the same patent. Despite the court's ruling, strategies remain available to consumer product companies using the razor/blade sales model that allow some downstream protection of their business.

Keurig makes the popular "K-cups" brand disposable coffee cartridges used

with Keurig's brewing machines to dispense single-serve beverages on demand. Keurig owns two patents that each include both apparatus claims covering the brewers and method claims covering brewing beverages from a disposable cartridge.

Sturm sells replacement cartridges for use in Keurig's brewers. Keurig filed suit against Sturm, alleging that use of Sturm's replacement cartridges in Keurig's brewers directly infringed Keurig's method claims, and that Sturm's sale of the cartridges induced and contributed to this infringement. Sturm moved for summary judgment of noninfringement on the basis that Keurig's patent rights were exhausted by Keurig's authorized sale of its brewers. Keurig appealed the district court's grant of summary judgment to the Federal Circuit.

An affirmative defense to infringement, patent exhaustion can terminate patent rights in a patented item upon its initial authorized sale. Applicable precedent for exhaustion of method claims includes the Supreme Court's decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*,³ which dealt with an *unpatented* related item, and was summarized by the *Keurig* court: "method claims are exhausted by an authorized sale of an item that substantially embodies the method if the item (1) has no reasonable noninfringing use and (2) includes all inventive aspects of the method claimed."

Keurig acknowledged that its brewers were commercial embodiments of its apparatus claims, but claimed its brewers did not meet the first prong of this test because they had reasonable noninfringing uses in that they could be used with different types of cartridges in ways that would not infringe the claimed methods. The court rejected this argument, finding that potential noninfringing uses could not save the method claims from exhaustion where the use in question is the very use contemplated by the patented invention.

The court's basis for finding the first prong inapplicable to the exhaustion question is that allowing Keurig to control use of its brewers after their sale runs "counter to

the spirit of the doctrine of patent exhaustion." The court apparently found that the sale of an article is enough in itself to trigger exhaustion of an *entire patent*, where at least one claim of the patent covered the sold article. In other words, all claims of a patent are exhausted together, not on a claim-by-claim basis.

Since the method claims Keurig sought to assert were in the same patent as claims covering its brewers, the method claims were exhausted as part of the exhaustion of the patents as a whole, based on the authorized sale of the patented brewers. As a result, Keurig could not recover for a purchaser's use of a non-Keurig cartridge in his brewer even if the use practiced Keurig's method claim.

Though the court based the exhaustion of the method claims on their existence in the same patent as exhausted apparatus claims, this does not necessarily mean that having patented them separately would have saved them. The court here essentially created a shortcut around the *Quanta* analysis by holding that all claims of a patent are exhausted together. But in doing so the court expressed a strong preference for a party's authorized sale of a product—patented or not—to preclude an infringement claim by that party based on the product's use. Though dicta in this case, the court seems likely to consider *Quanta*'s "reasonable noninfringing use" prong to be a very high bar.

What can a consumer product company—particularly one using a razor/blade sales model like Keurig—do to meet these challenges? Despite the recent trends in litigation undermining patent owners' ability to control downstream use of their products through method claims, there are some grounds for successful patent protection under the razor/blade sales model.

Patent with your design strategy in mind. The court in *Keurig v. Sturm* notes that Keurig owned but did not assert a design patent covering a beverage cartridge. A robust design patenting strategy, however, may prove useful to those using the razor/blade sales model in preventing knock-off widgets from cutting into their market share. Strategic claim drafting in a design patent through the creative use of solid and broken lines in the drawings to claim particular aspects of an article can in many cases provide claim scope broad enough to cover unauthorized widgets of varying configurations that may work with the base component. The careful drafter

will, however, take care not to limit the claims only to purely functional aspects of the widget so as not to run afoul of the Federal Circuit's holding in *Best Lock v. Ilco*,⁴ which upheld an affirmative defense to infringement of a design patent claim on this basis. A balanced portfolio strategy that includes both design and utility protection aimed at multiple possible infringers along the distribution channel may help alleviate patent exhaustion challenges.


Design with your patent strategy in mind. Designers may find it useful to over-design the parts of the base component and the widget that interact, with two additional goals in mind: (1) both sides of the interaction should include a novel feature; (2) each side of the interaction should only properly interact with an item including the novel feature of the other side. This may allow patent claims directed to the interaction between these parts as well as the novel feature of each part individually. Infringement of the claims to the interaction between parts may be induced by an unauthorized upstream interloper, and the claims covering the widget-side interactive feature may be directly infringed by the interloper. Given the court's ruling in *Keurig*, however, at least the claims

directed to the novel features individually should be patented in separate patents.

Product and technology restrictions. In finding the patents exhausted, the court emphasized that Keurig's brewers were sold without conditions. It is not clear to what extent placing conditions on the sales may have saved the patents from exhaustion. Presumably Keurig could have attempted to condition sale of its brewers on the purchaser agreeing to only use authorized K-cups in the brewer. But this creates a cause of action against the purchaser, rather than against an upstream interloper. Another option is to technologically restrict use of a base component to authorized widgets, for example by using software to recognize and refuse to operate with unauthorized widgets. Indeed, Keurig has announced that its next generation brewers will include "interactive readability" that will not work with copycat cartridges. Patent protection on the operating method and structural details of such technological restrictions can provide another valuable weapon against knock-off widgets, but should be considered carefully to avoid exhaustion.

In spite of the hostile stance courts tend to take toward downstream control of prod-

ucts after their sale, clearly some potential avenues for such control through patent protection remain available. Strategic consumer product companies using the razor/blade sales model may still be able to use some combination of product design and intellectual property law to protect their investments in developing such products. A bold, full-bodied patent prosecution strategy that recognizes the unique difficulties of the razor/blade sales model can help. Involving your patent counsel in the early stages of product design can be the difference between a sale that exhausts your patent rights, and one that leaves the company buzzing with viable patent protection.

The opinions expressed are those of the authors and do not necessarily reflect the views of the firm or its clients. This article is for general information purposes and is not intended to be and should not be taken as legal advice. 

ENDNOTES

1. 2013-1072 (2013).
2. 2013-1271 (2013).
3. 553 U.S. 617 (2008).
4. 94 F.3d 1563 (1996).

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