NO. 06-937

IN THE
Supreme Court of the United States

QUANTA COMPUTER, INC, ET AL.,

Petitioners,

v.

LG ELECTRONICS, INC.,

Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF VARIOUS LAW PROFESSORS AS AMICI CURIAE IN SUPPORT OF RESPONDENT

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INTEREST OF AMICI CURIAE

Amici are law professors who teach, research, and have an interest in the theory, law, and practice of patents, property rights, and contracts. Amici have no other stake in the outcome of this case,[1] but are interested in ensuring that patent law develops in a way that best promotes innovation and competition. A full list of amici is appended to the signature page. Both petitioner and respondent have consented to the submission of this brief by lodging blanket consents with the Court.

STATEMENT OF CASE

The patentee in this case entered into an express written contract with a large, sophisticated party, Intel, to settle a set of disputes about patent infringement by giving to Intel a limited license under the patents. The contract expressly limited the settlement's effect on third parties and was reached at a price that reflected these modest ambitions. It made sense for Intel to seek such a blanket settlement of intellectual property cases to buy freedom from suit for Intel, but only Intel, because Intel might otherwise have been found guilty of inducing third parties to infringe when it sold its products.

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[1] Pursuant to Sup. Ct. R. 37.6, the amici represent that no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amici or their counsel made a monetary contribution to its preparation or submission except that The Hoover Project on Commercializing Innovation paid only the actual printing and filing costs. The parties' general letters of consent to the submission of amicus briefs have been filed with the clerk.

Petitioners in this case also are large sophisticated commercial entities. They bought products from Intel with notice of the limited terms of the license to Intel and the opportunity to negotiate a price in their sales contracts from Intel that reflected the limited reach of Intel's license from the patentee.

Petitioners now want this Court to overturn longstanding precedents of this Court and the Federal Circuit, that have applied the first sale doctrine as only a default rule that recognizes certain terms (such as a license under a patent to use a purchased product) that may reasonably be implied into a contract for sale of a patented article from the patentee. In the interest of collecting an undue windfall for themselves, Petitioners want the first sale doctrine to be applied more expansively and rigidly to convert a case of express contracting over a limited license to only one commercial party into a blanket license to a host of commercial parties with actual notice, regardless of the efforts by all parties to contract for a more modest result at a lower price.

The present amici do not dispute efforts by any party to explore arguments that might achieve the basic business result of patent license that is urged by Petitioners in this case, so long as those arguments are supported by the facts when made in accordance with existing categories of legal doctrines such as express license, implied in fact license including by first sale, or license implied by equitable or legal estoppel, etc. But amici urge this Court to reject Petitioners' invitation to create a new rule that stretches the longstanding first sale doctrine into an *uber* immutable rule that a license to one is a license to all.

SUMMARY OF ARGUMENT

This case highlights the tension between two somewhat conflicting legal principles: one generally in favor of freedom of contract, and one generally in favor of freedom from unknown servitudes running with chattels. Petitioners and supporting amici are right to point out the law's skepticism towards restrictive servitudes as well as the general understanding that no servitudes run with the sale of ordinary chattels. But they are wrong to portray this policy as being so strong and far reaching as to prevent the commonplace contractual restrictions at issue in this case, and they are wrong to suggest that this case involves an ordinary sale of chattels. Accordingly, the invitation to resolve the tension by overturning the well-established precedent that respects and fosters the freedom of contract in rigid adherence to the view that unknown servitudes should not run with chattels must be rejected. Petitioners' approach is unnecessary and would discourage innovation and competition, as well as interfere with the economically efficient efforts of patentees and purchasers to establish their respective rights by contract.

Courts have long recognized a host of legal and equitable doctrines to protect purchasers of patented goods from unfair surprise and charges of infringement when the purchasers have been led by the patentees reasonably to believe that no patent infringement will lie. Examples of these doctrines include implied-in-fact licenses, through doctrines such as first sale, and licenses implied in law, through doctrines such as equitable estoppel or legal estoppel. As a result, the relief urged by Petitioners and supporting amici simply is not needed. Moreover, reversing the Federal Circuit in this case would give a huge undue windfall to opportunistic third party buyers who have actual knowledge that purchased products simply were not licensed under the relevant patents. Large commercial buyers purchase at prices that reflect the need for subsequent patent licenses; and interference with this relationship would harm, not help, transactions around intellectual property rights.

Importantly, the contract underlying this case is not even one involving a typical sale of chattels. This case involves an express, written contract containing undisputed terms between large commercial and sophisticated parties to settle a set of disputes about patent infringement among themselves, while expressly limiting the settlement's effect on third parties. The settlement occurred at a price the licensee had the opportunity to negotiate down to a level that reflected the settlement's modest ambitions. The freedom for large commercial parties to strike deals of the type involved in this case is essential to avoiding and resolving disputes, and fostering innovation and competition. Reversing the longstanding case law that respects such licenses would have several related deleterious effects. First, it would give an undue windfall to opportunistic third parties who would be able to assert "licenses" beyond those they knowingly purchased. Second, it would frustrate the reasonable expectations of the countless commercial actors who have settled cases and struck patent license agreements in reliance on the reasonable expectation that the limited terms of their contracts would be enforced. Although a transitional issue, the large number of patents licensed and the length of patent term leave its impact both broad and long. And third, it would make settling future disputes significantly more difficult.

The careful balance between freedom of contract and freedom from servitudes on which countless commercial actors have reasonably relied has stood the test of time. This Court should reaffirm these longstanding precedents, as well as the decision below.

ARGUMENT

The first sale doctrine applied by the Federal Circuit in this case and others fully complies with the longstanding precedents of this Court. Under these precedents, express license contracts of the type at issue in this case cannot and should not trigger the first sale defense. Maintaining the contractual foundations of the first sale doctrine is sound public policy and should be reaffirmed by this Court.

I. The Federal Circuit's Treatment of the First Sale Doctrine Is Required by the Precedents of this Court

1. The Federal Circuit's first sale doctrine closely follows the longstanding precedents of this Court stemming as far back as *Adams v. Burke*, 84 U.S. 453 (1873), which held that "when the patentee . . . sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use." *Id.* at 456. Even the early cases in this Court's first sale jurisprudence made clear that the doctrine arises

from the interaction between patent law and contract law. For example, this Court focused on determining that the particular restrictions at issue in the *Adams* case were "not contemplated by the statute nor within the reason of the contract." *Id.* Similarly, in *Mitchell v. Hawley*, 83 U.S. 544 (1872), this Court acknowledged the importance of the freedom of contract, re-emphasizing the ability to restrict contractually the otherwise implied-in-fact patent license at issue in that case. This Court stated, "Sales of the kind may be made by the patentee with or without conditions, as in other cases." *Id.* at 548. In effect, this Court treated the first sale doctrine as a default rule that parties could opt out of contractually.

The power to contract around the default first sale rule has been made clear in numerous cases over the ensuing years. *See, e.g.*, *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891); *Keeler v. Standard Folding-Bed Co.*, 157 U.S. 659, 662 (1895); *Gen. Talking Pictures Corp. v. W. Elec. Co.*, 304 U.S. 175 (1938). The view also was reaffirmed after the 1952 Patent Act in cases like *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964), which pointed out that "it is fundamental that sale of a patented article by the patentee or under his authority carries with it an 'implied license to use.'" (quoting *Adams v. Burke*, 84 U.S. 453, 456 (1873)).

2. The Federal Circuit has closely followed the precedents of this Court in this area. For example, in *Mallinckrodt v. Medipart*, 976 F.2d 700 (Fed. Cir. 1992), the court upheld a single use restriction in a label license as long as the terms were not objectionable on grounds applicable to contracts in

general — for example, if they violate a rule of positive contract law such as by being adhesionary or unconscionable.[2] Explaining a bit further, the court in *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1426 (Fed. Cir. 1997), stated that the first sale

> doctrine . . . does not apply to an expressly conditional sale or license. In such a transaction, it is more reasonable to infer that the parties negotiated a price that reflects only the value of the "use" rights conferred by the patentee. As a result, express conditions accompanying the sale or license of a patented product are generally upheld.

3. Not only is this contract-centered view of the first sale doctrine well established, but it makes good policy sense. In the case of a patentee's unrestricted sale of a patented product into commerce, the buyer presumably has paid the patentee not only for title to the physical product (a sale of product), but also for permission to use the product for its intended purpose (a license under the patent). That is, the first-sale doctrine operates as a default rule, to recognize certain terms (such as a license under a patent to use a purchased product) that may reasonably be implied into a contract for sale of a patented article from the patentee.

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[2] The Federal Circuit's view also is shared by prominent decisions in sister circuits. *See, e.g.*, *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir.1996) (Easterbrook, J.) (non-commercial use restriction in shrink-wrap copyright license for computer program held valid and enforceable as a contractual limit on use).

Under well-established principles of law and equity, there are several routes to arriving at a conclusion about implied terms of a contract. Implied-in-fact terms may be found as a matter of interpretation from evidence of the parties' intent. Implied-in-law terms are imposed in the interest of fairness to ensure that both parties receive the rights for which they bargained. But as courts have long recognized, the implied-in-law doctrine only provides a default rule, and differing terms in a sale – such as a sale accompanied by a promise to make only a single use of the patented article – will be enforceable as long as they do not violate some other rule of positive law.[3] The logic of this view is straightforward: absent a direct conflict with positive law, there is no room for the law to imply terms when the parties themselves have provided their own agreed-to terms as a matter of their express and properly formed contract.

4. While Petitioners and supporting amici make much of the decision in *United States v. Univis Lens Co.*, 316 U.S. 241 (1942), that case simply does not support the broad interpretation they suggest. To the contrary, the most that *Univis* can be fairly understood to have accomplished is a slight

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[3] This contract-based view of the first sale doctrine also shows why it is important to avoid being confused by the alternative label of "exhaustion" that is often used. By treating the patent right as having been used up, the term "exhaustion" suggests an immutable state of affairs, leaving no opt out possible. But the contractual nature of the first sale doctrine focuses attention on the actual terms of the initial sale that is said to give rise to the license in order to encourage observers to determine whether the parties opted out of the default terms otherwise implied into such deals.

expansion of the first sale doctrine to apply regardless of whether "the patented article [is sold] in its completed form or . . . before completion for the purpose of enabling the buyer to finish and sell it." *Id*. at 252. In addition, *Univis* must be understood as what it expressly purports to be: a government enforcement case brought under the Sherman Antitrust Act to enjoin the enforcement of contract requirements to maintain certain resale prices that were determined to be illegal under then-prevailing views of antitrust. Unlike in *Univis*, the contract terms at issue in this case have not been held to be illegal, and prevailing antitrust jurisprudence now treats such vertical pricing restraints under the more permissive rule of reason analysis, instead of under the old *per se* illegality analysis. *See State Oil v. Khan*, 522 U.S. 3 (1997); *Leegin Creative Leather Prods., Inc., v. PSKS, Inc.*, 127 S. Ct. 2705 (2007).

Indeed, the contract-based view of doctrines like first sale was a central animating principle behind the 1952 Patent Act, which codified our present patent system and expressly revived contributory infringement by substantially narrowing patent misuse and statutorily overruled cases doctrinally related to *Univis*. For many years before the '52 Act, patentees were severely limited in the exercise of the rights to sue or license those who induced or contributed to infringement by the too-often applied doctrine of patent misuse, which stemmed largely from then-existing antitrust principles. As this Court expressly recognized, a central purpose behind the '52 Act was the revival of contributory infringement and inducement of infringement and the limiting of patent misuse.

Dawson Chem. v. Rohm & Haas, 448 U.S. 176 (1980). Section 271 set forth express provisions for direct, induced, and contributory infringement as well as an express provision that effectively allowed a patentee to elect to sue, license, or even restrictively license anyone otherwise guilty of direct or indirect infringement without committing patent misuse. *See* 35 U.S.C. § 271(d). *See also Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006) (holding that a patent does not support a presumption of market power and abrogating *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942), *Int'l Salt Co. v. United States*, 332 U.S. 392 (1947), *United States v. Loew's Inc.*, 371 U.S. 38 (1962), and *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984)). Petitioners' present argument is in conflict with the principles embodied in the '52 Act, as reaffirmed and extensively reviewed by this Court in *Dawson*.

II. Restrictive License Contracts of the Type at Issue in this Case Cannot and Should Not Trigger the First Sale Defense

1. The contractual underpinnings of the first sale defense requires that the defense arise only in situations supporting the inference that a license was conveyed along with the sale of the underlying chattel. But the contract underlying this case does not involve a sale of chattels. The contract in this case involves an express, written contract containing undisputed terms between large commercial and sophisticated parties—terms negotiated with an intent to settle a set of disputes about patent infringement between the parties, while expressly limiting the settlement's effect on third parties, at a

price that reflected the settlement's modest ambitions.

2. The freedom for large commercial parties to strike deals of this type is essential to avoiding and resolving disputes and fostering innovation and competition. Here, it made sense for Intel and the patentee to enter into a limited license because essentially, the patentee and Intel were entering into a blanket settlement of intellectual property cases that bought freedom from suit for Intel, but only Intel. Intel needed the freedom because, for example, Intel might otherwise have been found guilty of inducing third parties to infringe when it sold its products. This settlement made clear that it released Intel from potential liability but did not affect the liability of third parties to the agreement, such as Intel's customers. The large commercial entities that are Intel's customers also had the opportunity to negotiate a price in their sales contracts from Intel that reflected the limited reach of Intel's license from the patentee.

3. A rule that required patent licenses to immutably convey a full license to all downstream users would seriously undermine the ability to avoid and settle cases. Such an all-or-nothing rule would require patentees to transfer more in a license than they might want in given cases, thereby reducing flexibility and decreasing interest in licensing. Similarly, it would require licensees to buy more than they might want in given cases, thereby decreasing their interest in licensing as well. This result is predictable, since one size of settlement does not fit all parties under all circumstances. And that is precisely the practical result of an inflexible,

mandatory first sale doctrine such as Petitioners urge.

Furthermore, because any patent settlement that is reached under Petitioners' rule will license an entire industry, an immutable rule typically would give rise to an enormous coordination problem among the class of potential licensees by requiring them to agree with each other on a price they collectively would agree to pay the patentee. The decision by any significant infringers to hold out from the deal would frustrate the ability of all other infringers and the patentee to reach an agreement that reflects the actual market price.

The bottom line is that Petitioners' approach would make it very difficult to settle patent disputes involving many possible infringers. Any settlement would have to coordinate the interests of all or nearly all of the potentially-infringing population. And while it might well be the case that key supplier companies such as Intel would endeavor to act as *de facto* coordinators, by passing along license costs to customers, the goal of the first sale doctrine has never been and should never be to mandate particular business models. One size rarely fits all, especially in rapidly changing markets like those involving innovation.

4. Petitioners' proposal would also give an undue windfall to third parties who would then be able to assert licenses they never thought they had, including the buyer in this case. The general rule applicable outside the context of a first sale of patented chattels by the patentee is that the purchase of a product does not convey a license that

renders the purchaser free from patent infringement. Especially for large commercial players like those involved in this case, it simply makes sense for the first sale doctrine to be triggered only in cases giving rise to a reasonable belief that a sale included both a chattel and a patent license. In this case, the infringers asserting the first sale defense came to know of their seller's license as they came to buy the chattels. But when they bought the chattels, they also were given express written notice from Intel about Intel's inability to sell them a license. As a result, on the facts of this case, there simply is no chance of confusion, mistake, duress, etc. Quite the opposite, the buyer here is reduced to arguing that it was seduced into thinking it was licensed by reading only half the documentation that seduced it. Large commercial parties like Petitioners generally are expected to read, understand, and be bound by all terms of their contracts.

5. Reversing also would frustrate the reasonable expectations of the countless commercial actors who have settled cases and struck patent license agreements in reliance on the perfectly reasonable expectation that the express terms of their contracts would be enforced, while making it significantly more difficult to settle future disputes. The floodgates would be open to all those buying from limited licensees to claim that they deserve to be beneficiaries to agreements from which they were expressly excluded. The large number of patents that are the subject of such limited licenses and the length of patent term leave this admittedly transitional issue having broad and long impact.

III. A Contract-Focused First Sale Analysis Is Sound Public Policy

There is no need to overturn as an undue imposition on the freedom from servitudes the longstanding first sale doctrine, which recognizes the enforceability of limited licenses, because a number of existing companion doctrines already exist to protect legitimate interests of innocent third parties. As a result, it is possible for all parties to potential transactions to identify sensible categories of cases to which established principles of law or equity apply without resorting to case-by-case judgments of the social desirability of patents where none of the traditional grounds for intervention are present. But of central importance is the ability of parties to determine, *ex ante*, whether their case meets or fails the requirements of the legal tests that trigger these other doctrines when applied on their own terms. Put differently, it would be unfair and inefficient to bestow the protections provided by such doctrines without requiring a showing that all elements of their legal tests have been met. Petitioners' approach would obliterate the nuances of existing legal principles that already accommodate Petitioners' concerns.

A. Contractual Restrictions of the Type Used in this Case Are Not Foreign to Property and Contract Law Generally and Are Commonly Used across Society with Ease

Although petitioners and supporting amici are correct in pointing out that restrictive servitudes in chattels generally are not recognized,[4] contractual restrictions of the type at issue in this case are remarkably common in daily life, even in ordinary consumer transactions, and are even more common in transactions among large commercial parties. Consider, for example, a typical lease for the rental of real or personal property containing a restriction against subleasing. Even the general view favoring the ability to assign and delegate rights and obligations in intangible assets like contracts fully respects the power of restrictive terms in an underlying contract governing whether or how such third party rights in it can be created.

Courts have long recognized a host of legal and equitable doctrines to protect purchasers of patented good from unfair surprise and charges of infringement, when patentees have led the purchasers reasonably to think that no patent infringement will lie. Examples of these doctrines include implied-in-fact licenses, through doctrines such as first sale, and licenses implied in law, through doctrines such as equitable estoppel or legal estoppel. Also relevant are contract law doctrines governing contract formation, such as mistake, fraud, misrepresentation, duress, mistake, and both procedural and substantive unconscionability, among others.

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[4] *See* Thomas W. Merrill & Henry E. Smith, *Optimal Standardization in the Law of Property: The Numerus Clausus Principle*, 110 Yale L.J. 1, 18 & n.68 (2000) (pointing out that "American precedent is largely, if not quite exclusively, in accord" with the view that "one cannot create servitudes in personal property").

B. The Law Has Long Recognized that Patent Law Does Not Include a Good Faith Purchaser Rule

It has long been recognized that even an innocent infringer, without knowledge of a patent, who makes something covered by a valid patent claim with her own hands from materials gathered from land she and her ancestors have owned in fee simple absolute since time immemorial, is nonetheless liable for patent infringement. The infringement can be of patents that were in existence at the time the product was made. Later issued patents also may be infringed. Absent a fully paid judgment from a victorious infringement lawsuit against a competitor to convert infringing products into licensed products, even innocent buyers who buy from an infringer can be sued for patent infringement. This Court and Congress have both expressly recognized that patentees may therefore face the daunting task of having to sue for infringement all customers who bought from their competitor and stepped in to help patentees by making available causes of action for indirect infringement like those that motivated the underlying license at issue in this case:

> The court permitted the patentee to enforce his rights against the competitor who brought about the infringement, rather than requiring the patentee to undertake the almost insuperable task of finding and suing all the innocent purchasers who technically were responsible for completing the infringement.

Dawson, 448 U.S. 188 (citing *Wallace v. Holmes*, 29 F. Cas. 74, 80 (C.C.D. Conn. 1871)). Indeed, the risk of widespread infringement across commercial transactions is so well known that it has been expressly allocated by drafters of the Uniform Commercial Code to merchants regularly dealing in goods of the kind who warranty their buyers against infringement and to buyers who warranty their sellers if they provide those sellers with specifications for the goods.[5]

C. The Doctrines of Implied License by Equitable Estoppel and Legal Estoppel Appropriately Step in to Fill Needed Gaps

Although the clearest grant of permission to engage in activities otherwise constituting patent infringement generally is an express grant from the patentee in a contractual license, *see McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917 (Fed. Cir. 1995) (license is a contract governed by ordinary principles of state contract law), or even a settlement agreement following a suit for patent infringement, *see Gjerlov v. Schuyler Laboratories, Inc.*, 131 F.3d 1016 (Fed. Cir. 1997) (suit for breach of settlement agreement is matter of state contract law and treble damages under patent law are unavailable), courts have long recognized that the grant need not be express. In addition to the doctrine of first sale as an implied-in-fact contract, at least two distinct additional legal grounds exist to create authority by less than express

[5] *See* U.C.C. § 2-312(c).

contractual grant: (1) the doctrine of implied license by legal estoppel triggered when a patentee has licensed or assigned a right, received consideration, and then sought to derogate from the right granted; and (2) the doctrine of implied license by equitable estoppel triggered by a patentee's conduct that reasonably leads another to act in reliance on that conduct in such a way that it would be unjust to allow the patentee to exclude the actions taken in reliance.

The doctrine of implied license by equitable estoppel illustrates the broad reach of these existing doctrines. Equitable estoppel arises in those cases in which the active conduct of a patentee leads some other party to reasonably believe that it has a right to practice the patented invention. For example, as the Federal Circuit wrote in *Wang Labs., Inc. v. Mitsubishi Elecs. of Am., Inc.*, 103 F.3d 1571 (Fed. Cir. 1997):

> The record shows that Wang tried to coax Mitsubishi into the SIMM [short for "Single In-line Memory Module"] market, that Wang provided designs, suggestions, and samples to Mitsubishi, and that Wang eventually purchased SIMMs from Mitsubishi, before accusing Mitsubishi years later of infringement. We hold, as a matter of law, that Mitsubishi properly inferred consent to its use of the invention of Wang's patents.

Id. at 1582 (relying on *De Forest Radio Tel. Co. v. United States,* 273 U.S. 236, 241 (1927)). The court noted:

> Although judicially implied licenses are rare under any doctrine, Mitsubishi proved that the "entire course of conduct" between the parties over a six-year period led Mitsubishi to infer consent to manufacture and sell the patented products.

Id. at 1581-82.

Importantly, the Federal Circuit also has made clear that the inference of license can be eroded by several factors including whether the price paid for the relevant product is more closely linked to alternative non-infringing uses than infringing uses and whether the party asserting the reasonable belief about the license was ever actually in contact with the patentee in a way that would suggest communications about a license had occurred. *See Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903 (Fed. Cir. 1984). At the same time, the court has admonished that efforts by patentees to ward off any impression that the grant of a license should be implied will be ineffective if made *after* the purchase of the underlying products. *See Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684 (Fed. Cir. 1986). Thus, whereas evidence of actual reasonable reliance can be essential to a claim of license under this doctrine, evidence designed to defeat reliance must have arisen at the appropriate time to support a claim of no license.

At bottom, that implied license by estoppel situations may be rare is not a reason to doubt the sense of the legal rule from cases like *Wang Labs*. It is a reflection of the sensible fact that in most high value deals the parties will negotiate adequate legal agreements, for the benefit of all. Yet *Wang Labs* shows that the principles of equity will work as an important barrier against sharp conduct.

As with cases of laches, the particular applications of these doctrines of equitable and legal estoppel are likely to be fact-intensive, and their proper resolution necessarily requires the use of judicial discretion of the sort that the Federal Circuit applied in *Wang Labs*. But three points are worthy of notice. First, the use of the principles of discretion did not necessarily require a full trial. Some cases within the category are clear enough for judgments as a matter of law. Second, the application of estoppel principles in no way upsets the balance of strong property rights needed for commercialization, as the patentee has it always within its power to avoid the conduct that, depending on the scope of the estoppel, leads to the loss of past damages, injunctive relief, or both. Third, in some cases the extent of the reliance and the nature of the course of dealing could justify protection against injunctive relief—an issue not explicitly addressed in *Wang Labs*. Indeed, relief by estoppel may even be prospective, as in real estate cases like *Holbrook v. Taylor*, 532 S.W.2d 763 (Ky. 1976).

CONCLUSION

The longstanding first sale doctrine is a gap filling default rule. It merely implies into contracts for sale of patented products from the patentee that are otherwise silent as to license some terms that reflect the parties' actual intent, as evidenced by the facts, giving the buyer license under the patent to use the purchased products. Petitioners invite this Court to do violence to the expressed intent of contracting parties as reflected by the facts of their actual contract terms. The first sale doctrine must not be used to directly conflict with written contract terms negotiated between commercially sophisticated parties to clearly create only a limited patent license.

Amici respectfully urge this Court to affirm the Federal Circuit's decision and confirm this Court's longstanding rule that the contractual restrictions on patent licenses like those at issue in this case generally are enforceable on their own terms as long as they comply with contract law and other applicable areas of law.

Respectfully submitted,

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