Tidwell and Bernhardt in IPWatchdog: Can State Law Contracts Limit the Right to Repair Even When Patent Protections Exhaust?

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PRACTICES Patent Litigation, Patents, Patent Prosecution and Counseling

Haynes Boone attorneys Mark Tidwell and Dirk Bernhardt authored an article for *IPWatchdog* analyzing if contracts altering the right to repair are preempted by patent exhaustion doctrine, which is judicially created and not statutory.

Read an excerpt below.

U.S. courts have long established that the owner of a product protected by a U.S. patent has the right to repair the product under the patent exhaustion doctrine (a.k.a. first-sale doctrine), under which the right to repair is generally interpreted to be a very broad right under U.S. patent law. A purchaser of the patented product may face some restrictions (e.g., preventing reconstruction of the item that goes well beyond simple wear-and-tear repairs), but overall courts have determined most modifications fall under the category of repair. This right to repair includes the right to select who repairs the product. But what happens when the product is purchased under a contract that includes a limitation on the right to repair, such as requiring the purchaser to use only the patent owner for repairs or prohibiting repair altogether?

Case Law, State Law, Preemption

In 2017, the Supreme Court ruled in Impression Prods., Inc. v. Lexmark Int'l, Inc., 581 U.S. 360, 137 S. Ct. 1523, 198 L. Ed. 2d 1 (2017) that contracts restricting the right to repair could not be enforced on a theory of patent infringement. Courts have since continued to confirm the extent of repair rights. For instance, in Karl Storz Endoscopy-Am., Inc. v. STERIS Instrument Mgmt. Servs., Inc., 603 F. Supp. 3d 1111 (N.D. Ala. 2022), a district court ruled that the right to repair protected from patent infringement companies which replaced the glass lenses of patented surgical endoscopes. Further, over the last three years, there has been a substantial legislative shift as several states have enacted laws protecting the right to repair. While this shift has arguably been beneficial to purchasers, this legal trend may have detrimental impacts on innovations of complex technologies, especially those with significant upfront investment such as medical devices. Federal law fairly well establishes that contracts limiting right to repair are unenforceable under the federal law theory of patent infringement. However, the impact of state law, which typically governs breach of contract claims, on contractual right to repair restrictions remains unsettled. Often, state law contracts limiting the right to repair can help strike a competitive balance by ensuring that the scope of the patent monopoly stays well defined and limited while also preventing competitors from unfairly profiting from the inventive efforts of others under the guise of simple repairs.

It is well settled that a contract that would extend the statutorily granted period of a patent is unenforceable due to the preemption of federal patent law. Brulotte v. Thys Co., 379 U.S. 29, 85 S. Ct. 176, 13 L. Ed. 2d 99 (1964). However, the right to repair is not a statutorily granted right, and thus, the question remains as to whether contracts altering the right to repair are preempted by the patent exhaustion doctrine, which is judicially created. That is, whether preemption would apply to

contracts enforced under state law. In considering preemption, one determinative factor might be whether a product is sold under a contract or only licensed under a contract that limits the right to repair.

To read the full article from *IPWatchdog*, click here.