

*Bodman's Enterprise Procurement Group (EPG) is pleased to send this newsletter. This newsletter aims to provide updates on EPG, discuss current issues and highlight a few of our recently completed transactions.*

## Impression Products, Inc. v. Lexmark International, Inc.

*Can Patent Rights Be Used to Prevent Reselling? The Supreme Court Says "NO"*

The Supreme Court often renders highly publicized rulings with profound social impact. However, there are many less publicized Supreme Court rulings that significantly affect commercial and intellectual property rights. One such ruling was recently issued in *Impression Products, Inc. v. Lexmark International, Inc.* In that case, the Supreme Court held that a patent holder's decision to sell a product,

inside or outside the U.S., exhausts all of its patent rights in that item, regardless of any restrictions the patent holder purports to impose by contract.

Lexmark International, Inc. ("Lexmark") designed, manufactured, and sold printer toner cartridges to consumers in the U.S. and around the globe. It owned a number of patents that covered components of the cartridges and the manner in which they are used. When toner cartridges run out of toner they can be refilled and used again. Impression Products acquired empty Lexmark cartridges from purchasers in the U.S. and abroad, refilled them with toner, and then resold them at a lower price than the new ones sold by

Lexmark. Lexmark sued Impression Products for patent infringement. The Supreme Court ruled that:

“...Lexmark exhausted its patent rights in these cartridges the moment it sold them. The single-use/no-resale restrictions in Lexmark’s contracts with customers may have been clear and enforceable under contract law, but they do not entitle Lexmark to retain patent rights in an item that it has elected to sell.”

The importance of this ruling extends far beyond toner cartridges. The ruling allows retailers and others to purchase goods at the cheapest price worldwide, and then resell them to customers in the

U.S., assuming no other applicable law restricts or prohibits such

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**“The ruling allows retailers and others to purchase goods at the cheapest price worldwide, and then resell them to customers in the U.S...”**

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activities. Patent holders may be able to craft post-sale restrictions that could be enforceable against the initial purchaser under contract law. However, whatever rights a patent holder retains under such contracts are a matter of the enforceability of those contracts, not patent law.

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## Recent Notable EPG Transactions

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- **Multiple Marketplace Deposit Program.** Negotiated a participation agreement for a funds-based administrative service to facilitate deposits in multiple marketplace deposit accounts and the transfer of funds between participants in the program to assist customers of the financial institution with accessing funds and FDIC deposit insurance coverage.
- **International Transportation Agreement.** Represented a national transportation services client during an RFP and contract negotiation process for transportation services and logistical support to a multi-national automotive original equipment manufacturer.

- **North American Distribution Agreement.** Negotiated an exclusive North American distribution agreement for a Danish manufacturer of specialty headwear. EPG worked with the client to secure favorable terms in order to access the North American market and navigate various intellectual property issues.
- **Mortgage Loan Outsourcing Agreement.** Negotiated an agreement to outsource a large domestic bank's consumer mortgage lending operations involving millions of dollars in spend. The transaction included drafting and negotiating a master services agreement, several statements of work for loan origination technology solutions, documentation generation services, vendor management services, loan fulfillment services, settlement services, implementation services, and a mortgage loan sale agreement. EPG was able to negotiate additional warranties, more favorable terms, and other legal protections for the client.
- **Software License Agreement for Teller Software.** Negotiated an agreement for the license of new teller

software and implementation services for a large domestic bank to replace its existing software. The project required the negotiation of two new license agreements and an implementation statement of work. EPG worked with the client to structure the agreement to mitigate legal and operational risks, addressing key operational components such as testing and acceptance and service levels that provided additional protections to the client.

- **Person-to-Person (P2P) Payments Network Agreements.** Negotiated agreements for multiple domestic banks for a new person-to-person (P2P) payments network that allows for funds to be sent from one bank account to another in minutes. The projects required the negotiation of network participation agreements with the network and agreements for the implementation of the service. EPG worked with the banking clients to ensure that the contracts complied with applicable regulations, mitigated legal and operational risks such as data breach, and guided the clients through the maze of legal provisions.

## EPG Member Updates

### Introducing Kyle Traver

Kyle Traver joined Bodman in July 2017 as a full-time attorney in the Enterprise Procurement Group in Troy, Michigan. Kyle is a magna cum laude graduate of Western Michigan University's Thomas M. Cooley School of Law. While in law school, Kyle served in the legal department of a Fortune 500 company where he reviewed and helped draft corporate contracts and drafted memoranda on domestic and international legal issues. He served as associate editor of the WMU-Cooley Law School Law Journal and as vice dean of the Delta Theta Phi Law Fraternity. Kyle is a member of the State Bar of Michigan (Business Law, Insurance and Indemnity Law, Arts, Communications, Entertainment & Sports, and Young Lawyers sections).



### EPG Provides Training Services To Client

Jonathan Burleigh, Alex Haney, and Andrew Schuster provided training to over 70 members of Eli Lilly's Global Procurement Organization on standard agreement templates and designated contractual provisions. The training included how Lilly's standard agreement operates from a structural perspective and its implications, a basic overview of indemnification topics, and some specific scenarios and provisions that are frequently encountered in commercial contracts. The training also included a discussion of how ancillary documents such as schedules, order forms, and statements of work fit into the agreement and associated concerns regarding conflicts and inconsistencies that could arise.

### Katherine Rothstein Promotes the Arts in Detroit

Katherine assisted Bodman client "M," a non-profit organization that works with Detroit area high school and college students to help them develop skills necessary to thrive in creative careers. The students are able to display and sell their art at art fairs, workshops and exhibits, while gaining career and professional skills and performing community service. M also provides a summer program that functions like a summer job, where artists are paid to produce and sell artwork. Katherine assisted in creating contracts for M's business. The artwork purchase agreement will be used to sell the artwork created by the teens, including through the summer program, to pay for the promotion of and operating expenses of M. The artwork license agreement permits the student to grant M the right to reproduce, display, and market the artwork.



Through her work, Katherine has helped M educate students, promote the arts, and raise income at the same time.

## Courtland Anderson Serves as Co-Chair of the Arthritis Foundation's Walk Event

Courtland Anderson serves as Vice Chairman of the Arthritis Foundation's Michigan Leadership Board. This year Court was named a Co-Chair of the Arthritis Foundation's Walk Event. The Walk was held at the Detroit Zoo on Saturday, May 13, 2017. Court formed a Bodman team for this year's event which surpassed its fundraising goal!



*Court Anderson at the Arthritis Foundation's Walk Event with his wife, Andrea, and daughters, Jenna and Drew.*

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