

## Intellectual Property Advisory

June 10, 2008

### U.S. Supreme Court Issues Decision Nullifying Conditional Requirements (Field of Use) Clauses in Patent License Agreements

On June 9, 2008, the U.S. Supreme Court issued a decision that will curtail the ability of patent holders to restrict licensed activity by downstream users. The ruling in *Quanta Computer Inc., et al. v. LG Electronics, Inc.*, No. 06-937 essentially nullifies "conditional" requirements bestowed by contract or notification upon a downstream user, meaning that the patent holder's rights are exhausted once usage of a patented item has been "authorized by the patent holder."

Prior to this ruling, patent owners had been permitted to "condition" a downstream user's rights, so long as the user was notified of the limitation (e.g., a field of use restriction). If the downstream user exceeded that field of use, it was subject to a suit for patent infringement.

This decision defeats a patent holder's attempts to reserve a cause of patent infringement against unauthorized activity, and significantly limits the ability (but does not entirely eliminate) of the patent owner to limit the use of a patented component.

#### How this Ruling Affects You

You should be aware of the potential impacts this ruling will have on your company's existing and future patent license agreements. There are potential adverse effects to licensors and licensees. In evaluating the impact of this ruling upon your patent interests, consider:

- Are you party to any patent license agreements?
- Do those patent license agreements contain "field of use" or similar conditions? If yes, are the conditions a limit on the license?
- Do you sell components that practice your own patents?
- Do you own patents governing the use of the component?
- Do you purchase products that are subject to the manufacturer's patents?
- Do you purchase components subject to the manufacturer's patents?
- Has the manufacturer / patent owner imposed field of use, market, or other limitations on how you may dispose of (or use) the products?

We recommend that all persons, patentee and licensee alike, revisit and consider the continuing validity of existing patent licenses and supply relationships.

#### About Us

McKenna Long & Aldridge LLP is an international law firm of attorneys and public policy advisors. The firm provides business solutions in the areas of intellectual property and technology, corporate law, government contracts, energy, environmental regulation, public policy and regulatory affairs, international law, complex litigation, real estate, energy and finance. To learn more about the firm and its services, log on to [www.mckennalong.com](http://www.mckennalong.com).

#### Subscription Removal

If you would like to be removed from MLA's mailing list, please email [information@mckennalong.com](mailto:information@mckennalong.com).

#### CONTACT

If you would like more information, please contact any of the following McKenna Long & Aldridge LLP attorneys or public policy advisors:

**Song K. Jung**

202.496.7413

[sjung@mckennalong.com](mailto:sjung@mckennalong.com)

**Adrian P.J. Mollo**

202.496.7441

[amolloy@mckennalong.com](mailto:amolloy@mckennalong.com)

\* This alert is for informational purposes only and does not constitute specific legal advice or opinions. Such advice and opinions are provided by the firm only upon engagement with respect to specific factual situations. This communication is considered Attorney Advertising.