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## PROTECTING YOUR RIGHTS AGAINST UNAUTHORIZED GRAY MARKET SALES

We frequently see companies affected by gray market imports and diverted sales. The gray market is caused by opportunistic importers who purchase a company's products abroad and import them into the U.S. without authorization. For example, a manufacturer may see its own products sold on eBay, Amazon or Alibaba, or by other unauthorized retailers. This causes dissatisfaction among their sales representatives because their own products are being sold on internet marketplaces by unauthorized merchants, often at lower prices but potentially without product safeguards and warranties.

Many companies assume they have no recourse against gray market competition and that they must tolerate it. This is not true. There are both trademark and patent remedies against the sale of gray market products. In February 2016, the nation's highest patent court, the United States Court of Appeals for the Federal Circuit, decided the case of *Lexmark v. Impression Products*, which should have a significant effect on a company's ability to prevent the gray market sale of its patented products.

The court affirmed that a patent owner can prevent the unauthorized importation and sale of its products in the U.S. if the product was first sold abroad. In reaching its decision, the Court ruled that patent rights are not "exhausted" by a foreign sale, a position that our firm advocated in an amicus brief. This means that if a company sells its patented product abroad, it cannot be imported into the U.S. without the company's permission.

So, let's assume that Company A manufactures a product abroad that is protected by a U.S. patent and sells the product to a distributor in Asia or Europe. If that distributor then tries to bring the product into the U.S. without Company A's permission, Company A can stop the importation and sale of the product. It does not matter that the product was sold to the distributor. Company A still retains its patent rights to block the importation of that product, if the sale occurred abroad. The same is also true for any downstream purchaser from the distributor. That downstream purchaser cannot import the product into the U.S. without Company A's permission.

### ABOUT BURNS & LEVINSON

Burns & Levinson is a Boston-based, full service law firm with more than 125 attorneys in Massachusetts, New York and Rhode Island. Core areas of practice are Real Estate, Business Law, Business Litigation, Intellectual Property and Private Client Legal Services.

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