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U.S. IMPLEMENTATION OF THE HAGUE AGREEMENT FOR INDUSTRIAL DESIGNS: NOT A "ONE-SIZE-FITS-ALL" SYSTEM

BY: DARRELL G. MOTTLEY

U.S. design patents have recently taken center stage as essential intellectual property assets showcased in the clash between Apple and Samsung[1] and the fashion litigation between Lululemon Athletica and Calvin Klein.[2] In December 2012, U.S. President Barack Obama enacted the Patent Law Treaties (PLT) Implementation Act of 2012. The Hague Agreement Implementation section of the act adds new design provisions to the patent provisions of Title 35 of the U.S. Code. The U.S. Hague Implementation provisions will go into effect as early as December 2013.

INTRODUCTION TO THE HAGUE SYSTEM

The Geneva Act of the Hague Agreement, administered by the World Intellectual Property Office (WIPO), provides a global interface for coordination of both examination and non-examination industrial design protection regimes in member countries. National industrial design regimes are based generally on two types — a substantive examination system or a non-examination system. The publication of a Hague international design registration by WIPO starts an examination refusal process. In substantive examination systems, the proposed design is reviewed against prior designs for novelty and non-obviousness. If the proposed design passes successfully through examination, the design is enforceable against third parties. In a non-examination system, the design is not substantively examined against any prior art. The publication and registration of the design enables the design rights to be enforced under the country's national laws. Generally, the theory behind non-examination systems is that novelty is best addressed by interested parties through invalidity proceedings in litigation or other judicial proceedings.

U.S. ENACTS LEGISLATION TO JOIN HAGUE SYSTEM

The PLT Implementation Act creates a new international design application that entitles U.S. applicants to request design protection in the territory of the European Union and 44 Contracting Parties of the Geneva Act of the Hague Agreement. Likewise, applicants of countries or regional systems that MORE▸

1. *Apple Inc. v. Samsung Electronics Co. Ltd. et al.* No. 11-cv-01846-LHK (N.D. Cal. 2012).
2. *Lululemon Athletica Canada Inc. v. Calvin Klein Inc.* No. 12-cv-01034-SLR (Del 2012).

[***INDUSTRIAL DESIGNS***, FROM PAGE 1]

are Contracting Parties can file a Hague design application, designate the U.S. for examination and receive an examination on the merits from the U.S. Patent and Trademark Office (USPTO). During substantive examination of the application, the applicant will need to engage U.S. counsel to respond to Office Actions issued by the USPTO.

Particular noteworthy changes in the law include the term of design patents increasing from 14 years from issuance to 15 years,[3] and enabling U.S. domestic[4] priority and foreign[5] priority entitlements arising from the international design application.

NEW LAW OFFERS PROVISIONAL RIGHTS

The PLT Implementation Act provides for the first time provisional rights[6] resulting from publication of the international design application designating the U.S. Assuming a U.S. design patent eventually issues substantially similar to a published design in the international application, this provision sets forth that a patent owner may be entitled to a reasonable royalty for any person who makes, uses, offers for sale or sells in the U.S. the claimed invention, or imports the invention into the U.S., during the period between publication of the patent application and the date the patent issued. While provisional rights will be now available for design patents that mature from international design applications, 35 U.S.C. § 289 remains unchanged and sets forth a unique remedy only available for the infringement of a design patent. This statute focuses the infringement inquiry on whether or not the claimed design has been applied to an article of manufacture. The Section 289 infringer profits provision solves the problems of apportionment for design patents.[7] With respect to damages, the patent holder will need to access the damages emanating from provisional rights opposed to Section 289 total infringer profits.

NEW LAW INCORPORATES AIA CHANGES

Compliant with the Geneva Act, international design applications designating the U.S. will have the same legal effect as a regularly filed design patent application.[8] The America Invents Act (AIA) amends the U.S. patent laws applicable to the conditions of patentability to convert the U.S. patent system from a "first-to-invent" system to a "first inventor-to-file" (FITF) system. A patent application with at least one claim having an effective filing date on or after March 16, 2013, will be examined under FITF provisions. There is no doubt that international design applications will be examined under this new scheme.[9]

NO AUTOMATIC GRANT OF A DESIGN PATENT UNDER HAGUE AGREEMENT

There is a line of thought that a design patent will automatically grant from an international design application if no Office Action is issued by the USPTO within the refusal period. The Geneva Act provides that any designated Contracting Party may refuse, in part or in whole, the industrial designs that are the subject of the industrial design registration "where the conditions for grant of protection under the law of the Contracting Party are not met."[10] However, in light of Article 14(2)(a) of the Geneva Act, if a refusal has not been communicated to WIPO by the Contracting Party prior to expiration of designated refusal period, the "international registration shall have the same effect as a grant of protection of the industrial design under the law of the Contracting Party." However, the view of automatic grant cannot be the case or the intent of the new law. The PLT Implementation Act provides that "[t]he Director shall cause an examination to be made … of an international design application."[11] And "[a]ll questions of substance ... and procedures ... regarding an international design application designating the United States shall be determined" as regularly

3. 35 U.S.C. § 173.
4. 35 U.S.C. § 386(c).
5. 35 U.S.C. §§ 386(a)-(b); See also Geneva Act, Art. 6(1)(a)-(2)(Paris Convention priority must be recognized by the Contracting Party).
6. 35 U.S.C. § 154(d)(1).
7. See generally *Nike, Inc. v. Wal-Mart Stores, Inc.* 138 F.3d 1437 (Fed. Cir. 1998) (discussing statutory infringer profits remedy for design patent infringement).
8. Geneva Act, Art. 14(1); See 35 U.S.C. § 385.
9. The first-to-file provisions became effective on March 16, 2013.
10. Geneva Act, Article 12.
11. 35 U.S.C. § 389(a).

filed design applications.[12] It is submitted by the writer that "conditions for grant of protection" in the Geneva Act should include any Office Action transmitted from the USPTO to WIPO, such as unity of invention restriction/objection to a Notice of Allowance.[13]

NEW LAW CONTINUES FOCUS ON SINGLE DESIGN INVENTIONS

An international design application allows a maximum of 100 designs to be included in the industrial design registration under a single Locarno Class.[14] The Geneva Act enables a Contracting Party to notify WIPO that the country's laws have a requirement of a unity of design.[15] In the U.S., a design patent must be directed to a single design invention.[16] However, the design application can contain multiple embodiments directed to the same inventive concept.[17] Nevertheless, if more than one patentably distinct design is shown in the drawings in a design application, the USPTO will issue a restriction requirement and the applicant must select one of the designs to pursue in the application, unless the restriction requirement is successfully rebutted by the applicant. Hence, divisional applications will need to be filed to receive examination on the non-elected designs. As a result, while an applicant may situate many designs in one international design application and designate the U.S., they may find themselves filing multiple divisional applications in the U.S., or possibly filing additional fees for each design divided from the international design application.[18]

WHAT YOU SHOULD DO NOW

Because the U.S. Hague Implementation provisions will not go into effect for at least a year, in-house counsel should judiciously navigate the legal issues when applying for desired international design protection. While the Hague System enables a simplified filing procedure to member countries, it is not a "one-size-fits-all" approach. To accommodate the simplified processing, a single set of drawings is used in the application for all of the designated countries. Under the Hague System, the local substantive examination process remains unchanged and the legal standard for obtaining a design patent is not affected. Hence, the applicant's country selection and drawings should be based on dynamics, including strategies to maximize design rights, and whether the intellectual property rights (IPR) regime of the member country accepts partial designs, shaded or unshaded figures, the strength of IPR enforcement, where the product would be sold, potential copying, design prosecution and examination cost, and the like. Another consideration is timing, as the WIPO standard deadline for publishing international design applications is six months from registration filing, and the period for examination can end up being 12-18 months from the filing date. This is in contrast to the optional expedited examination process (rocket docket) for U.S. design applications, which can issue a U.S. design patent in as little as 60 days. Furthermore, the applicant's quality of design drawings, including shading, contouring and further features of the drawings, will still need to be addressed and customized prior to filing a design application under the Hague Agreement.

12. 35 U.S.C. § 389(b); See 35 U.S.C. §§ 171(a)-(c), 173, which incorporates the provisions of patent law of Title 35 for design patents.
13. See 35 U.S.C. § 389(d); See also 35 U.S.C. § 151.
14. The Locarno Agreement is a multilateral international treaty establishing an international classification system for industrial designs. The industrial designs are characterized in the classes and subclasses for bibliography and searching administrative purposes. However, each country may attribute to the classification the legal scope that it considers appropriate in accordance with the local national laws.
15. *See generally* Geneva Act, Article 13(1) (provisions concerning unity of design).
16. See MPEP § 1502.01(D).
17. See MPEP § 1504.05; See also *In re Rubinfield.* 270 F.2d 391, 395 (CCPA 1959) (discussing that a design application can disclose more than one embodiment of the design).
18. See Geneva Act, Article 13(3).

FTC V. ACTAVIS: WILL WE SEE A SPLIT DECISION?

BY: ERIN E. BRYAN

On March 25, 2013, the Supreme Court heard oral arguments in *Federal Trade Commission v. Actavis,* a case involving a circuit split regarding "pay for delay" settlements within the pharmaceutical industry.

The Supreme Court seeks to resolve a split among the circuits as to whether a brand name drug manufacturer acts illegally by paying a competing generic drug manufacturer to stay out of the market for a specified number of years, i.e. whether "reverse payment agreements" are per se lawful or presumptively unlawful. The Eleventh Circuit, for example, favors a "scope-of-the-patent" rule in analyzing pay for delay settlements, while the Third Circuit has suggested that a "quick look" rule is the better option.

During oral arguments, several of the justices seemed skeptical that a special rule should be adopted for analyzing reverse payment agreements. At the same time, the Supreme Court also appeared concerned about the effect pay for delay settlements have on consumers.

REVERSE PAYMENT SETTLEMENT AGREEMENTS

Within the pharmaceutical industry, there is a certain amount of rivalry and competition between drug companies who produce brand name drugs, and drug companies who produce or seek to produce generic versions of those same brand name drugs. The Drug Price Competition and Patent Term Restoration Act, otherwise known as the Hatch-Waxman Amendments, was implemented in 1984 to provide a framework to address the competing interests of the brand name manufacturer and parties seeking to market generic versions of the drug.

Initially, the manufacturer of a new drug must file a new drug application (NDA) with the Food and Drug Administration (FDA), which identifies specific required details regarding that drug. Additionally, if any patents have been obtained that cover aspects of that drug, then they must also be disclosed to the FDA. Once the NDA is approved by the FDA, a certain exclusivity period is provided to the manufacturer of the drug. During this exclusivity period, any other manufacturer may seek approval to market a generic version of the brand name drug by filing an abbreviated new drug application (ANDA) with the FDA. The ANDA may include a paragraph IV certification that states that any patents identified as corresponding to the relevant name brand drug are either invalid or will not be infringed by the generic. Once an ANDA with a paragraph IV certification is filed, the manufacturer of the brand name drug may file a patent infringement suit in response to the ANDA, which triggers an automatic stay of the ANDA approval process for 30 months. Litigation may proceed between the name brand manufacturer and the generic manufacturer during this 30-month period. Often the brand name drug manufacturer will reach a reverse payment or pay for delay settlement with the generic drug manufacturer in which the generic manufacturer will defer market entry to some later date within the life of the patent in return for an annual payment from the name brand manufacturer.

CIRCUIT SPLIT AND COMPETING RULES

A circuit split has arisen regarding how reverse payment settlements are treated by the courts. The Eleventh Circuit has stated that "absent sham litigation or fraud in obtaining the patent, a reverse payment settlement is immune from antitrust attack so long as its anticompetitive effects fall within the scope of the exclusionary potential of the patent." This view is commonly referred to as the "scope-of-the-patent" approach. In contrast, the Third Circuit has stated that reverse payment agreements should be subject to a "quick

look of reason analysis" under which "any payment from a patent holder to a generic patent challenger who agrees to delay entry into the market [is] prima facie evidence of an unreasonable restraint of trade."

The Federal Trade Commission (FTC) argued to the Court that reverse payment settlements are similar to price fixing and, therefore, violate basic antitrust principles. For example, if the patent litigation were to proceed to conclusion, there would be no possible outcome that would involve the generic manufacturer receiving payments from the patentee. In addition, the "scope-of-the-patent" rule applied by the Eleventh Circuit provides no meaningful antitrust scrutiny to the settlement agreements between the drug manufacturers. Instead, the reverse payment agreements should be treated as presumptively anticompetitive under the "quick look" rule applied by the Third Circuit. Drug companies would then have the opportunity to rebut that presumption. The burden would be on the drug companies to show that any money that changed hands was for something other than a delay of entry into the market, such as some specific property or services unrelated to competition. The drug companies could also show that any payment from one party to another was commensurate with litigation costs that were avoided by settlement.

In contrast, the respondents Solvay, Watson and Paddock/Par argued that reverse payment agreements do not intrinsically present risks of anticompetitive conduct. Additionally, the drug companies pointed out that the "quick look" test favored by the FTC is unworkable, especially in the generic drug context because it would require the district courts to conduct an analysis on the underlying patent's strength and validity. Rather, the drug companies argued for a "scope-of-the-patent" approach to drug patent settlements. In these settlements, the scope of the patent may be subject to antitrust scrutiny, but unlawful anticompetitive conduct can be found only where the underlying patent litigation is a sham or the patent was obtained by fraud.

THE SUPREME COURT'S RESPONSE

After oral arguments it appeared unlikely that the Court would issue a broad ruling in *FTC v. Actavis*. Rather, it is more likely the Court will adopt a narrow ruling that falls somewhere between the positions taken by the FTC and the drug companies. Several of the justices during arguments appeared reluctant to adopt a rule that reverse payment agreements are presumptively anticompetitive as requested by the FTC. Specifically, as pointed out by Justice Sotomayor, per se rules in antitrust law are generally uncommon.

In attempting to discern what type of analysis should be applied by the district courts to reverse payment agreements, the Court was concerned that any analysis would require considering the validity of the underlying patent. Specifically, Justice Kennedy questioned whether the test for the validity of a reverse payment agreement would be the same for a strong patent versus a weak patent. Additionally, Justice Sotomayor asked whether an agreement would be considered anticompetitive if a patentee knew it had only a 50 percent chance of prevailing in the infringement action and offered the generic company a substantial payment in exchange for not pursuing the litigation.

An additional concern recognized by the Court is the effect of reverse payment settlement agreements on consumers. Specifically, the Hatch-Waxman Amendments were designed to encourage the challenge of patents by generics so as to increase generic entry into the market. However, the increase in challenges to patents by generics has led to an increase in the number of reverse settlement agreements. This results in more generics delaying entry into the market. The longer generics are out of the market, the longer consumers are

Based on the oral arguments, it appears the Court is unlikely to rule broadly in favor of either the FTC or the drug companies.

[***SPLIT DECISION***, FROM PAGE 5]

expected to pay higher prices for name brand drugs. Justice Scalia questioned whether there is a problem with the Hatch-Waxman Amendments itself, and if so, then it is the place of Congress not the Court to fix the amendments.

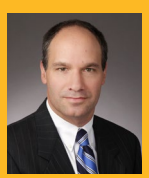
Based on the oral arguments, it appears the Court is unlikely to rule broadly in favor of either the FTC or the drug companies. It is possible that because the case is being decided by eight justices[1], the decision could result in a 4-4 split, leaving in place a split among the circuits. However, the Court appeared to favor a narrow ruling on reverse payment settlement agreements. Justice Breyer suggested that judges are capable of identifying collusive agreements to divide profits and that the "rule of reason" analysis was adequate in assessing such agreements. Further, a "rule of reason" analysis has been applied in a variety of antitrust cases for at least 40 years and it is reasonable to assume that such a rule can continue to be applied by the district courts. If such a rule is implemented, then it will be up to the district courts to balance the anticompetitive aspects of any reverse payment settlement agreements and the burden will be on the FTC to show each agreement is anticompetitive.

A judgment is expected from the Court by early summer 2013.

BANNER & WITCOFF CONGRATULATES RECENTLY ELECTED PRINCIPAL SHAREHOLDERS

Shawn P. Gorman, principal shareholder in Chicago, IL, joined the firm in 2004. Mr. Gorman prepares and prosecutes patent applications in a variety of technology areas, including the electronic arts, business methods, mechanics and biotechnology. He also handles various contentious matters, including patent reexamination proceedings and technical aspects of litigation. Prior to joining Banner & Witcoff, Mr. Gorman worked in the patent division of CIBA Vision. He earned both his Master of Science and Bachelor of Science degrees from the University of Florida. He earned his Juris Doctor from the Franklin Pierce Law Center.

Chunhsi Andy Mu, principal shareholder in Washington, D.C., joined the firm in 2005. Mr. Mu's practice focuses on patent procurement, opinions, counseling and portfolio management. He has experience in a range of technical fields, including Internet technologies, e-commerce, business methods, telecommunications, electronics, mechanical systems and computer software. Prior to law school, Mr. Mu worked with various divisions at the National Institute of Standards and Technology. He earned dual Bachelor of Science degrees in computer science and mechanical engineering from the University of Maryland and his Juris Doctor from The George Washington University Law School.



Benjamin C. Spehlmann, principal shareholder in Washington, D.C., joined the firm as a patent agent in 2001 and as an associate in 2004. Mr. Spehlmann's practice focuses on client counseling, patent drafting and prosecution, and opinion work in the chemical, pharmaceutical and biotechnology arts. He earned a Bachelor of Science degree in chemical engineering from the Massachusetts Institute of Technology and a Master of Business Administration degree, with distinction, from the Northwestern University Kellogg School of Management. He earned his Juris Doctor from Georgetown University Law Center.

1. Justice Alito recused himself from the case. No reason has been given for the recusal.

SUPREME COURT CONSIDERS INTELLECTUAL PROPERTY ISSUES IN CURRENT TERM


BY: MATTHEW J. MAY AND AZUKA C. DIKE

During the current term, the Supreme Court has either heard or will be hearing oral arguments, and has either issued or will be issuing its ruling for three important intellectual property cases. In *Kirtsaeng v. John Wiley and Sons,* the Court issued its ruling regarding the "first sale" doctrine for copyrighted foreign works. In *Association for Molecular Pathology v. Myriad Genetics, Inc.,* the Court heard oral arguments about its determination of whether or not human genes are patentable. And finally, in *Bowman v. Monsanto,* the Court has heard oral arguments and will be issuing its decision with regards to patent exhaustion as it pertains to self-replicating technologies.

SUPREME COURT UPHOLDS FIRST SALE DOCTRINE FOR FOREIGN WORKS

On March 19, 2013, the U.S. Supreme Court issued its ruling in *Kirtsaeng v. John Wiley & Sons, Inc.,* upholding the application of Section 109(a)'s "first sale" doctrine, which allows for legally acquired copyrighted work to be resold by their owners, to works manufactured overseas.[1] In a 6-3 decision authored by Justice Breyer, the Court rejected the Second Circuit's attempt to geographically limit the scope of the words "lawfully made under this title" within Section 109(a).

The Court explained that §109(a)'s language in context with the common-law history of the "first sale" doctrine favored a non-geographical interpretation,[2] and that a contrary holding would expose normally germane business transactions involving copyrighted works to the disruptive threat of infringement suits.[3] Ultimately, the Court reasoned that the probable transaction costs arising from such a narrow interpretation of the "first sale" doctrine, requiring entities to procure authorization from copyright owners prior to the distribution and display of a work, would lead to "intolerable consequences" and an "absurd" perception "that copyright owners can exercise downstream control even when it authorized the import of first sale."[4]

The Court acknowledged that its decision would likely hinder the ability for Wiley and other publishers to maintain the preferred division between foreign and domestic markets, which allows publishers to charge different prices for the same items solely based on geography.[5] By contrast, resellers of copyrighted works, like Kirtsaeng, can take comfort in the Court's unwillingness to bestow on copyright owners the financial gain that previously accompanied the strategic segmentation of international and domestic markets.

The Court's interpretation of the "first sale" doctrine appears to be compelled by the stark reality of today's Internet-driven marketplace, which largely operates without geographical restrictions and makes business transactions between international markets more commonplace. Nevertheless, it remains to be seen whether the Court will extend the reasoning delineated in *Kirtsaeng* to the doctrine of patent exhaustion, thereby impacting the ability of a patent owner to control the resale of patented products made outside of the United States.

ARE HUMAN GENES PATENTABLE?

On November 30, 2012, the Supreme Court granted certiorari for the second time in *Association for Molecular Pathology v. Myriad Genetics, Inc.,* limiting their opinion to one question: "Are human genes patentable?"[6] In this case, medical organizations, researchers, genetic counselors and patients brought action against patentee, Myriad Genetics, Inc., and the Patent and Trademark Office (PTO), challenging the validity of patents for isolated

1. *Kirtsaeng v. John Wiley & Sons, Inc.* No. 11-697, 2013 WL 1104736, at *1 (2013).
2. *Id.* at *13.
3. *Id.* at *13.
4. *Id.* at *17.
5. *Id.* at *19.
6. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.* No. 12-398, 133 S. Ct. 694 (November 30, 2012) (limited to the question: "Are human genes patentable?").

[***INTELLECTUAL PROPERTY***, FROM PAGE 7]

deoxyribonucleic acid (DNA) sequences associated with predisposition to breast and ovarian cancers and for diagnostic methods of identifying mutations in those DNA sequences. Because these patents are directed towards breast cancer genes, the court's pending judgment is an important and politically-charged decision.

Originally, the case was heard before the Southern District of New York, which found the patents invalid under §101.[7] In its original decision, the Federal Circuit affirmed in part and reversed in part, holding that composition claims covering isolated DNA sequences were directed to patent-eligible subject matter; method claims for comparing or analyzing isolated DNA sequences were not patentable; and a method claim for screening potential cancer therapeutics via changes in cell growth rates was patentable.[8] The Supreme Court vacated and remanded the decision back to the Federal Circuit for further proceedings in light of *Mayo Collaborative Services v. Prometheus Laboratories*.[9]

The Court may provide further guidance regarding the patentability of molecules that are isolated from the state in which they exist in nature.

Following remand from the Supreme Court, the Federal Circuit largely upheld its earlier decision, concluding that claims directed to isolated DNA molecules were patent-eligible under 35 U.S.C. §101; that method claims directed to screening potential cancer therapeutics via changes in cell growth rates were patent-eligible; and that method claims directed to "comparing" or "analyzing" DNA sequences were not patent-eligible because they covered only abstract, mental steps.[10]

In view of the Supreme Court's renewed interest in this case, the Court may provide further guidance regarding the patentability of molecules that are isolated from the state in which they exist in nature. Oral arguments at the Supreme Court were heard April 15, 2013. In their decision, the Court may determine whether Myriad Genetics has a monopoly over a new technique for diagnosing the risk of breast cancer in women, or whether this field of study will be open to others for research and treatment.

BOWMAN V. MONSANTO

On February 19, 2013, the Supreme Court heard oral arguments in *Bowman v. Monsanto*. In this case, an Indiana farmer, Bowman, argued that purchaser's rights should trump patent rights. Monsanto sued Bowman for infringement of its patents when Bowman purchased commodity soybeans from a grain elevator and used these soybeans as seed to grow a new crop of soybeans that carried Monsanto's patented glyphosphate resistance trait (Round-Up Ready®). Bowman treated the soybean plants with Round-Up®, which eventually produced seed also carrying Monsanto's patented glyphosphate resistance trait.

Bowman lost at both the trial court and the Federal Circuit, where both courts concluded that Bowman "made" the claimed glyphosphate resistant soybeans by planting the purchased seeds and growing new infringing seeds that did not previously exist.[11] Bowman argued that when Monsanto sold its seed to farmers who grew soybeans and then sold them as commodities, Monsanto exhausted its rights in the invention as claimed, under the doctrine of patent exhaustion. Monsanto counter-argued that the sale exhausted its rights in the seeds that it actually sold, but did not exhaust all its rights under the patents, such as when unauthorized copies of the patented seeds are made. Monsanto further contended that if its rights in the patented invention were exhausted after the first sale and copies could be freely made, then it would have to recoup all its research and development costs from the first sale, which would be commercially untenable.

7. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 702 F. Supp. 2d 181, 238 (S.D.N.Y. 2010).
8. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 653 F.3d 1329, 1358 (Fed Cir. 2011).
9. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, No. 11-725, 132 S. Ct. 1794 (2012) citing *Mayo Collaborative Services v. Prometheus Laboratories*, 566 U.S. ___, 132 S. Ct. 1289 (2012).
10. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303 (Fed. Cir. August 16, 2012), *superseding* 653 F.3d 1329 (Fed. Cir. 2011), *cert granted*, 133 S. Ct. 694 (November 30, 2012) (limited to the question: "Are human genes patentable?").
11. *Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834, 837 (S.D. Ind. 2009), aff'd, 657 F.3d 1341, 1348 (Fed. Cir. 2011).

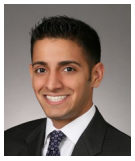
During oral argument at the Supreme Court, the justices' opinion on this case seems to be summed up with the first question asked by Chief Justice Roberts: "Why in the world would anybody spend any money to try to improve the seed if as soon as they sold the first one anybody could grow more and have as many of those seeds as they want?"[12] Generally, throughout oral argument, the Justices seemed to be very well attuned to Monsanto's position, peppering Bowman with questions and correcting what they found to be misstatements of fact.

Monsanto drew analogies to live vaccines and bacteria, which are self-replicating, wherein these live vaccines and bacteria would have the same problem as seeds if the doctrine of patent exhaustion were applied as broadly as Bowman sought. The U.S. also argued in support of Monsanto and compared the self-replicating seeds to software that can be easily copied to make new infringing copies.

Overall, the Justices appeared to favor Monsanto's positions, which could indicate a favorable ruling for Monsanto and a negative ruling for Bowman. Specifically, the Justices seem to have the opinion that the sale of a single patented object should not carry with it the right to create new copies of that patented object, and the application of this rule is enough to decide this case.

12. Transcript of Oral Argument at 3, *Bowman v. Monsanto Co.* No. 11-796 (February 19, 2013).

PROMOTING YOUR GAME WITH A GAME: LEGAL TROUBLE SPOTS TO WATCH OUT FOR WITH SWEEPSTAKES AND CONTESTS

BY ROSS A. DANNENBERG AND RAJIT KAPUR

In-house client: "A new car!"

In-house attorney: "Am I a contestant on *The Price is Right*?"

In-house client: "No, that's what we want to give away in our own promotional contest."

In-house attorney: "But I'm an intellectual property attorney."

In-house client: "The corporate attorneys said to talk to you…"

Ever had this happen to you? In the drive to reduce costs and overhead, intellectual property attorneys, and in-house counsel in particular, are increasingly asked to take on tangential areas of work. Where do you even start in this situation? What legal hurdles do you need to overcome in order to give away that car in the first place? Your internal client has decided that a contest or sweepstakes of some sort would be a great way to promote your company's product, and it's up to you to make sure they do it correctly. A sweepstakes, contest or other promotion can be a great way to generate some buzz about a new product, but you need to ensure you are complying with various state and federal laws that regulate contests, sweepstakes and lotteries. Otherwise, your contest might instead win you an unexpected visit from law enforcement or federal regulators.

Even though it might not seem like it, running a promotion where you give away a prize not only implicates various federal and states laws relating to promotions themselves, but also implicates gambling and other gaming laws. In particular, one big issue you'll want to watch out for when setting up your promotion is to steer clear of laws that prohibit running lotteries. While many states run their own lotteries, it's typically against state law for a private entity, like your company, to do so. Sweepstakes and contests, on the other hand, typically avoid these laws, and are okay for a private entity to engage in, as long as you comply with applicable law. So what's the difference between a lottery, a sweepstakes and a contest?

A person participating in a lottery usually pays a fee (or provides something else of value) for a chance to win a prize. By contrast, a sweepstakes typically involves chance — and a prize — but not an entry fee or anything else of value. And in a contest, a participant may provide a fee or something else of value in hopes of winning a prize, but the outcome is not limited to chance. Rather, the prize in a contest is awarded based on a participant's use of at least some measure of skill.[1]

Assuming you want to go ahead with setting up a sweepstakes, you'll likely want to make sure you don't require any fee or require anything else of value to enter. This seems simple enough, but it can be tricky in practice. For example, what if you're thinking about entering people into your sweepstakes if they agree to download and install a new video game that your company is releasing? Even if your game itself is free, this might run afoul of the lottery rules and regulations, because the participant's agreement to download and install your game might be considered as the participant providing you (or your company) with something of value — namely, the promise to download and install your game. One way you might be able to avoid this issue (depending on which states' laws are in play) is by providing at least one form of completely "free" entry. Perhaps you've seen this before, where sweepstakes rules indicate that, to enter for free, you can send a postcard with your name and address to the sweepstakes administrator. So, in the last example, even if someone doesn't want to agree to download and install your game, you might provide a website or snail mail entry form that nevertheless allows a participant to enter the sweepstakes without agreeing to download and install your software.

Alternatively, if instead of running a sweepstakes where you must provide free entry, suppose you want to charge an entry fee or require each participant to provide something of value in order to enter. In such a case, you might set up your promotion as a contest in which MORE▸

1. See e.g. California Business and Professions Code §§17539.5, 17539.15, and 17539.55.

you award a prize based on a participant's skill in completing some task. For example, you might select a winner of a contest based on how well competing participants play your new game during a particular timeframe (e.g., during a promotional event). Whoever scores the most points during the event is the winner, so the prize is awarded based on some demonstrated skill instead of pure chance. This is another way to avoid being categorized as a lottery. In other words, having your new customers enter a contest (instead of a sweepstakes), and requiring participants to compete based on skill, is another way that you can prevent your promotion from being characterized as a chance-based lottery. You therefore might want to have your new users show off their gaming skills a little bit before awarding them with that flashy new outfit for their in-game character or a fluffy and loyal pet to follow them around in your virtual world.

Once you've safely navigated the piranha-infested waters of "lottery land" and established your promotion as a sweepstakes or a contest, there are a few more things you'll likely need to watch out for to avoid falling into any other legal trouble spots. For example, some states have laws that require you to register your sweepstakes if the prize you're offering is valued above a certain amount of money.[2] Some states also have laws and regulations that can require you to disclose the rules of your sweepstakes or contest to the people who are participating in it, and maybe even publish the rules for the general public to read.[3] Sweepstakes, contests and lotteries are regulated differently in each state, and these are only some examples of the types of concerns you may need to address when you're designing your promotion.

A few other things that you might need to consider, again depending on the states' laws that might apply to your promotion, include what types of disclosures, disclaimers and provisions you would like to include in the rules for your promotion. For example, many states require that you include a disclaimer explaining that no purchase is necessary to enter, and in some states, including California, there may even be regulations that affect how this disclaimer should be presented in your rules and other promotional materials.[4] Other disclosures, disclaimers and provisions you might want to include in your rules may exclude your own employees from participating, require disclosure of the odds of winning each prize, state the date when the winner or winners will be determined and provide information about how a participant can request a list of the people who ultimately won. Some of these disclosures might also be required by law.[5] Different states can have different requirements about what needs to be included in the rules, so you'll definitely want to look into the particular requirements that may be applicable to your specific promotion.

All in all, sweepstakes and contests can be great ways to get people interested in your products and in your company, but you have to avoid violating a number of different laws and regulations, including those that govern gambling and lotteries, as well as those that relate to promotions. The penalties for breaking these laws can be steep, and can range from fines and civil liability in some instances, all the way to criminal liability. The issues discussed here illustrate only some of the potential pitfalls that you might encounter in running a sweepstakes or contest to promote your products and your company. If you're thinking about running these kinds of promotions for your company, or if you have questions about these examples or want to make sure that you avoid other potential issues, you should strongly consider consulting a lawyer who can help ensure your promotion is a success. In addition, there are companies that provide sweepstakes and contest management services that can help make sure that you and your promotion comply with all applicable state and federal laws and regulations. By ensuring you are operating within the law, your promotional event will not only be rewarding for your customers, but should also reward you with the positive promotional advertising you were looking for in the first place.

In the drive to reduce costs and overhead, intellectual property attorneys, and in-house counsel in particular, are increasingly asked to take on tangential areas of work.

2. *See e.g.* New York General Business Law § 369-e; Florida Statutes § 849.094.
3. *See e.g.* California Business and Professions Code § 17539.1; Florida Statutes § 849.094.
4. *See e.g.* California Business and Professions Code § 17539.15.
5. *See e.g.* California Business and Professions Code § 17539.2.

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202.824.3001 (fax)

BOSTON
28 State St.
Suite 1800
Boston, MA 02109
617.720.9600
617.720.9601 (fax)

PORTLAND
One World Trade Center
121 Southwest Salmon Street
11th Floor
Portland, OR 97204
503.425.6800
503.425.9601 (fax)