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# IP SAVVY

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*THE Newsletter for the Intellectual Property Community*

August 2013

## PATENT EXHAUSTION

When you buy a patented product, the patent is not usually implicated – otherwise you’d have to license numerous patents owned by Apple when you purchase an iPhone. This is the concept behind “patent exhaustion”. Patent exhaustion also means you can sell your iPhone without permission from Apple. What you cannot do is “make” your own iPhone – that would infringe Apple’s patents.

The U.S. Supreme Court recently decided a patent exhaustion case where what was “made” was seeds.

Monsanto owns patents on genetically altered soybeans, which, when planted, grow into herbicide resistant soybean plants. In this way, farmers can use a weed killer on the weeds surrounding the soybean plants which remain unaffected by the herbicide.

A farmer purchased these soybeans which are both a commodity feed product and also serve as seeds which can be planted to grow new soybeans. The purchase gave him authorization to plant the seeds and grow one soybean crop. The interesting question is whether the farmer could legally replant soybeans from that crop and grow another crop (and thus not have to purchase any more soybeans from Monsanto). Has the farmer “made” another soybean and thus infringed Monsanto’s patent? Yes, held the Supreme Court in *Bowman v. Monsanto Co.*, 106 USPQ 2d 1593 (2013).

In the future, this issue will come up again. Consider a futuristic product that self replicates. If you buy one and it replicates itself, have you “made” another product which infringes the patent covering the product? Time will tell.

In a related case, a coalition of farmers and feed sellers sued Monsanto. Their concern was that trace amounts of patented Monsanto seeds could end up in a farmer’s field where only organic seeds were intentionally planted (from, for example, adjacent farmers using Monsanto’s biotech seeds). The coalition was worried Monsanto might file patent infringement lawsuits against members of the coalition since Monsanto had a history of suing farmers.

But, Monsanto has represented it will not sue in cases where only trace amounts of the patented Monsanto seeds are found and, as a result, there was no case or controversy entitling the coalition to maintain its lawsuit. *Organic Feed Growers Trade Association v. Monsanto Co.*, 107 USPQ 2d 1067 (Fed. Cir. 2013).

## PATENT MARKING AND MARKING ESTOPPEL

Your patented product should be marked with the patent number covering it to increase the recovery amount available to you should a competitor sell a competing product which infringes your patent. False marking lawsuits were in the

news for a time wherein people tried to make money off of manufacturers who marked products with expired patents. Those lawsuits were mostly thwarted by the new America Invents Act.

The case of *Frolow v. Wilson Sporting Goods Co.*, 106 USPQ 2d 1089 (Fed. Cir. 2013) raises a different issue: what if a patent licensee marks its products with the patent licensor's patent number and then later asserts that product wasn't covered by the licensor's patent?

In the lawsuit, Jack Frolow licensed his patent for tennis rackets to Wilson in return for Wilson paying Frolow a royalty. Wilson sold several racket models marked with Mr. Frolow's patent number but did not pay royalties on those model rackets. Mr. Frolow sued for the royalties and argued that by marking those tennis racket models with his patent number Wilson admitted those rackets were covered by the patent and thus Wilson had to pay royalties on them to Frolow.

"Marking estoppel" means Wilson would be prohibited from arguing those marked tennis rackets did not infringe the Frolow patent. But, the Court of Appeals for the Federal Circuit ruled Wilson's act of marking was only an admission that could be countered by Wilson.

So, a licensee which marks a product with the licensor's patent number constitutes evidence that the product infringes the patent but such evidence can be rebutted with other evidence proving the products do not infringe the patent. Isn't patent law fun?

## RAND AGREEMENTS

Reasonable and non-discriminatory (RAND) patent license agreement lawsuits are now progressing through the district courts. In one recent case, Motorola assured the Institute of Electrical and Electronics Engineers (IEEE) that certain Motorola patents essential to selling products meeting the IEEE 802.11 wireless local area network and ITU H 264 advanced video coding technology standards would be licensed to competitors under RAND terms. This way, no one patentee could lock up products configured to meet an industry standard.

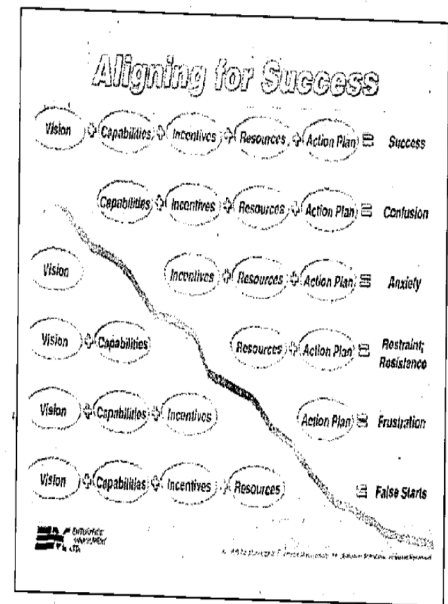
Motorola later offered Microsoft a patent

license including a 2.25% royalty per unit subject to a "grant back" license to Microsoft patents essential to the standards.

Microsoft countered that the offered royalty rate was not reasonable. In *Microsoft Corp. v. Motorola, Inc.*, 106 USPQ 2d 1127 (2012), a judge in the Western District of Washington held that he will now decide what royalty rate is reasonable. Maybe industry setting organizations should set a standardized royalty rate to conserve judicial resources?

## COPYRIGHTABLE CONSTRUCTS

I regularly use constructs in my thinking and teaching. Are any of them copyrightable? Maybe. Mary Lippitt's diagram, reproduced here,



was held copyrightable (and infringed by Donald Warrick) because there were lots of different ways to express the ideas of this construct (including an "X" over the missing variable in each row). *Enterprise Management Ltd. V. Warrick*, 106 USPQ 2d 1777 (10<sup>th</sup> Cir. 2013).

## PATENT TROLL THWARTED AT ITC

After patent injunctions became harder to obtain in federal district courts, some patent owners began suing in the International Trade Commission because there the statutory remedy is an exclusion

of all imported infringing products. Patent Trolls might have a hard time using the ITC after the case of *Motiva LLC v. International Trade Commission*, 106 USPQ 2d 1816 (Fed. Cir. 2013). ITC litigants must prove they have established an industry in the United States for the patented products. Patent Trolls make no products and thus cannot use the ITC.

## SUPREME COURT IP CASES

The Supreme Court was active in late June ruling that isolated DNA is no longer patentable and that “reverse payment” settlement agreements between generics and pharmaceutical companies could, in certain circumstances, violate the antitrust laws.

In *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 106 USPTO 2d 1972, isolated DNA was held to be naturally occurring and thus not patent eligible. Synthetic DNA may be patent eligible but not necessarily patentable depending, one supposes, on how close the synthetic DNA is to the naturally occurring DNA and whether the synthetic DNA is obvious in light of the naturally occurring DNA and known ways of synthesizing DNA.

In the case of *Federal Trade Commission v. Actavis Inc.*, 106 USPQ 2d 1953, the Federal Trade Commission complained that “reverse payment” settlement agreements violated the antitrust laws. In those cases, a pharmaceutical company with a patent pays a generic company to stay out of the market for the term of the patent and to not challenge the patent. The 11<sup>th</sup> Circuit Court of Appeals had dismissed the FTC’s complaint but the Supreme Court ruling allows it to now proceed.

## BUSINESS METHOD PATENT REVIEW

SAP took a big hit in *Versata Software Inc. v. SAP America, Inc.*, 106 USPQ 2d 1649 (Fed. Cir. 2013) when a jury found SAP liable for patent infringement and awarded damages to Versata in the amount of \$345M. At issue were Versata’s patents for its product pricing software called “Pricer” and SAP’s infringing software.

SAP then utilized a new procedure under the America Invents Act in order to challenge Versata’s patent before the Patent Office by petitioning for a “business method patent review.” This is the first case I have seen concerning this new patent review vehicle. In the Patent Office case, *SAP America Inc. v. Versata Development Group, Inc.* 107 USPQ 2d 1097, the Patent Trial and Appeal Board held Versata’s product pricing patent was invalid as constituting an abstract idea.

## ABSTRACT IDEAS

This leads to the question: who can tell us what constitutes a patent eligible application of an abstract idea versus a patent ineligible abstract idea? So far, no one. And, the line between what is and what is not patent eligible just got blurrier in *CLS Bank International v. Alice Corporation Pty. LTD.*, 106 USPQ 2d 1696 (Fed. Circuit 2013). In a decision concerning a patent for risk management software, eight of ten Federal Circuit judges ruled the patent was invalid but there was no real agreement on why even amongst the eight judges constituting the majority. Thanks Federal Circuit.

## YOUTUBE (AGAIN)

Hollywood’s lawsuit against YouTube for posting copyrighted content may be nearing an end. After one appeal, a federal district court has now granted summary judgment to YouTube agreeing with YouTube that, as a “service provider,” it is protected by the “safe harbor” provision of the Digital Millennium Copyright Act. *Viacom International Inc., v. YouTube, Inc.*, 107 USPQ 2d 1157 (SDNY 2013). You can expect an appeal of this decision as well.

## NCAA LAWSUITS

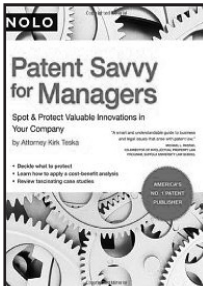
College athletes are suing the NCAA which makes money from video games featuring the athletes. Billions of dollars may be at stake. Meanwhile, a Rutgers University quarterback has

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sued one video game company directly for a violation of his right of publicity. The 10<sup>th</sup> Circuit ruled in *Hart v. Electronic Arts, Inc.*, 107 USPQ 2d 1001 (2013), that his case survives summary judgment.

The outcome of these cases will be interesting since NCAA college athletes cannot make money from endorsement deals. The NCAA makes a lot of money using these athlete's names and likeness but, if the NCAA gives that money to the athletes the athletes would be violating NCAA rules. One idea is to place the NCAA's money made off athletes in a trust for them after they graduate college.

**FIRM NEWS**

Managing partner Kirk Teska led the firm litigation team which recently obtained a quick and low cost settlement of a design patent infringement case brought against one of the firm's clients.

Partner Roy Coleman recently began representing Boston University in high tech patent matters.



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