

A large, stylized graphic on the left side of the slide. It consists of several overlapping, curved, ribbon-like shapes in shades of blue, teal, and green, all contained within a large, light gray, downward-pointing arrow shape.

Brand Integrity for Food & Ingredient Suppliers: Best Practices in Enforcement & Licensing

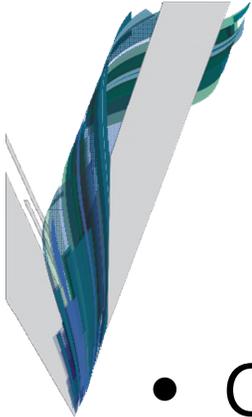
Vendor Brief Booth #400

Wednesday, October 7, 2015
12:00pm-12:50pm PT

Speakers

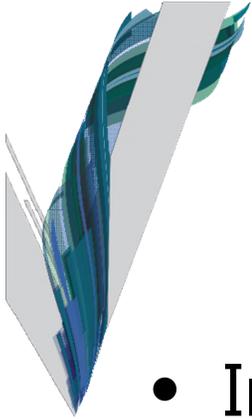
Andrew Pratt, Esq., Partner, Venable LLP
Justin Pierce, Esq., Partner, Venable LLP

SupplySide West Conference & Expo 2015, Las Vegas, NV



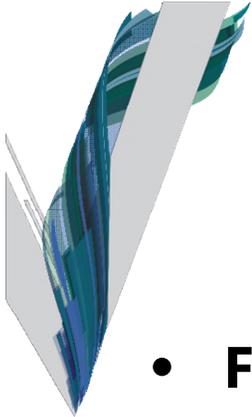
Discussion Topics

- Overview of federal and state unfair competition laws
- Options and strategies for addressing unfair competition and infringement
- Best practice considerations to protect and leverage your brand and intellectual property (IP)
 - Options Beyond Litigation
 - Comprehensive IP portfolio protection



What Is Unfair Competition?

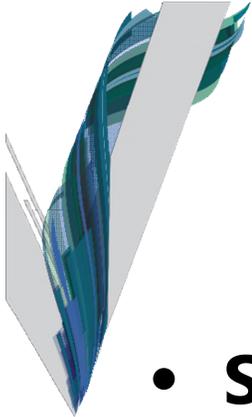
- In general:
 - any act of competition contrary to honest practices in industrial and commercial matters - Paris Convention Art. 10bis
 - includes intellectual property infringement impacting your ingredient, product or technology



What Is Unfair Competition?

- **Federal Definitions (Main ones)**

- **Lanham Act:** False designation of origin, false or misleading description of fact, or false or misleading representation of fact, which
 - is likely to cause confusion,
 - or to cause mistake,
 - or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person,
 - or in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities.
- **The Federal Trade Commission Act** (declaring unfair methods of competition and unfair or deceptive acts or practices unlawful)
- **The Patent Act**
- **The Copyright Act**



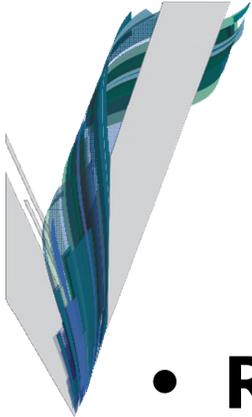
What Is Unfair Competition?

- **State Law Definitions (Main ones)**

- Uniform Trade Secrets Act
- Uniform Deceptive Trade Practices Act (and similar acts of other states)

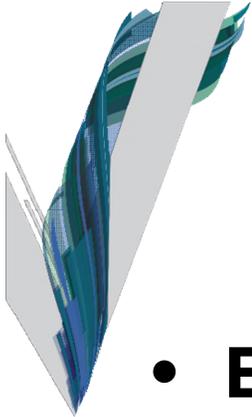
- **State Laws (Unique ones)**

- California Bus. & Prof. Code Sec. 17200
 - Unfair, Unlawful, and Fraudulent business practices can be enjoined
- California's Sherman Food Drug & Cosmetic Act
 - Products that violate the federal FDA Act are unlawful under California law



Evolving Unfair Competition Landscape

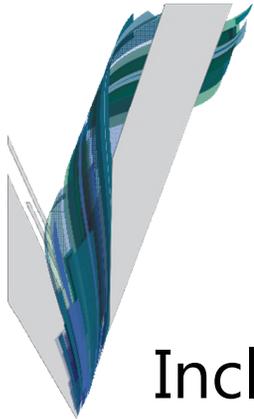
- **Recent Decisions Give More Power to Private Parties**
 - ***Pom Wonderful* case – U.S. Supreme Court**
 - **Issue:** Whether unfair competition action under the Lanham Act was barred by the FDCA
 - **Decided:** FDCA did not bar a private lawsuit over food labels for unfair competition
 - ***Allergan* case – Federal Circuit (Cert. Denied)**
 - **Issue:** Whether FDCA barred suit to halt sales of unapproved prescription drug under California's Sherman Act.
 - **Decided:** FDCA did not bar private lawsuit over unlawful prescription drug that was not approved by the FDA



The FDA Calls Out Unfair Competition

- **Example: FDA was concerned about sale of unapproved animal drugs**
- **The problem:** drugs were not reviewed by the FDA, and may not meet FDA's safety or effectiveness standards.
- "Drug companies that make and sell these unapproved animal drugs **unfairly compete** against drug companies that spend the time and financial resources to obtain what's called 'legal marketing status' for their products."
- **The harm:** "Drug companies may be less willing to take one of these [legal] pathways. This means that even fewer animal drugs are reviewed by the FDA for safety and effectiveness and will be available."

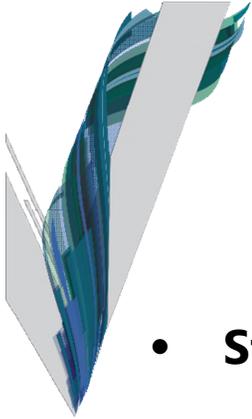
Source: <http://www.fda.gov/AnimalVeterinary/GuidanceComplianceEnforcement/ComplianceEnforcement/ucm229084.htm>



Harms from Unfair Competition

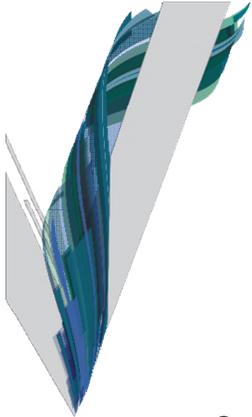
Include, but are not limited to:

- Lost Market Share
- Lost Opportunities
- Price Erosion / Suppression
- Brand Dilution
- Consumer Confusion
- Lost Profits
- Loss of Goodwill
- Harm to Consumers



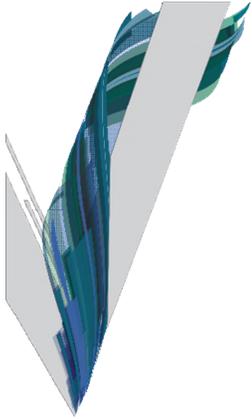
Options for Addressing Unfair Competition

- **Strategy selection depends on many factors:**
 - Business needs and goals
 - Whether and how enforcement could promote business interests
 - The extent of the unfair competition and the harm to the business
 - If enforcement could meet those goals, evaluate:
 - Budget
 - The nature of the relief desired: e.g., money, injunction, or both
 - Which laws were violated
 - The scope of the relief sought: Limited, national, or international
 - Timeframe
 - Determine options that best meet the business needs, desired outcome, and budget



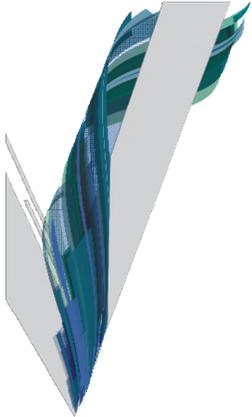
ITC: Section 337 Prohibits Unfair Competition Connected to Imports

- **UNLAWFUL:** “Unfair methods of competition and unfair acts in the importation of articles . . . into the United States”
- What qualifies as **unfair**?
 - Statutory IP infringement: patent, trademark, copyright, others
 - Non-statutory IP infringement: trade dress and grey market goods
 - Trade secret misappropriation
 - False advertising, breach of contract, antitrust
 - Virtually any “legally cognizable” unfair method of competition
(Certain Bearing and Packaging Thereof, 337-TA-469, 67 F.R. 189 (Sept. 30, 2002))



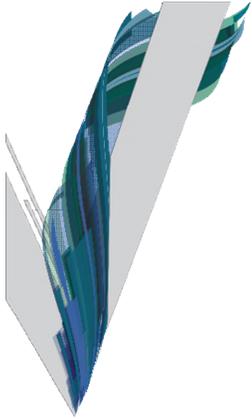
When to Consider Section 337

- Does the unfair act concern an importation, or sale for or after importation?
- Will an exclusion order and/or cease-and-desist order provide adequate relief?
- Is time of the essence?
- Infeasible or impossible to design around within 18 months?
- Widespread infringement by indeterminate sources?
- Is personal jurisdiction over the target company shaky?



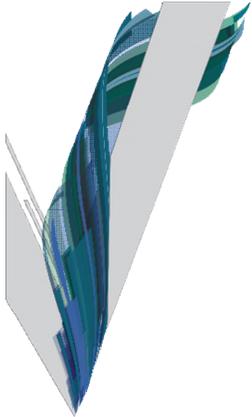
ITC vs. District Court

	ITC	DISTRICT COURT
Duration	16 months or less	3 years on average
Jurisdiction	<i>in rem</i>	<i>in personam</i>
Discovery	Relatively broad	Federal Rules limit scope
Judges	6 ALJs each adjudicate 9+ patent cases/year	677 judges in 94 courts = ~1 patent case per court/year
Confidentiality	Stringent administrative protective order	Negotiated protective orders
Evidence	Relatively broad—hearsay acceptable	Fed. R. Evid.
Remedy	Exclusion orders, cease & desist orders	Monetary damages mostly, unless equitable <i>eBay</i> factors support injunction



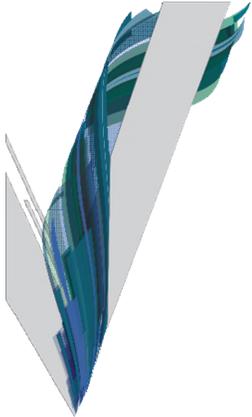
Section 337 Timeline

EVENT	TIMING
Complaint Filed	~ 1 month before institution
Public Interest Requests	~ 2 weeks before institution
Investigation Instituted	t = 0 months
Discovery & Prehearing Filings	0 to between 7-9 months
Hearing	~ 7-9 months (1 -2 week trial)
Judge's Decision	~ 10-12 months
ITC Decision and Order Issued	~ 14 months
Presidential Review and Exclusion	~ 16 months



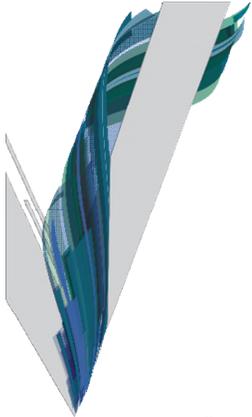
Elements of a Violation

- Statutory IP Infringed
 - A. Infringement of federally protected IP right
 - B. Importation
 - C. Domestic industry
- Other Unfair Acts
 - A. E.g. false marking, common law TM infringement, trade secret misappropriation, trade dress, advertising, etc.
 - B. Importation
 - C. Domestic industry – more limited
 - D. Injury (threatened or actual)



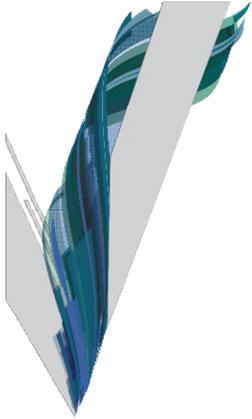
Jurisdiction

- *In Rem* Jurisdiction – Directed at imported goods
 - Personal jurisdiction required only for a cease-and-desist order
- Importation, sale for importation, and sale after importation
 - Importation of one sample
 - Contract for sale for importation
 - Re-importation of U.S. made products



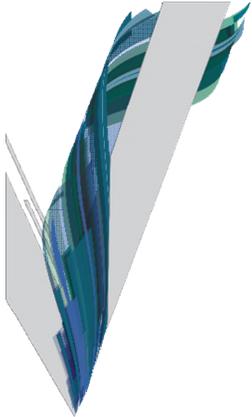
Trade Secret Misappropriation Occurring Entirely Abroad Is Actionable

- Company A steals trade secrets from company B in a foreign country. ITC finds violation, and respondent appeals arguing that Section 337 cannot regulate conduct in other countries.
- **HELD:** Sec. 337 applies to *imported articles* connected to foreign unfair acts. *TianRui Group Co. v. ITC*, 661 F.3d 1322, 1337 (Fed. Cir. 2011)
- **Note:** The ITC and Federal Circuit apply Federal trade secret common law to address the importation of those articles, which affect U.S. industries.



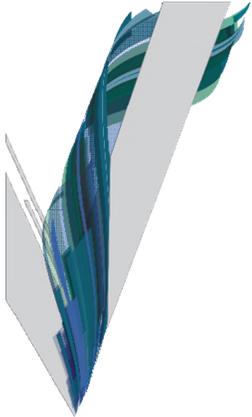
Example: Imports of Product Falsely Claiming to Contain Creatine Was Halted Rapidly

- Complainant sold creatine supplements
- Importer sold product claiming to contain creatine, but testing revealed it contained none.
- **Allegation:** Import damages reputation of complainant because users would not benefit from accused product and reputation of complainant's creatine products would suffer as a consequence
- **Result:** Importer entered into a consent order within a few months.
- **Note:** penalties for violating consent order are up to **\$100K per day**.



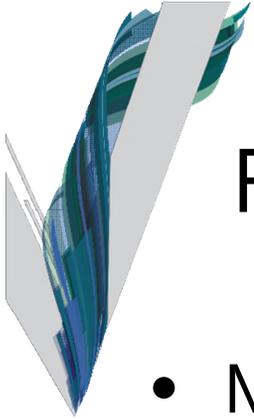
Enforcement of Exclusion Orders

- U.S. Customs & Border Protection
 - Formally known as Customs Service
 - Within the U.S. Department of Homeland Security
- Office of International Trade
 - Regulations & Rulings; IPR Branch
- Educate Customs
 - Provide samples of infringing goods
 - Provide patent excerpts, technology tutorial
- Provide industry intelligence to Customs
 - Preferred ports, likely means of importation



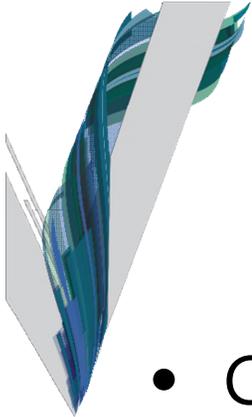
Dispositions Over Approximately Past 10 Years

- Violation: 22%
- No Violation: 21%
- Settlement: 45%
- Complaint Withdrawn: 12%
- Other: 1%



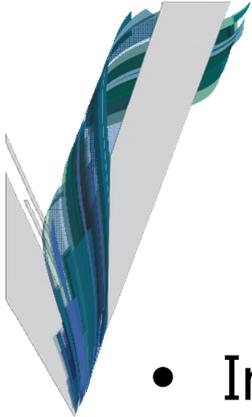
Federal District Court Considerations

- Majority of IP owners seek to address unfair competition and infringement in district court.
- District court procedures provides more time for discovery, presentation, deliberation, full trial and decision by a jury (if requested).
- Remedies are not limited to injunction alone; successful plaintiff can receive monetary damages.
- Not easy for IP owners to get injunctive relief in district court, as this is only granted at the equitable discretion of the court. *eBay v. MercExchange*.



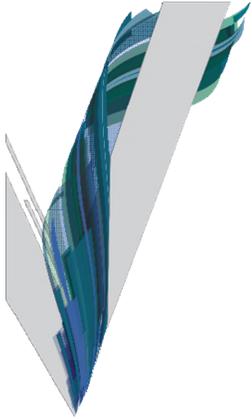
Enforcement against unfair competition (patent infringement)

- Company with history of ingredient development and investment in patents covering its ingredients discovers other suppliers selling infringing copies of its patented ingredient for dietary supplements.
- Company files patent infringement suit based on its patents covering the specific ratios of compounds in the ingredient, and method of extracting these compounds. Defendant suppliers settle quickly.
- Company leveraged its patent portfolio to stop unfair competition and unlicensed use of its patented ingredient.



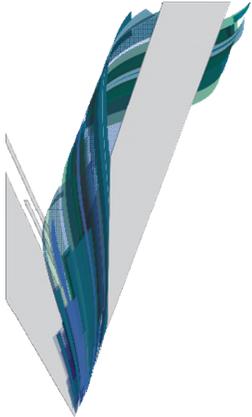
Enforcement against unfair competition (trademark infringement)

- Ingredient developer works with contract manufacturer (CM) to produce a dietary supplement featuring its branded ingredient.
- The CM obtains a license from the developer to use the ingredient and display the trademark on its label, but ultimately does not include the branded ingredient in its product.
- Instead, CM substitutes a cheaper ingredient, and still labels product as if it contains the branded ingredient.
- Ingredient developer leverages its trademark for the ingredient; successfully brings suit for TM infringement, false advertising, deceptive labelling, unfair completion, breach of license agreement.



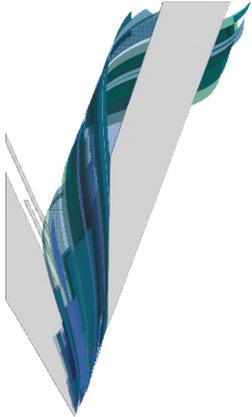
Beyond Litigation

- Active contract and license agreement management
- Brand Licensing (TM registration, audits and quality control critical)
- Cease & Desist Letters
 - a key first step to enforcement and negotiation
 - important to put infringer on notice
- IP portfolio key to positioning, leverage and negotiation.



Benefits of Comprehensive Intellectual Property Protection

- Registered IP rights are key to maximizing protection and leverage
- Strategically combine and layer IP rights where possible (i.e. use multiple IP rights to protect a product)
 - Trademarks covers ingredient/product name, logo, slogan, colors, packaging
 - Patents cover methods of extraction and specific ratio of compounds.
 - Copyrights cover creative content, artwork, software.
 - Trade secrets cover certain confidential and proprietary information, methods, recipes.



Contact Information

Andrew F. Pratt, Partner

Justin E. Pierce, Partner

Venable LLP

575 7th Street, NW

Washington, DC 200014

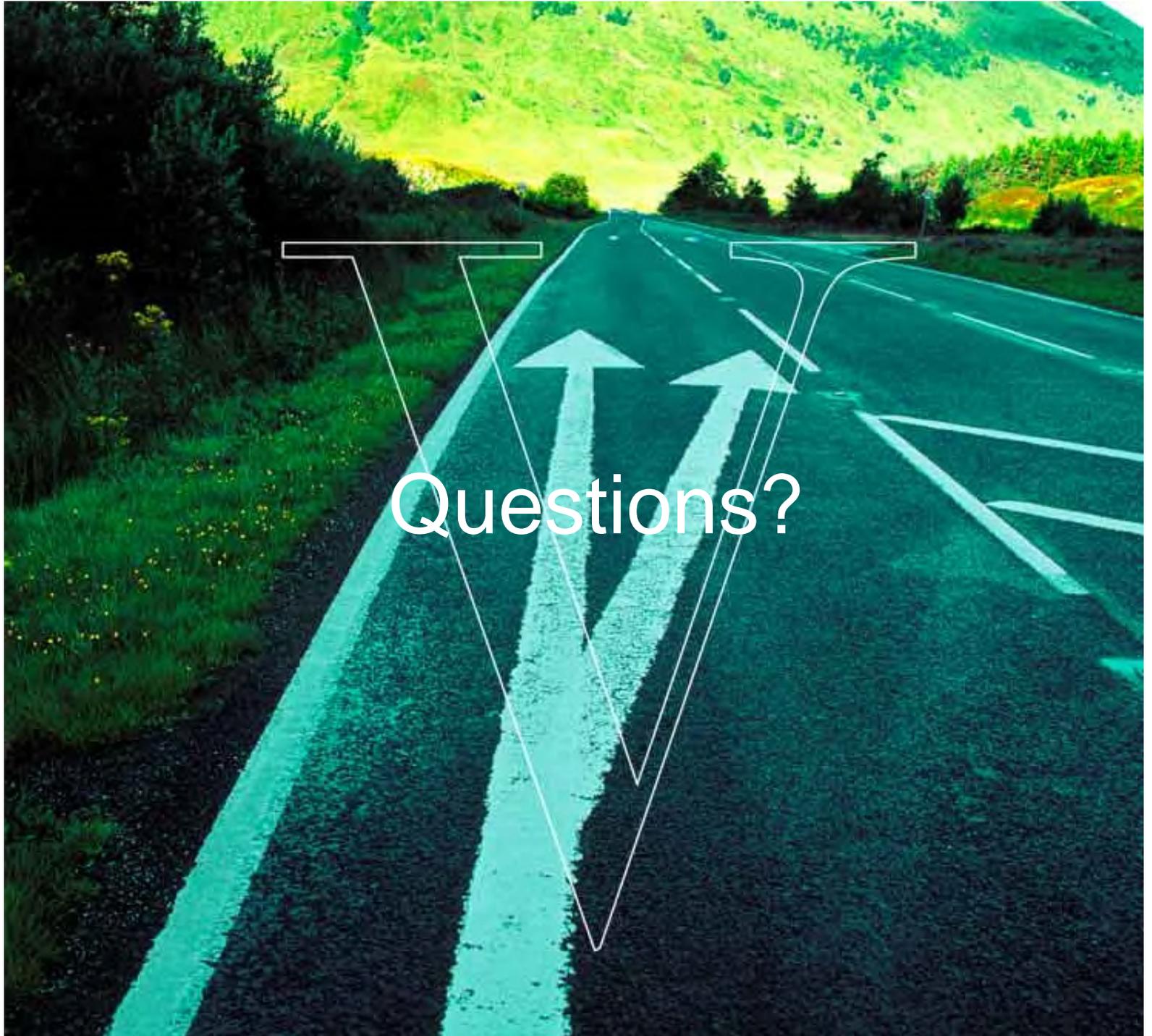
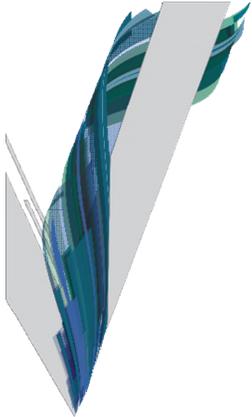
AFPratt@Venable.com

JPierce@Venable.com

t 202.344.4389 or 202.344.4442

f 202.344.8300

www.Venable.com



Questions?