

Patent Trolls Strike Supplements

Patent litigation on the rise in sports nutrition

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Imagine you and your team catch rare earth metals fever. You pack for an expedition, intent on driving the corporate flag into a barren parcel of land where your subterranean probes have discovered a rich vein that could be worth millions. You secure a deed for the land, but you post no sign or fence. Years later, unwary settlers make their homes on this unmarked territory and find those rare earth metals beneath. Cash flows. Businesses thrive. And then one day a woman in a fatal black suit delivers a sealed note to each of the land developers: "You are trespassing on private property. Vacate by sundown ... or else!"

This land grab and eviction notice is not dissimilar from staking a patent claim on a novel, not-obvious invention. A deed is issued (the patent), but the land (the invention) can go unused for years. Only someone diligently searching land titles would find the "Private Property—Do Not Trespass" signs. Set up shop without a lease, and that woman in the black suit drops by to spoil the party.

Be prepared, be smart

Very few people take that virtual trek to the county courthouse and dust off those title

records. Among the many entities and individuals we have worked with in two-plus decades, only four performed a Freedom To Operate (FTO) analysis before launching their product. (Of these four, three are among the world's largest consumer brands, and the other is a multi-decade dietary supplements brand). FTO is patent legalese indicating that, within defined geographic boundaries and in the context of your specific product, design or service, there are no patents (or patents pending) that could be viewed as overlapping with or very similar to your potential commercial offering. An insightful FTO "Opinion" can be performed by a patent professional or skilled and savvy amateur, but an FTO opinion from an attorney at an intellectual property firm can exceed \$10,000.

Many companies use the free **United States Patent & Trademark Office** (USPTO) database (<http://patft.uspto.gov/>) to search patents and patent applications, but what if someone invented something painfully similar to your idea in Sweden 15 months earlier and filed an international PCT application that has not yet entered the national stage in the United States?

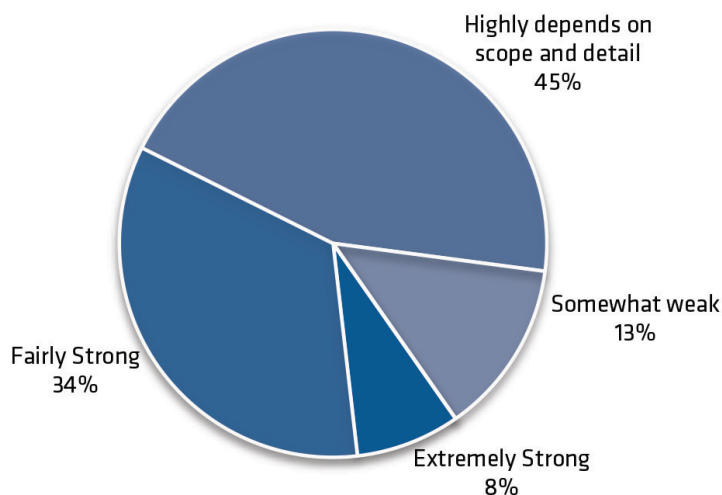
It wouldn't show in the USPTO database, although it would in a subscription database. The USPTO is but a starting place. A comprehensive FTO analysis is essential for any innovation- or invention-driven business, and yet it's rarely brought up in natural product and dietary supplement industry boardrooms. Only in the past year have FTOs entered the conversation, due in part to a list of patent infringement lawsuits growing longer than a mother-in-law's memory.

Attack of the trolls

Patent litigation is no stranger to the dietary supplement industry. The patent holder on a product as simple and almost ubiquitous as the Blender Bottle (US patent 6,379,032; **Sundesha, LLC/Runaway Blue, LLC**) sued a Canadian company (**PerfectShakers.com, LLC**) for infringement. What has surprised the industry is the number of lawsuits for largely unknown and unenforced patents, often by plaintiffs with no competing product on the market—a non-practicing entity (NPE). An NPE is a holding company whose sole business may be to file lawsuits with the hopes of extracting money from the patents, a practice known as patent trolling.

Patent trolling in dietary supplements has been raised to an art form by **Tawnsaura Group, LLC** and **Thermolife**, both represented by the **Newport Trial Group** in Newport Beach, Calif. Tawnsaura Group appears to have no business other than to sue on two patents claiming L-Citrulline (an amino acid popularized in sports nutrition and "nitric oxide" products). Tawnsaura Group is the assignee for 2 patents for L-Citrulline—US 5,684,471 and US 6,028,107. The inventor, Dr. William Howard Waugh, died in July 2012. One of us (Almada) attempted to work with Dr. Waugh via out-licensing in the early 2000s, but his patents were then licensed to **Marlyn Nutraceuticals**. Dr. Waugh's estate assigned the rights to the Tawnsaura Group in mid-August 2012. Tawnsaura filed suit almost imme-

NBJ SURVEY: USE PATENT STRENGTH PERCEPTION



Nutrition Business Journal survey of 40 industry individuals conducted between 6/7/13 and 7/4/13. Question: "How strong do you believe use patents are in the industry?"

diately on August 21, 2012 against **Herb- alife, Guthy-Renker, BSN, USP Labs, Bodybuilding.com, Optimum Nutrition, NBTY, Woodbolt/Cellucor, VPX** and dozens of other entities. Nearly one year later, the Tawnsaura Group is still adding defendants to its list of alleged infringers, with the most recent, **GNC**, added on June 20, 2013. It appears many defendants have settled with Tawnsaura Group, but the remaining defendants continue to defend this litigation.

Thermolife filed a slurry of lawsuits for infringement of patents for: (1) D-Aspartic Acid; (2) "NO"/Arginine; and (3) Nitrated/Nitrited Amino Acids ("Nitrated Aminos"). Thermolife has sued more than 25 supplement companies for alleged infringement of its D-Aspartic Acid patent, US 8,202,908 ('908 patent), including **GNC, Nutrex Research, and Allmax Nutrition**. The USPTO lists Patrick Arnold (the godfather of DMAA) as the inventor of the '908 patent and Thermolife as the assignee. It appears that many of the defendants have settled. Some of the remaining defendants in the D-Aspartic Acid are pursuing dismissal. Additionally, **GNC** and **SNAC**, led by Victor Conte of the epic **BALCO** steroid case, have filed counterclaims seeking to invalidate the patent. Litigation is ongoing.

Stanford University is the owner of the NO/Arginine patents (US 6,646,006, 6,117,872, 5,891,459, and 7,452,916). These long dormant patents list John Cooke, MD, PhD (formerly of **Cooke Pharma**, the company behind the failed HeartBar) as lead inventor. Thermolife is now the exclusive licensee (read: patent privateer, or enforcer) of the NO/Arginine patents and has taken up the charge, with Stanford University also likely benefitting from proceeds. Thermolife astutely saw the patents' utility and infringement, and secured a relationship as a patent privateer entity with the University to resuscitate their value. To date, Thermolife has sued over 25 supplement companies for infringement of the NO/Arginine patents in the Southern District of California. **BPI, Ultimate Nutrition, NBTY, Vitamin World, Force Factor** and **SNAC** have all filed counterclaims to invalidate the NO/Arginine patents. **All American Pharmaceutical & Foods Corp** ("All American EFX") has sued

Thermolife in the District of Montana for a declaration of non-infringement of the NO/Arginine patents, despite the earlier case in the Southern District of California, which will undoubtedly result in briefing on a Motion to Dismiss or Transfer if the case does not settle first. This litigation is in its very early stages.

The patents at issue in the Nitrated Aminos litigation include 8,034,836, 8,178,572, and 7,777,074 (additional Nitrated Aminos patent applications are pending with the USPTO). The inventors are Ron Kramer and Alexander Nikolaidis. **Gaspari** moved for reexamination of patent '074 with the USPTO in 2011. Reexamination of a patent usually stays in district court, as it did in the litigation pending in the District of Arizona against **VPX, Hi-Tech**, and others. One of the defendants in a case pending in the Central District of California, **Redefine Nutrition, LLC**, filed a counterclaim for invalidation of the '836 patent.

The Nitrated Aminos patents have not resulted in numerous lawsuits yet, but the sword of Damocles hangs and the threat grows more imminent with each passing day. Cease and desist letters continue to be served. Once the '074 patent comes out of reexamination and/or other Nitrated Aminos patents are issued, lawsuits are likely.

How much?

A person or entity that holds rights to a patent(s) will often have a complaint sent to the defendant(s) with a demand letter laying out a settlement offer in lieu of litigation. A settlement is often couched in one of two ways—a lump sum for damages for past infringement, or a combined lump sum for both past infringement and a paid-up, royalty-free license. The latter option would allow the defendant to continue to utilize the invention, e.g. use a certain ingredient and avoid reformulation. Regardless of how the settlement is defined, many companies settle without a fight, as it is often less expensive to pay now than spend money in a patent litigation lawsuit and risk potential damages.

Defense of patent infringement is expensive. According to a 2011 survey by the **American Intellectual Property Owners Association**, the average cost to defend a



NBJ Bottom Line

In the increasingly litigious dietary supplement industry, pay someone now for the commercial freedom of an FTO, rather than risking the economic and corporate evisceration later. A smart prospector looks for that "No Trespassing" sign before he digs his shovel into that barren plot of land.

patent case is about \$1 million when the amount at risk is less than \$1 million, about \$3 million when the risk is \$1 million to \$25 million, and about \$6 million when over \$25 million is at risk.

Companies in the Tawnsaura Group and Thermolife litigation have undoubtedly already spent a substantial sum of money defending infringement actions and/or on attempts to invalidate the patents. Nearly all of these cases have been filed in the Central and Southern Districts of California, where hourly rates for patent attorneys can cost upwards of \$1,200 per hour, with the average between \$400-800, depending on whether the attorney is an associate or partner. It's easy to see how a case with damages less than \$1 million can easily add up to \$1 million in attorneys' fees alone—not to mention the experts (one of us, Almada, charges \$700/hour). It's not surprising that many companies make a business decision to pay the plaintiff a sum that is far less than \$1 million, yet still not a trivial sum of money. 🍋



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