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Intellectual Property Law Update

Spring has sprung … so have IP-related opportunities!

- Emerging copyrights issues associated with Twitter use;
- Lessons from comparison of US and Australian approaches to gene patenting;
- Obnoxious trademarks – now you can, but should you?
- Privacy Shield and GDPR obligations – two different things; and
- New development in treatment of trademark licenses in bankruptcy.

Tweet tweet! Not so fast! Copyright Issues Ahead!

In a case involving reuse by a number of media outlets of a link to a photo of Tom Brady taken and posted to Snapchat by a private plaintiff and reposted to Twitter, the District Court for the Southern District of New York, has raised a serious question about the propriety of publishing a link to someone else's content.

While the case is still at the preliminary stage and at this point is not binding precedent in any jurisdiction, it should still give pause to those seeking to freely include links in their publications. The court has ruled that such practice, may, but will not necessarily, be the basis for a copyright infringement claim by the party who originally posted the material online, whether on Snapchat, Twitter or elsewhere.

While the court expressly acknowledged the potential availability to those including the link of various legal defenses such as fair use and the Digital Millennium Copyright Act service provider safe harbor, which we have previously discussed in these pages, it made clear that there is no per se permission for inclusion of a link. The latter conclusion is contrary to the supposed conventional wisdom that there was no issue with such linking.

While acknowledging the difficulty presented in the application of copyright law dating back to 1976 and before to today's technology and media platforms, it also pointed to the decision of the US Supreme Court in the *Aereo* case, also discussed by us, for the proposition that differences in technical configuration and approach from an infringing practice will not, of themselves, save the alternative practice.

> At heart, the Court's holding eschewed the notion that Aereo should be absolved of liability based upon purely technical distinctions—in the end, Aereo was held to have transmitted the performances, despite its argument that it was the user clicking a button, and not any volitional act of Aereo itself, that did the performing.

Whether one is originally publishing online content or seeking to reuse that published by someone else, even with attribution, they should be mindful of this case as it wends its way through the courts and as the issue is taken up by other courts. In the first instance, it is probably most practical to determine whether the linking is protected by a fair use defense, which encompasses considerations such as, but not limited to, the amount of the original material which is reused, whether or not such use is commercial and whether there is a creative rationale, such as a critique for the reuse.

Our Intellectual Property partners are pleased to work with interested persons to determine how best to apply then current authority to each situation.

Evolving Patenting Strategies for Gene-Based Inventions: Spotlight on the United States vs. Australia

In a recent decision, The Federal Court of Australia held that a method of using gene sequence analysis to identify beneficial traits in cattle was patentable (*Meat & Livestock Australia Limited v. Cargill, Inc.* ([2018] FCA 51)("*MLA*")). The *MLA* case highlights increasingly divergent approaches to the issue of patentable subject matter between Australia and the U.S. when it comes to certain life sciences inventions.

Over the past 5 years, the highest courts in both the U.S. and Australia have reviewed patents owned by Myriad Genetics with claims to isolated naturally occurring DNA sequences (*Association for Molecular Pathology v. Myriad Genetics*, *(*U.S. *Myriad*"); *D'Arcy v Myriad Genetics Inc.* ([2015] ("Australian *Myriad*"). In both cases, the Courts held that naturally occurring nucleic acid molecules that have merely been isolated from surrounding genetic material are not patentable.

However, the Courts differed in how they reached their decisions. The High Court of Australia focused more on comparing the information embodied by the claimed DNA and the naturally occurring DNA. In contrast, the U.S. Supreme Court focused more on comparing the physical molecules of the claimed DNA and the naturally occurring DNA (*i.e.*, the specific nucleic acid sequences of the two DNA molecules).

This difference in analysis led to a discrepancy in how each Court dealt with complementary DNA ("cDNA"). cDNA is synthetically created and leaves out portions of the naturally occurring sequence that do not code for proteins. The U.S. Supreme Court held that cDNA is eligible for patenting because it has a different nucleic acid sequence than the naturally occurring gene. Conversely, the High Court of Australia held that cDNA is not eligible for patenting because the genetic information encoded by both molecules is the same.

The U.S. Patent & Trademark Office has extended the U.S. Supreme Court's decision to consider naturally occurring proteins and microorganisms that have only been isolated from their natural environments as unpatentable. Subsequent cases in the U.S. have also held that diagnostic methods based on the correlation of a disease or condition with naturally occurring biomarkers such as genes or proteins are unpatentable without "something more" (Mayo Collaborative Services v. Prometheus Laboratories, Inc. *(Mayo*"); Ariosa Diagnostics Inc. v. Sequenom, Inc. (Fed Cir. 2015)("U.S. *Sequenom*"). The "something more" can be, *e.g.*, the inclusion of a novel apparatus, a novel non-naturally occurring reagent, or a novel treatment.

In Australia, isolated naturally occurring proteins and microorganisms remain patentable. The *MLA* case indicates that, in general, claims directed to the practical application of gene sequences, including methods of genetic screening, are also patentable. *MLA* also potentially foreshadows how the Federal Court of Australia will decide the Australian counterpart to the U.S. *Sequenom* case, which has currently been set down before the Court for August 2018.

So what does this mean for U.S. life sciences companies pursuing global patent portfolios? The divergence in the law between Australia and the U.S. serves as a reminder that case law and patent office policies vary from country to country. For U.S. patent applicants it is important to remember that broader protection may be available outside of the U.S. and it is wise to include claims of varying scope in your patent applications. This provides the flexibility to pursue broader claims where they are available while allowing for the presentation of claims in the U.S. that include additional elements as described above. It is also important to work closely with patent counsel to monitor the shifting sands in this legal area and adjust global patent strategies accordingly.

Trademark Registration: Now, [Almost] Anything Goes … but is it Good Business for You?

Anyone of a certain age remembers the late comedian George Carlin's 1972 bit called "Seven Dirty Words." For decades, just as you could not say certain words on television (or radio), you similarly could not federally register those words (and other "offensive" or "scandalous" words or images) as trademarks. But just as television censors have had to adjust a bit since 1972, the USPTO had to make some adjustments in 2017.

On December 15, 2017, the United States Court of Appeals for the Federal Circuit ("Federal Circuit") issued its opinion in the case *In Re: Brunetti*. At issue in the case was whether a trademark application for the mark FUCT, the equivalent of the past tense of the F-word, could be federally registered. The USPTO had refused registration of the mark, deeming it 'scandalous' or 'immoral' under Section 2(a) of the Lanham Act, and in 2014, Brunetti appealed the USPTO's refusal to the Federal Circuit.

While Brunetti's appeal was pending with the Federal Circuit, a second and unrelated case was winding its way through the system, all the way to the U.S. Supreme Court. This other case was *Matal v. Tam* and it involved an Asian rock band whose mark, THE SLANTS was refused registration as being "disparaging" under the Lanham Act. In July 2017, the Supreme Court found the Lanham Act's "disparagement" clause violated the First Amendment and was unconstitutional. This opened the door for Brunetti to make the same argument, namely that the USPTO's refusal to register the mark FUCT because of the "scandalous" or "immoral" clauses of the Lanham Act was similarly a violation of the First Amendment. The Federal Circuit unanimously agreed that the "scandalous" and "immoral" clauses of the Lanham Act were unconstitutional and held that Brunetti could register his mark.

In view of the now defunct disparagement, scandalous and immoral clauses of the Lanham Act, there are many pending and newly filed applications that may offend those with delicate sensibilities. Just how much value brand owners will find in this newly opened line of registrable marks remains to be seen. It is possible that some marks will alienate as many consumers as they draw. However, there is always some value to brands with shock factor or humor, and some businesses will certainly take advantage of these new registration opportunities.

All brand owners must keep in mind that these changes in registrability do not mean that all 'risqué' marks will be registrable. They must still pass muster under all other aspects of the Lanham Act, so the goods must be federally legal (think about the state of legislation around marijuana right now) and the marks still cannot be confusingly similar to other marks, or descriptive (which could be very interesting!). Brand owners must also consider that these changes are in the US only, so brands that are now registrable stateside may not be registrable in other foreign markets.

So, before preparing applications for federal registration of any of the Seven Dirty Words (or anything of the same genre), consult with a trademark expert and develop a brand strategy. You do not want to go down a road that leads to your brand being bleeped out!

Privacy and Information Security: Privacy Shield Certification—It's Not "One and Done"

Certified to the Privacy Shield? Great! So you're done in terms of GDPR compliance, right? Think again.

As we have discussed in previous newsletters, no matter where you are in the world, the General Data Protection Regulation (GDPR) applies to you if you are collecting or processing personal data of any EU individual. The law goes into effect in May.

The Privacy Shield is one of the GDPR's mechanisms to overcome the US being an "inadequate jurisdiction" with respect to handling of personal data. While the Privacy Shield sets out a long list of principles to which participants must adhere, that list does not quite match up with those of the GDPR, requiring even Privacy Shield participants to take additional steps before May. Among those steps are giving attention to the following:

Your privacy policy. The Privacy Shield and the GDPR both have requirements for the privacy notice. Some are the same, such as requiring a description of the types of data collected, the purposes for which it is collected, to whom the data may be disclosed, the right of data subjects to access their data, and the rights of individuals to lodge complaints. The GDPR's particular requirements include, inter alia, statements about how long data is held, a data subject's right to "be forgotten" (or have their data deleted), the legal basis and legitimate interests for the data processing, whether the data will be transferred out of the EU and, if so, the corresponding transfer mechanisms, and whether any profiling or automated decision-making takes place. The Privacy Shield's particular requirements include having a statement about the entity's participation in the Privacy Shield and a link to the Privacy Shield participant list.

Your vendor/service provider contracts. The Privacy Shield and the GDPR both have requirements for data processing contracts as well. For example, both the Privacy Shield and GDPR require that a processor implement appropriate technical and organizational safeguards. In many other situations, however, the GDPR's contract requirements are broader than those of the Privacy Shield, such as requiring that every contract specify the subject matter of processing, duration of the processing, nature and purpose of processing, type of personal data to be processed, and categories of data subjects about which the data relates.

Among other examples of where the GDPR and the Privacy Shield are aligned in spirit but not in the letter are the GDPR requirement that a processor act only on controller's written instructions, compared with the Privacy Shield's reference to "instructions." These differences necessitate professional guidance regarding your specific situation.

Short-Term To-Do's

Whether or not you have obtained Privacy Shield certification, there are a number of steps you should consider in the near future to bolster your GDPR compliance position:

- Determine if GDPR applies to you; it usually does if your business has any material contact with the EU;
- Determine if a Privacy Shield filing would be beneficial to you;
- Inquire of counterparties regarding their GDPR compliance efforts, including Privacy Shield filings;
- Update privacy policies to reflect GDPR requirements for disclosure of intended use of information; and
- Designate responsible senior staff as responsible for compliance.

Compliance must be viewed as a **business necessity** in that penalties may be as much as 4% of annual revenue (turnover). Contact any of us in the Privacy and Data Security practice group to assist with your compliance efforts.

The Ever-Changing Bankruptcy Landscape for Trademark Licenses

In our Intellectual Property Law Update of December 2016 we advised you of the recent decision of the Bankruptcy Appellate Panel for the First Circuit Court of Appeals (the "BAP") in *Mission Products Holdings, Inc. v. Tempnology (In re Tempnology, LLC)* upholding the rights of a licensee of trademarks to continue use of trademarks after the debtor's rejection of the trademark license. As set forth below, the First Circuit recently reversed that decision.

In 1988, Congress amended the Bankruptcy Code to add section 365(n) and a definition of "intellectual property" to protect licensees of intellectual property in response to a decision of the Fourth Circuit Court of Appeals in *Lubrizol Enterprises, Inc. v.*

Richmond Metal Finishers Inc. The Fourth Circuit in *Lubrizol* held that the rejection of an intellectual property license by a bankrupt licensor terminated the licensee's rights, even where doing so drastically disrupted the licensee's operation.

Section 365(n) of the Bankruptcy Code provides that a licensee of "intellectual property" (notably, not including trademarks) has two options when a debtor seeks to reject an intellectual property license: the licensee may either (i) treat the agreement as terminated and assert a claim for damages; or (ii) retain the right to use the licensed IP for the duration of the license, subject to certain requirements (including payment of all royalties under the terms of the contract and that the licensee will be deemed to have waived certain rights of setoff and any allowable postpetition claim arising from its performance of the contract).

The BAP's decision in *Tempnology* reversed in part the decision of the Bankruptcy Court below. The BAP agreed with the Bankruptcy Court that section 365(n) did not apply to trademarks but held that the licensee's rights in trademarks and logos continued under the license agreement and applicable nonbankruptcy law. In doing so the BAP followed the decision of the Seventh Circuit Court of Appeals in *Sunbeam Products, Inc. v. Chicago American Manufacturing, LLC* in which the Seventh Circuit concluded that section 365(a) of the Bankruptcy Code, which applies to executory contracts generally, only terminates the obligation of the debtor to perform under the license agreement but does not strip away the licensee's rights to use the trademark.

The First Circuit reversed the holding of the BAP, and came to the same conclusion as the *Lubrizol* court, rejecting the rationale of *Sunbeam* and concluding that a trademark licensee had no right to continue to use the trademarks after the license was rejected. The rationale for the First Circuit's conclusion was that effective licensing of a trademark required the owner to monitor and exercise control over the quality of the goods sold to the public or else the licensor would be creating a "naked license" which could result in the licensor risking the permanent loss of its trademark. The First Circuit decided that the licensor should not have that burden.

Thus, the First Circuit's decision in *Tempnology* places the risk on the solvent trademark licensee that in a bankruptcy it will lose the benefit of the license. Given the split among the First and Fourth Circuits versus that of the Seventh Circuit it is possible that the Supreme Court will be petitioned to resolve the issue. Meanwhile licensees will be well-advised to contact counsel to assess what their rights may be if a licensor were to reject a trademark license depending upon the venue in which a licensor may file for bankruptcy.