MESSAGE FROM THE COMMITTEE

Dear ABA YLD Intellectual Property Law Committee Members,

Welcome to the second quarterly installment of the YLD Intellectual Property and Internet Law Committee Newsletter for the 2014–2015 bar year! We are always looking for members that want to get involved, which honestly does not take a substantial time commitment. We want this Committee to work for you and to meet your needs. And we will only be better able to do that if we hear from you!

If you have not done so already, please subscribe to our listserv and encourage your colleagues to join the Corporate Counsel Committee. If you have any ideas, comments, concerns, or suggestions about initiatives or programming you would like to see implemented by the Corporate Counsel Committee or the ABA YLD this year, please feel free to contact me. I look forward to hearing from you and working with you all this year!

Sincerely,

Alexis A. Liistro
ABA YLD Intellectual Property and Internet Law Committee Chair
Alexis.Liistro@gmail.com

CALL FOR ARTICLE SUBMISSIONS

If you are interested in writing a practice article, creating, or presenting a CLE program, or becoming more involved with the Committee, please contact Alexis A. Liistro.
NEWS AND ANNOUNCEMENTS

ABA YLD Appointments - Invitation for Applications

The American Bar Association Young Lawyers Division invites you to apply for a 2015-2016 ABA YLD leadership appointment. Your skills, passion, and perspective are essential to building a vibrant, inclusive, and multicultural corps of volunteer leaders on our ABA YLD committees, boards, and teams. Only through your involvement can we engage and serve our young lawyer members, affiliate organizations, and the public. Involvement in the ABA YLD also comes with substantial benefits. You can:

- develop leadership skills by taking a leadership role in the world’s largest young lawyer professional organization,
- work with a diverse group of young lawyers focused on improving the profession,
- build your knowledge and reputation in a substantive area of the law through an ABA YLD Committee,
- serve the public or focus on addressing a special legal interest.

Whether you are a newly licensed lawyer or a long-serving volunteer leader, we hope that you will consider applying for one of the more than 300 available positions for the September 1, 2015 - August 31, 2016 bar year. The deadline to submit an application is February 15, 2015. If you have questions about the 2015-2016 ABA YLD Appointments process, contact either: ABA YLD Staff Director Robin L. Rone or ABA YLD Chair-Elect Lacy Durham

Check out our website for upcoming IP Committee Events

Keep an eye out for the following upcoming Intellectual Property and Internet Law Committee events, details and more information about these events will be provided on the website as details are completed.

1) IP Committee Survey
2) 101/201 Practice Series Articles
3) Teleconference Call related to IP Law and Cloud Computing
4) Two more Newsletters!

Upcoming ABA Events of Interest

2015 ABA Spring Conference in Tampa Bay, FL

The YLD has announced that its Spring Conference will be held May 14–16 2015 in Tampa Bay, FL. Spring Conference programming is designed to help you grow your practice and make a difference the legal profession and your community. This three-day event is filled with great CLE, topical discussions, and opportunities to network with and learn from lawyers in a variety of practice areas across the country. We hope to see you in Tampa Bay!
ARTICLES

New Guidance for Determining Subject Matter Eligibility of Life Sciences Claims - the U.S. Patent and Trademark Office tones down the rhetoric -

By William Warren and Jana Nelson


On initial review, the Interim Guidance presents a welcome shift from the highly burdensome, detrimental, and legally flawed March 2014 guidelines, and reflects significant changes in the Patent Office’s interpretation and extrapolation of the relevant Supreme Court decisions. Some of the most significant changes from the March 2014 guidelines, including the Patent Office’s new test for determining subject matter eligibility of both product and process claims, are discussed below.

Background

The procedure for determining subject matter eligibility initially proposed by the Patent Office's March 2014 guidelines resulted in a loud outcry of criticism from the public, and even sciences sector in particular. Sutherland - along with other law firms, practitioners, organizations, and companies - further resonated the need for significant change by submitting detailed comments addressing the Patent Office’s March 4 guidelines. For example, in summarizing the apparent consensus of practitioners and life sciences experts, Sutherland’s comments (authored by Jana Nelson, Washington D.C.) criticized the March 2014 guidelines as being “based on an incorrect and overly broad interpretation of what no longer may be deemed patent-eligible subject matter based on relevant Supreme Court decisions.” In quoting the very words of the Mayo court, the comments emphasized that the Supreme Court has “repeatedly emphasized a concern that law not inhibit future discovery by improperly tying up the use of laws of nature and the like” and that instead “[r]ewarding with patents those who discover laws of nature might encourage their discovery.” The comments concluded by reminding the Patent Office of the following when revising or issuing its examination guidelines:

In addition to the Guidance being based on a fundamentally flawed analytical framework, it directly conflicts with the USPTO's constitutional mandate to promote science and the useful arts. Notably, by restricting the scope of patent-eligible subject matter the Guidance threatens to effectively suppress innovation in industries relating to biotechnology and biopharmaceuticals.

Changes From March 2014 Guidance

First and foremost, the Interim Guidance has done away with the 12-factor weighing test provided by the March 2014 guidelines for determining subject matter eligibility. In place of the unduly burdensome and conflicting 12-factor test, the Interim Guidance sets forth a simplified two-step test that the Patent Office clarifies as being equally applicable for evaluating both
The new two-step test for determining subject matter eligibility under 35 U.S.C. §101 requires: (1) a determination of whether the claimed invention is to one of the four statutory categories of patent-eligible subject matter (i.e., process, machine, manufacture, or composition of matter); and then (2) a determination of whether the claimed invention is wholly “directed to” subject matter encompassing a judicially recognized exception (i.e., law of nature, a natural phenomenon, or an abstract idea).

The above-referenced second step appears to be one of the most significant changes from the March 2014 guidelines, as the step has been further bifurcated into two separate analyses. Specifically, the Interim Guidance clarifies that the second step requires: in the first part (2A), determining whether the claim is directed to a law of nature, a natural phenomenon, or an abstract idea; and in the second part (2B), determining whether any element, or combination of elements, in the claim is sufficient to ensure that the claim amounts to significantly more than the judicial exception. Unlike the March 2014 guidelines, which required a determination of whether a claim “recites or involves” an exception and “recites something significantly different” than a judicial exception, the bifurcated analysis required by the above-referenced second step determines whether a claim is “directed to” an exception and “recites elements that amount to significantly more” than the judicial exception. That is, the determination of whether a claim is directed to a “product of nature” exception has been bifurcated from the separate determination of whether the claim includes “significantly more” than the exception.

In further clarifying the analysis required under the second step, the Interim Guidance states that analysis under the second part (2B) is not required for a claim that, under the analysis of the first part (2A), is determined as not “directed to” any judicial exception, and thus directed to patent-eligible subject matter. However, the Interim Guidance suggests that a claim is “directed to” a judicial exception when “a law of nature, a natural phenomenon, or an abstract idea is recited (i.e., set forth or described) in the claim.” Further clarifying these “judicial exceptions,” the Interim Guidance states that laws of nature and natural phenomena “include naturally occurring principles/substances that do not have markedly different characteristics compared to what occurs in nature.” Under these principles, the Interim Guidance confirms that a claim reciting a nature-based product that does have markedly different characteristics does not recite the so-called “product of nature” exception, and therefore is directed to patent-eligible subject matter, unless it recites another exception.

Public remarks made on January 14, 2015 by Paul Tamayo, Senior Legal Advisor to the Office of Patent Legal Administration, clarified that “directed to” means that the exception is recited in the claim, i.e., the claim sets forth or describes the exception. Further, if the invention is merely based on or involves an exception, but the exception is not set forth or described in the claim, the claim is not directed to an exception in step (2A), and it is patent eligible.

Of additional note is the Patent Office’s clarification that the test for determining whether a claim is directed to a “product of nature” exception (2A) is separated from the analysis of whether the claim includes significantly more than the exception (2B). Claims including a nature-based product are uniquely analyzed to be compared against the naturally occurring counterpart to identify markedly different characteristics. Furthermore, the characteristics relevant to the “markedly different” analysis may include a product’s structure, function, and/or other properties that differ from its naturally occurring counterpart in the natural state.

The Patent Office also clarified that a process claim should not be subject to the
markedly different analysis for nature-based products used in the process. However, this and other aspects of the Patent Office examination guidance will continue to evolve as the lower federal courts apply the U.S. Supreme Court standards of patent eligibility enunciated in Myriad, Mayo and Alice.

Conclusion

It is evident from the Patent Office’s commentary accompanying the Guidance that the drastic revisions were heavily influenced by comments and criticism from the public. The new examination guidelines for determining subject-matter eligibility issued as “Interim Guidance,” as the Patent Office is once again welcoming comments from the public, including suggestions of specific claim examples, to further improve and facilitate examination of life sciences claims going forward. The 90-day period for submitting additional comments expires on March 15, 2015.

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California Court of Appeal Rules Models’ Right of Publicity Claims Assignable, Not Preempted by Copyright Act

By Karen A. Henry and Ambika K. Doran

The California Court of Appeal held earlier this month that certain right of publicity claims are freely assignable, and that the Copyright Act does not preempt a right of publicity claim where the defendant has no legal right to publish the copyrighted work. The decision, *Timed Out v. Youabian*, 2014 Cal. App. LEXIS 830 (Cal. App. Ct. Sept. 12, 2014), will encourage right of publicity lawsuits and increase the costs associated with rights clearances.

The defendants in *Timed Out*, cosmetic surgeon Kambiz Youabian and his company Youabian, Inc., provide cosmetic medical services in the greater Los Angeles area. To advertise, defendants displayed photographs of two models on their website. After learning about this, the models assigned their misappropriation claims to Timed Out, LLC, a company “specializ[ing] in protection of personal image rights.” Plaintiff sued defendants for statutory and common law misappropriation of likeness. Defendants moved for judgment on the pleadings, arguing (1) plaintiff lacked standing to assert the models’ rights of publicity because such rights are personal and not assignable, and (2) the Copyright Act preempted plaintiff’s claims. The trial court granted the motion. The California Court of Appeal for the Second Appellate District reversed.

Assignability of Right of Publicity Claims

The appellate court determined that the right of publicity is freely assignable during the owner’s lifetime, and that consistent with the “broad rule of assignability” in Civil Code §§ 953 and 954, right of publicity claims *involving purely pecuniary interests also are assignable*. The appellate court observed that the trial court’s contrary finding apparently was based on its misapprehension of the California Supreme Court’s decision in *Lugosi v. Universal Pictures*, 25 Cal. 3d 813 (1979).

In *Lugosi*, the heirs of Bella Lugosi sued Universal Pictures for common law misappropriation, arising from the studio’s use of the actor’s name and likeness in merchandising. Lugosi never assigned his publicity rights to his heirs. He did, however, assign his right of publicity to Universal Pictures to promote the classic horror film *Dracula*. His heirs claimed the assignment was limited and did not include the right to use Lugosi’s persona in

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merchandising unrelated to that film. In concluding the heirs lacked standing, the California Supreme Court explained that, while the right of publicity is assignable, it is a “personal” right that only can be assigned during the owner’s lifetime.

In the view of the appellate court, the trial court in Timed Out apparently mistook the Lugosi Court’s characterization of the right of publicity as “personal” to mean the right constitutes a personal tort that is not assignable. However, as the appellate court clarified, in describing the right as “personal,” the Lugosi Court was not addressing whether the right can be assigned; it was addressing who can assign the right.

The appellate court thus found that the models’ claims for misappropriation of likeness were assignable. Emphasizing California’s basic policy favoring assignability, the court explained that the exception to that policy “is confined to wrongs done to the person, the reputation, of the feelings of the injured party, and to contracts of a purely personal nature, like promises of marriage.” In contrast, “chooses in action arising out of an obligation or breach of contract [and] those arising out of the violation of a right of property or a wrong involving injury to personal or real property” are assignable. Since the plaintiff sought only to recover “pecuniary damages for defendants’ alleged commercial misappropriation of the models’ images[,]” and did not seek to recover for emotional distress, hurt feelings, or reputational injury, “the broad rule of assignability of things in action applie[d].”

Copyright Preemption

The appellate court also concluded that the Copyright Act did not preempt plaintiff’s misappropriation claims because the claims were not based on publication of the photographs. “Rather, it is defendants’ use of the models’ likenesses pictured in the photographs to promote defendants’ business that constitutes the alleged misappropriation.” Quoting Nimmer’s treatise on copyright law, the appellate court noted:

The work that is the subject of the right of publicity is the persona, i.e., the name and likeness of a celebrity or other individual. A persona can hardly be said to constitute a writing of an author within the meaning of the Copyright Clause of the Constitution. A fortiori, it is not a work of authorship under the Act. Such name and likeness do not become a work of authorship simply because they are embodied in a copyrightable work such as a photograph.

The appellate court concluded that its holding was consistent with Fleet v. CBS, Inc., 50 Cal. App. 4th 1911 (1996), because “the court in Fleet found the misappropriation claim was preempted where the only misappropriation alleged was the film’s authorized distribution by the exclusive distributor.” According to the court, “Fleet stands for the solid proposition that performers in a copyrighted film may not use their statutory right of publicity to prevent the exclusive copyright holder from distributing the film.” Since there was no allegation in the Complaint in Timed Out that the defendants had a legal right to publish the copyrighted works, the appellate court held that Fleet did not apply and plaintiff’s claims were not preempted.

The Timed Out decision will likely increase the volume of right of publicity claims, as models, actors and other entertainers, for whom litigation would otherwise be prohibitively expensive or inconvenient, assign their publicity rights to companies in the business of filing such claims. Moreover, the Court’s view on preemption may call into question protections on which content creators have relied to evaluate the costs associated with creating works.

FOOTNOTE: 1 Civil Code § 954 provides that “[a] thing in action, arising out of the violation of a right of property or out of an obligation, may be transferred by the owner.” Civil Code § 953 defines a “thing in action” as “a right to recover money or other personal property by a judicial proceeding.”