

IP & Licensing Law

A ROUNDTABLE DISCUSSION



TAMANY VINSON BENTZ
Partner
DLA Piper



IRENE Y. LEE
Partner
Russ, August & Kabat



As the legal landscape continues to evolve in terms of intellectual property and licensing law, the Los Angeles Business Journal once again turned to some of the leading IP attorneys and experts in the region to get their assessments regarding the current state of IP legislation, the new rules of copyright protection, licensing and technology, and the various trends that they have been observing, and in some cases, driving.

Here are a series of questions the Business Journal posed to these two leading experts and the unique responses they provided – offering a glimpse into the state of intellectual property law in 2020 – from the perspectives of those in the trenches of our region today.

IP & LICENSING LAW

“Data breaches do not always occur to large interstate or international companies – these are just the data breaches that get the most attention.”

TAMANY VINSON BENTZ



“Changing someone else’s work “enough” or adding new material to it does not necessarily make it non-infringing fair use.”

IRENE Y. LEE



How has COVID-19 affected your practice?

LEE: COVID-19 has forced many businesses to revise their near- and medium-term business plans. Instead of getting by with their existing infrastructure and keeping brick-and-mortar models, many clients are aggressively investing in cloud-based applications, virtual working environments, and e-commerce platforms. They are also more open to working with independent contractors and hiring employees who would work remotely. All of these changes trigger issues concerning IP ownership, data privacy, tax, and other employment issues. Another notable change is an intense focus on the interpretation and negotiation of force majeure provisions and other ways to excuse parties’ obligations in agreements. To excuse performance under force majeure, we have to identify the triggering event and decide whether it has rendered performance impossible, not simply inconvenient or economically unfavorable. Most well-drafted agreements recite a number of triggering events, such as wars, embargoes, terrorist acts, civil unrest, labor disputes, government restrictions, and natural calamities. Often, pandemics are omitted, however. We have heard a number of arguments in favor of excusing performance even in the absence of a specific recitation of “pandemics,” especially after the WHO classified COVID-19 as a global pandemic and the federal government issued a national state of emergency. It’s important to keep in mind that the applicability of a force majeure clause is determined on a case-by-case basis, as is the way in which the event affects parties’ ability to perform. Now that COVID-19 is no longer considered unforeseeable, when negotiating a new agreement, businesses should specifically carve out the COVID-19 pandemic as well as other reasonably foreseeable events, such as governing restrictions and lockouts. In the absence of a force majeure provision, see if the termination clause provides parties an opportunity to terminate or suspend performance under the circumstances. In the absence of such provisions, parties may resort to frustration of purpose, impossibility, or impracticality to excuse non-performance.

What are some common copyright issues that small businesses face? How can they best be addressed?

BENTZ: Unintentional infringement issues. What we see most often is unintentional copyright infringement where a photograph or other digital content is used to market a small business and it is not properly cleared or it is not properly licensed. For instance, one small business had a marketing blog, and the blog reposted photographs of famous individuals that the in-house marketing team had obtained online. The owner of the photograph had not approved the use or issued any license. An easy way to deal with these types of issues is to license content from one of the many photo licensing houses, such as Shutterstock or Getty Images. If a business uses these, though, it needs to make sure it purchases the correct rights for its usage.

LEE: Be mindful before using others’ works. There are some common errors concerning fair use. Changing someone else’s work “enough” or adding new material to it does not necessarily make it non-infringing fair use, nor does giving credit to the author, stating a disclaimer, or using it for non-profit, educational, or entertainment purposes. Since small businesses may not have inhouse staff to write programs or create

contents, they may have to rely on outside independent contractors. In those case, it is important to have a copyright assignment, including proper “work made for hire” language, signed. Also, adopt a practice of registering works as early as possible so you can build a meaningful IP portfolio and take advantage of statutory damages (up to \$30,000 or \$150,000 in case of willful infringement) and recover attorney fees. It usually takes more than eight months to secure a registration and the Copyright Office generally requires one application per work, which costs \$65 to file. To save on filing fees, consider registering before publication, using group registrations, collective works, and single unit.

We continue to hear stories about massive corporate data breaches; what exposure do local businesses face from data breaches?

BENTZ: Data breaches do not always occur to large interstate or international companies – these are just the data breaches that get the most attention. For instance, we have seen cases of small company email accounts being hacked and the hacker diverting client payments to untraceable bank accounts. We have also seen large companies demand their vendors certify that they have data security protections in place before they will continue to do business with the vendor. The demands stem from a concern that smaller vendors are easier targets and can provide doorways into a larger company’s system.

What are pitfalls that businesses need to know and avoid in IP assignment agreements.

LEE: When conducting diligence in M&A transactions, we often run into situations where the target company does not own all IP rights in inventions created by employees or contractors. Make sure to have a written employment agreement including invention-assignment and confidentiality agreements, preferably with a list of the inventions that employees claim to have created prior to joining your company. Avoid language that the employees “will assign” or “hold in trust” as these phrases will be construed as a promise to do something in the future and not effect a present assignment. At the exit interview, it’s good practice to have employees confirm in writing that all relevant IP rights have been assigned to the company and no IP will be used for the benefit of anyone else including future employers. Under 15 U.S.C. § 1060, an intent-to-use trademark application cannot be assigned before the applicant files evidence of use, except to a successor to the applicant’s business, or portion of the business to which the mark pertains, if that business is ongoing and existing. When assigning an intent-to-use trademark application, if applicable, make sure to specify that the assignment is made “to a successor to the business of the applicant, or portion thereof, to which the mark pertains,” and that “that business is ongoing and existing” and record the assignment with the Assignment Recordation Branch.

BENTZ: First and foremost, watch the consideration. All too often businesses assign intellectual property to another entity and do not address consideration in the agreement, especially when they are assignments between related companies. If the agreement does nothing more than make a passing reference to consideration, it might be found deficient and the transfer ineffective. Instead, deal with consideration

directly and explicitly in the agreement – even if it is simply an assignment to a related holding company. Second, avoid transferring a trademark without also transferring some portion of the business. It is well settled that there are no rights in a trademark alone and that rights to the trademark cannot be transferred apart from the business with which it is associated.

In this day and age, what are the benefits of US trademark registration? What should and shouldn’t be trademarked?

LEE: It is a must in order to effectively combat counterfeits and other forms of trademark misuse. A recent report from the Commission on the Theft of American Intellectual Property put the value of the loss to the United States from counterfeit goods, software piracy, and trade secret theft as high as \$600 billion per year, much of that due to international culprits. It is not feasible to combat this scale of theft on your own. Consider partnering with government agencies and providers of e-commerce platforms. To do so, you need your trademark registered. For example, in order to have the Customs and Border Protection (CBP) detain and seize counterfeit goods, you have to record your trademark with the CBP, which requires a trademark registration number. Without it, you cannot complete a CBP recordation application. Similarly, to request a takedown or report a trademark misuse, most social media companies require a trademark registration number and often a copy of the registration certificate. Amazon has been actively encouraging brand owners to enroll their brands in their “Amazon Brand Registry.” As part of enrollment, the first thing Amazon does is check the Trademark Office database to ensure the brand is registered. Finally, if you are planning to raise capital, make sure to have an IP portfolio that includes registrations of your core trademarks. You may have used a mark for years, thereby accruing common law rights and goodwill. But, if you don’t have your core marks registered, it could raise questions and discourage investment.

BENTZ: More and more, one of the benefits of a federal trademark registration is that it can make it easier to protect your online presence. Often popular brands need to defend their online presence from people who use their names in competing or knock-off domain names. There is a specific process, the Uniform Domain Name Dispute Resolution Policy, that sets out the legal framework for such disputes, which occur through arbitration like proceedings in front of the World Intellectual Property Organization (WIPO). Your position in a UDRP dispute and, therefore, your ability to regain control over infringing domain names, is stronger if you have a registered mark.

What are some aspects of non-compete agreements that businesses may not be aware of?

LEE: In California, in the context of employer-employee relationships, assume that non-compete agreements are void and unenforceable. So, instead of expending time and effort negotiating and crafting non-compete agreements, employers in California should focus on imposing stricter confidentiality obligations, restricting use of company trade secrets, and confirming assignment of IP rights to the company in writing. In the context of business-to-business transactions, how-

ever, there are exceptions to the strict prohibition against agreements “by which anyone is restrained from engaging in a lawful profession, trade or business of any kind”: the seller of a business, a former business partner, or a former LLC member may be refrained from carrying on a similar business within a specified geographic area. So, it is certainly worth negotiating and crafting non-compete limitations with executives of a seller company, former business partners, and former LLC members.

Do most businesses these days need international protection on IP and licensing issues?

BENTZ: It really depends on the business and if it has an international market. Obtaining and maintaining international intellectual property rights is expensive. The investment only makes sense if you are generating sales in those international markets or have plans to develop sales in those markets. Otherwise, international intellectual property rights are simply very expensive window dressing for your business. The exception to this is patent rights. It may also make sense for certain businesses to get international rights in countries where their competition is located or where their manufacturing takes place even if it may not be a prime sales market for the company.

LEE: With a few exceptions, more and more companies express a need for international IP protection. When strategizing company growth, included in that discussion are not only the countries in which you manufacture and sell goods and services but also the countries from which you are receiving inquiries about potential business opportunities such as partnership, distributorship, and license. Now that more businesses are transitioning from traditional brick-and-mortar models to e-commerce platforms and social media marketing dominates, it is important to create a list of territories of interest and secure a realistic budget from IP counsel for obtaining patent protection, trademark registrations, and any other relevant IP protection for at least a subset of countries worldwide. While we often hear complaints about how

difficult it is to enforce IP rights outside the United States, you won't have any rights to enforce if you don't even try to secure IP rights.

What criteria should be used in deciding what inventions to patent?

LEE: First, you consider the field in which the invention applies. Ask yourself whether it is in the field that the company plans to invest in and defend going forward. Is it important to legacy products or current product lines only? Or does it apply to upcoming features and/or have potentially expansive applications? Second, how innovative is the invention? Is it relatively obvious, a modest improvement of existing features, or does it have the potential to disrupt the market? Third, how easy would it be to determine whether a competitor is using the invention? Fourth, how hard would it be for a competitor to design around the invention? Finally, how difficult, time-consuming, and costly is it to get a patent? Is the invention more suitable to be protected as a trade secret than as a patent?

What are some of the social media pitfalls that trip up small businesses?

BENTZ: There are many pitfalls, and they will increase as companies develop social media platforms for advertising. Even the use of hashtags can be problematic. A few courts have found that using another company's trademark as a hashtag in a social media post can cause consumer confusion. This might be surprising to some because while hashtags may be helpful for searching for material on a social media platform, similar to the use of Google ad words on Google, they are not always a distinguishing feature of a social media post. Also, there has been a recent increase in wrongful termination claims stemming from employee social media posts. With the advent of cancel-culture it has been harder for employers to distance themselves from the content or opinions of their employees. Some employers have resorted to terminations to

address the issues. It is important for employers, no matter their size, to have policy regarding social media content that could be connected to the company.

What advice would you give to an early stage technology company with respect to protecting its intellectual property assets?

LEE: Document and keep clear records of how and where the invention is made. Determining IP inventorship and ownership can get tricky and costly and varies from state to state. If you are coming up with new ideas while working for someone else, make sure to separate your day job from your future job by refraining from using any IP and resources from the day job and working only at off-hours. All inventions should be assessed for patentability and on-sale bar issues ASAP. The deadlines on these are tight. For tech companies, mistakes made and corners cut early on can cause a loss of exclusivity and market share down the road. Diversify your IP portfolio. Utility patents are great, but are not the only way to protect your IP. Evaluate the company core assets and consider protecting them through design patents, copyright, trade secrets, and trademarks. To the extent there are trade secrets, adopt and implement clear and visible policies and protocols in a way that you can readily demonstrate the validity of the trade secrets.

What are IP issues businesses need to know and address as part of diligence in asset or equity purchase transactions.

BENTZ: There can be numerous pitfalls that arise when the value of an asset or equity purchase is intellectual property. In every case, an intellectual property lawyer should review the intellectual property portfolio as part of the diligence process. Confirming proper ownership should be first and foremost. This means making sure there is a proper chain of title, the agreements all have proper consideration, trademarks were transferred with their associated good will,



Smart Choice.
Wise Counsel.

RUSS AUGUST & KABAT

Russ August & Kabat provides sophisticated, creative and cost effective intellectual property, mergers & acquisitions, real property transaction and litigation counsel to our clients.

LAW PRACTICE AREAS

- Apparel & Fashion
- Corporate & Finance
- Employment & Labor
- Intellectual Property
- Mergers & Acquisitions
- Media & Entertainment
- Patent Litigation
- Litigation & Trial
- Real Estate

RUSS
AUGUST
& KABAT

www.RAKLaw.com
310.826.7474

IP & LICENSING LAW

“US trademark registration is a must in order to effectively combat counterfeits and other forms of trademark misuse.”

IRENE Y. LEE



“In the next few years, I think we will develop a better strategy than the DMCA notice and take down procedure to deal with online infringements.”

TAMANY VINSON BENTZ



etc. The chain of title also needs to match the registration records for any rights that registered with the Copyright Office or USPTO. If the wrong owner was named in the registration records, it can undermine the intellectual property portfolio.

LEE: It sounds obvious but make sure to do your own searches, independent of what the seller provides. More often than not sellers don't have a complete and accurate picture of their own IP rights. Make sure to check the current ownership and license status of all the IP assets that you will need in order to continue operating the business you are acquiring. Particularly, verify whether the necessary IP licenses can be assigned and sublicensed. In the context of carve-out transactions, it's critical to understand and define the subject business so you can identify the IP assets that are necessary to conduct that business. If you are acquiring proprietary information and data, conduct thorough diligence to make sure the data being acquired were collected, stored, and used in compliance with applicable regulations, e.g., GDPR (EU data protection), CCPA (CA consumer records), HIPAA (health records), FERPA (education records), etc. If the acquisition is an asset purchase as opposed to an equity purchase, make sure to set aside sufficient funds to secure and record necessary IP assignment documents, including addi-

tional foreign country-specific forms from foreign counsel. Finally, make sure the seller's IP attorneys (including those in foreign countries) will cooperate with you in transferring files and answering questions about their previously-made strategic decisions. If you don't get a full picture during due diligence, you may hit unexpected snags after you take over the IP portfolio.

Looking to the future, what significant new trends in IP and/or licensing law do you anticipate in the coming 1-5 years?

BENTZ: In the next few years, I think we will develop a better strategy than the DMCA notice and take down procedure to deal with online infringements. Even though the DMCA only applies to copyrights, the same procedure is used by most of the major platforms to deal with trademark infringement as well. The value of digital content can be short lived and front loaded. The current procedures do not account for this and allow infringements to run online for the most critical monetization periods. It encourages infringement and not originality, which is the opposite of what intellectual property laws are supposed to do.

A CLOSER LOOK AT THE EXPERTS

TAMANY VINSON BENTZ

Partner, DLA Piper

Tamany Vinson Bentz has over 15 years of experience representing companies in disputes related to their advertising and intellectual property. She has developed a practice representing clients facing novel disputes relating to digital media and consumer products. Her practice includes representing major international brands facing litigation throughout the United States and some of the world's most trafficked websites.

IRENE Y. LEE

Partner, Russ, August & Kabat

Irene Lee is a partner at Russ August & Kabat, where she focuses her practice on all aspects of intellectual property, including patent, trademark, copyright, trade secret, and right of publicity. Irene helps clients navigate through the issues surrounding creating, acquiring, securing, protecting, defending, enforcing, licensing, and monetizing their rights in various forms of intellectual property worldwide and counsels them on risk management.

WIPO Launches Database of Judicial Decisions on IP from Around the World

The World Intellectual Property Organization (WIPO) last month launched WIPO Lex-Judgments, a new database providing free-of-charge access to leading judicial decisions related to IP law from around the world.

As technological innovation often outpaces the ability of legislatures and governments to create new rules and regulations, courts across the world are increasingly facing common issues of a highly sophisticated nature.

WIPO-Lex Judgments contributes to a greater overall understanding of how courts are handling these issues, by making available judgments - selectively curated by the relevant authorities in participating member states - that establish precedent or offer a persuasive interpretation of IP law in their jurisdiction. At launch, WIPO Lex-Judgments contained over 400 documents from 10 countries.

“WIPO Lex-Judgments will provide an important support for the adjudication of IP disputes in a globalized world where courts and policy makers, challenged by the dynamic nature of the IP discipline, can use the information gained from foreign judgments and judicial practice to inform their own search for domestic judicial and policy solutions,” said WIPO Director General Francis Gurry.

By fostering accessibility of information on judicial decisions, WIPO Lex-Judgments will contribute to informing and strengthening courts' analyses and reasoning, as well as to discerning both converging and contrasting national approaches to common IP questions.

In addition, WIPO Lex-Judgments provides information on the judicial structures for IP disputes in participating member

states. This allows users to appreciate the spectrum of structures that include generalist and specialist courts, as well as administrative entities that carry out quasi-judicial functions, and their diverse features that respond to the technical nature of IP disputes.

WIPO Lex-Judgments may be useful not only to judges but also to policy makers, attorneys and academia, and contribute to a better understanding of how courts address the complex and demanding nature of IP disputes, as they endeavor to make IP adjudication more coherent, effective and accessible.

WIPO Lex-Judgments further enhances the offerings of WIPO Lex, which is the Organization's portal to a comprehensive global collection of IP laws and treaties.

Recognizing the increasingly transnational character of IP dispute resolution and the demand among national judges for dialogue with their peers across jurisdictions, in 2018, WIPO initiated a new focus on the judicial administration of IP. The activities are coordinated by the WIPO Judicial Institute, to help judges from around the world share experiences on the common challenges they face, to deliver targeted capacity building activities, and to increase the availability of information about IP and courts.

WIPO Lex-Judgments is a direct response to the needs expressed by numerous member states, initially from the Latin America and the Caribbean region (LAC region) and Spain, for a resource that improves the availability of and access to information and data on judicial systems and decisions on IP at the international level.

WIPO Lex-Judgments provides access to judicial decisions

that have been selected directly by the courts or other national authorities of each member state as leading decisions due to their significant impact or precedential value. The database captures searchable, bibliographic details for all indexed judgments, which include subject matter, issuing authority, type of proceeding, relevant legislation, keyword and summary, as well as the full text of the judgment in its original language.

As it is integrated with WIPO Lex, WIPO Lex-Judgments also enables cross-references to national laws and international treaties referenced in the decision, as contained in WIPO Lex.

Furthermore, each member state page provides an overview of its adjudication structures for IP disputes, outlining relevant features of the administrative and judicial procedures, IP case statistics and links to national online databases of judgments.

The WIPO Lex-Judgments interface is available in English, Arabic, Chinese, French, Russian and Spanish, and enhances global access to the text of foreign IP judgments through the availability of automatic machine translation tools, including WIPO Translate.

Launched with the participation of an initial group of 10 countries, WIPO Lex-Judgments will continue to grow with the addition of judgments from every new participating member state, and to improve with updates to enhance its search and filtering, as well as machine translation, functions.

The World Intellectual Property Organization (WIPO) is the global forum for intellectual property policy, services, information and cooperation. Learn more at WIPO.int.